

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 22-04 Audit Report

**NATO Afghan National Army Trust Fund:
DOD Did Not Fulfill Monitoring and Oversight
Requirements, Evaluate Project Outcomes,
or Align Projects with the Former Afghan
Army's Requirement Plans**



**OCTOBER
2021**

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Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

In 2007, NATO's North Atlantic Council created the NATO Afghan National Army Trust Fund (NATF), a partnership between NATO member nations and the broader international donor community. NATF initially supported the transportation and installation of donated equipment, helped purchase equipment and services for Afghan National Army engineering projects, and supported training. June 2014 and January 2018 memoranda of understanding (MOUs) between the U.S. Department of Defense (DOD), NATO, and the Supreme Headquarters Allied Powers Europe (SHAPE) expanded NATF's scope and established two paths for SHAPE to transfer NATF funds, one to DOD's NATF Afghanistan Security Forces Fund (ASFF) account and the other to NATO's Resolute Support Mission (RSM) account. As of March 2021, the U.S., which manages NATF through DOD, and other nations, had donated \$3.4 billion to the fund.

In accordance with Senate Report 116-126, accompanying the Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2020, SIGAR initiated an audit of DOD's management and oversight of NATF since 2014. The objectives of this audit were to assess the extent to which DOD has (1) monitored and accounted for NATF contributions, (2) evaluated the performance and effectiveness of NATF-funded projects, and (3) evaluated the Afghan government's ability to sustain NATF investments.

October 2021

NATO Afghan National Army Trust Fund: DOD Did Not Fulfill Monitoring and Oversight Requirements, Evaluate Project Outcomes, or Align Projects with the Former Afghan Army's Requirement Plans

SIGAR 22-04 AUDIT REPORT

WHAT SIGAR FOUND

In May 2021, SIGAR completed field work for this audit and briefed DOD on its preliminary findings. DOD responded to SIGAR's preliminary findings and provided additional information. In August 2021, SIGAR provided a draft of this report to DOD for review and comment. However, the events of August 2021—including the collapse of the Afghan government and Taliban's return to power—led NATO to indefinitely suspend and freeze NATF funding for Afghanistan. Moreover, in September 2021, a DOD official told SIGAR that DOD had not yet read the report and would not have time to provide comments. Because SIGAR's findings highlight deficiencies in DOD's oversight, monitoring, and evaluation of NATF, SIGAR is issuing this report to inform Congress of important information to consider as it makes decisions regarding future use of the trust fund and assistance in Afghanistan.

SIGAR found that DOD and its Combined Security Transition Command-Afghanistan (CSTC-A) did not monitor and account for NATF funds going through the DOD ASFF account, as required by the MOUs. The 2014 and 2018 MOUs required DOD to produce quarterly and annual progress reports that provide financial and narrative information on the progress of NATF-funded projects that the U.S. implemented. CSTC-A should have produced 26 quarterly and 7 annual reports from January 2014 through December 2020, but only provided evidence that it completed 4 quarterly and 1 annual report.

The 2014 and 2018 MOUs also require CSTC-A to complete annual independent financial audits of NATF and share the results with donor nations. However, DOD did not provide evidence that it completed the 2014 or 2019 audits, and according to KPMG Limited International (hereafter "KPMG"), whom DOD contracted to undertake the audits, the department did not provide requested information necessary to complete the audits in other years. For example, in its FY 2017 audit report, KPMG noted that DOD did not provide funding authorization documents and cash collection vouchers, which prevented KPMG from assessing all requested financial transactions.

SIGAR also found that NATF monies channeled, with CSTC-A approval, from SHAPE to the NATO Support and Procurement Agency (NSPA) were not monitored and accounted for because responsibilities for them are unclear. DOD received about 90 percent of all NATF funds for execution, but these funds did not all pass through the NATF ASFF account. Specifically, no clear guidance established responsibility to monitor and account for funds that went from SHAPE, with CSTC-A authorization, directly to the NSPA and therefore bypassed DOD's NATF ASFF account. CSTC-A officials told SIGAR that based on a 2016 sales agreement between NSPA and CSTC-A, CSTC-A was not

responsible for managing, executing, or monitoring NATF funds executed through NSPA, totaling about \$641 million since 2016. For their part, NATO officials told SIGAR that DOD, which was responsible for overall management and execution of NATF funds, was also responsible for funds CSTC-A authorized for NSPA under the 2016 sales agreement. However, SIGAR found that the MOUs state what funds DOD should monitor and account for with NATF contradict what CSTC-A agreed to with NSPA in the sales agreement. The MOUs state that NATF funds going to DOD shall be transferred to DOD's ASFF account, while the sales agreement notes that CSTC-A can authorize SHAPE to channel NATF funds directly to NSPA, thereby bypassing the ASFF. As a result, the funds that passed directly to NSPA were not subject to U.S. oversight and donors were left without clear information and reporting needed to understand how their contributions were used.

SIGAR also found that CSTC-A has not met NATF performance management and reporting requirements in the MOUs. The 2014 MOU notes that DOD has been responsible for evaluating NATF project performance and effectiveness since June 2014. However, CSTC-A only provided SIGAR with 4 of 26 required quarterly reports and 1 of 7 required annual progress reports. Additionally, CSTC-A only provided SIGAR 4 of 32 end-of-project reports. Further, the quarterly, annual, and end-of-project reports did not contain any performance information or narrative, such as details on results achieved, community or security-related outcomes, or project utilization. CSTC-A did not develop a plan for measuring the performance of NATF-funded projects, and did not measure impact or outcomes related to NATF projects it ostensibly "managed" per the requirements and agreement outlined in the MOUs. DOD officials told SIGAR in November 2020 that CSTC-A "does not have a role in creating, reviewing, tracking, and assessing periodic performance reporting," in direct contradiction of the MOU requirements.

The 2014 MOU states that NATF projects must align with the Afghan National Defense and Security Forces (ANDSF) Requirements Plan that the Afghan government, in coordination with CSTC-A and others, is supposed to develop annually. However, SIGAR found that CSTC-A did not work with the Afghan government to develop annual ANDSF Requirements Plans. The plans were supposed to help guide NATF project selection and goals, and ensure projects are aligned with up-to-date requirements. CSTC-A officials told us that the most recent ANDSF Requirements Plan is from "2013 or 2015," but DOD did not provide us a copy of the plan. As a result, CSTC-A cannot be certain that NATF projects were addressing Afghan priorities and overall NATF goals.

Donors representatives and NATO officials told SIGAR that sustainability should be an important component of NATF management and that DOD, as the trust fund manager, should address and report on project sustainability. However, the 2014 and 2018 MOUs do not require DOD to evaluate the Afghan government's ability to sustain NATF investments. The lack of guidance on this issue, as well as unclear and conflicting guidance, has contributed to NATF stakeholders interpreting DOD's roles and responsibilities in managing and overseeing the fund differently. Since DOD, NATO, and SHAPE are currently developing a new MOU, there is an opportunity to clarify and formalize NATF processes and other issues identified during this audit, including evaluating the extent to which the Afghan government can sustain NATF investments.

In April 2021, President Biden announced the withdrawal of U.S. combat troops from Afghanistan. Following that announcement, DOD shut down CSTC-A and replaced it with the Defense Security Cooperation Management Office–Afghanistan. The Defense Security Cooperation Management Office–Afghanistan assumed many of CSTC-A's previous responsibilities. Its establishment presents an opportunity to correct the litany of issues related to DOD's management and oversight of NATF identified in this report.

WHAT SIGAR RECOMMENDS

SIGAR is not making any recommendations in this report. However, our draft report did include two recommendations. We recommended that the Director of the Defense Security Cooperation Management Office–Afghanistan (1) work with NATO and SHAPE, and consult with donor nations to the extent possible, to develop a new NATF memorandum of understanding (MOU) and specify responsibility for (a) monitoring and accounting for NATF funds passing through the DOD NATF ASFF account and determining what processes, reports, and other information is required; (b) monitoring and accounting for NATF funds that go from SHAPE directly to NSPA; (c) working with the Afghan government to develop ANDSF requirements, the frequency in developing the requirements, and for ensuring the NATF-funded projects align with ANDSF requirements; and, (d) developing a sustainability plan for NATF-funded projects prior to approval, including a mechanism to report whether the Afghan government maintains projects after transfer. Additionally, we recommended that the Director of the Defense Security Cooperation Management Office–Afghanistan (2) update the existing sales agreement between CSTC-A and NSPA to specify the responsible party for monitoring and accounting for NATF funds to align with language in the next MOU, and include accountability and transparency measures, such as annual DOD audits of these funds.

SIGAR provided a draft of this report to DOD to review and comment. In September 2021, DOD told SIGAR that it would not provide comments.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 15, 2021

The Honorable Lloyd J. Austin III
Secretary of Defense

General Kenneth F. McKenzie Jr.
Commander, U.S. Central Command

Major General Curtis A. Buzzard
Director, Defense Security Cooperation Management Office–Afghanistan

This report discusses the results of SIGAR’s congressionally-mandated audit examining the U.S. Department of Defense’s (DOD) management of the NATO Afghan National Army Trust Fund (NATF). During our audit, we encountered delays and a lack of cooperation from DOD. Specifically, the department did not allow direct and timely access to officials or records throughout the course of our fieldwork. In May 2021, following continued delays, we decided to conclude our fieldwork and write our report based on the limited information that DOD provided.

We found that the Combined Security Transition Command–Afghanistan (CSTC-A) did not monitor and account for NATF funds transferred into DOD’s NATF Afghanistan Security Forces Fund (ASFF) account, as required by memorandums of agreement DOD signed with NATO in 2014 and 2018. We also found a lack of clear guidance outlining responsibilities for funds that went from the Supreme Headquarters Allied Powers Europe (SHAPE) directly to the NATO Support and Procurement Agency (NSPA), bypassing DOD’s NATF ASFF account. In addition, CSTC-A did not meet NATF performance management and reporting requirements, and did not ensure that NATF projects addressed up-to-date Afghan National Defense and Security Forces (ANDSF) requirements. Lastly, although CSTC-A, as trust fund manager, was not required to evaluate the Afghan government’s capacity to sustain NATF projects, CSTC-A initiated, but did not complete, steps to help make NATF funding more efficient, transparent, and responsive to donor needs, including considering the sustainability of future NATF investments.

We are not making any recommendations in this report. However, our draft report did include two recommendations. We recommended that the Director of the Defense Security Cooperation Management Office–Afghanistan (1) work with NATO and SHAPE, and consult with donor nations to the extent possible, to develop a new NATF memorandum of understanding (MOU) and specify responsibility for (a) monitoring and accounting for NATF funds passing through the DOD NATF ASFF account and determining what processes, reports, and other information is required; (b) monitoring and accounting for NATF funds that go from SHAPE directly to NSPA; (c) working with the Afghan government to develop ANDSF requirements, the frequency in developing the requirements, and for ensuring the NATF-funded projects align with ANDSF requirements; and, (d) developing a sustainability plan for NATF-funded projects prior to approval, including a mechanism to report whether the Afghan government maintains projects after transfer. Additionally, we recommended that the Director of the Defense Security Cooperation Management Office–Afghanistan (2) update the existing sales agreement between CSTC-A and NSPA to specify the responsible party for monitoring and accounting for NATF funds to align with language in the next MOU, and include accountability and transparency measures, such as annual DOD audits of these funds.



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Although we completed our fieldwork prior to the collapse of the Afghan government in August 2021, we removed our two recommendations as they were overtaken by recent events. These events—including the collapse of the Afghan government and the Taliban’s return to power—led NATO to indefinitely suspend and freeze NATF funding for Afghanistan. Because our findings highlight deficiencies in DOD’s oversight, monitoring, and evaluation of NATF, we are issuing this report to inform Congress of important information to consider as it makes decisions regarding future use of the trust fund and future assistance in Afghanistan.

In May 2021, we completed substantive field work for this audit, and briefed DOD on our preliminary findings. DOD responded to our preliminary findings and provided additional information. In August 2021, we provided a draft of this report to DOD for review and comment. In September 2021, a DOD official told us that DOD had not yet read the report and would not have time to provide comments.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended; and the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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ABBREVIATIONS

ANA	Afghan National Army
ANDSF	Afghan National Defense and Security Forces
ASFF	Afghanistan Security Forces Fund
CSTC-A	Combined Security Transition Command–Afghanistan
DOD	Department of Defense
FY	fiscal year
MOU	memorandum of understanding
NATF	NATO ANA Trust Fund
NATFO	NATF Office
NSPA	NATO Support and Procurement Agency
RSM	NATO's Resolute Support Mission
SHAPE	Supreme Headquarters Allied Powers Europe

In 2007, NATO's North Atlantic Council created the NATO Afghan National Army Trust Fund (NATF), which is a partnership between NATO member nations and the broader international donor community.¹ NATF is one of three main funding sources that the international donor community uses to sustain the Afghan National Defense and Security Forces (ANDSF).² NATO established NATF to provide a mechanism for the transportation and installation of donated equipment, to purchase equipment and services for Afghan National Army (ANA) engineering projects, and to support training. June 2014 and January 2018 memoranda of understanding (MOUs) between the U.S. Department of Defense (DOD), NATO, and the Supreme Headquarters Allied Powers Europe (SHAPE) expanded NATF's scope.³ For example, the 2014 MOU expanded NATF's scope to support literacy, professional military education, capacity-building activities, and women's participation in Afghan ministries and security institutions. In 2018, NATF's scope further expanded, allowing NATF funds to be used in other areas of the Afghan security forces, such as the Afghan National Police. As of March 2021, DOD and other donors have provided \$3.4 billion to the fund.

In accordance with Senate Report 116-126, accompanying the Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2020, SIGAR was mandated to

[C]onduct an assessment of the internal controls of multilateral trust funds for Afghanistan reconstruction that receive U.S. contributions, to include any third-party evaluations of the internal controls of the Afghan government ministries receiving assistance from multilateral trust funds, and... to report to the Committee if access to records is restricted for programs funded with U.S. contributions.⁴

To comply with this requirement, in October 2019, we initiated an audit of DOD's management and oversight of NATF since 2014, the year in which stakeholders established the second NATF MOU explaining terms for fund transfer mechanisms, accountability, transparency, reporting, monitoring, and auditing. The objectives of this audit were to assess the extent to which DOD has (1) monitored and accounted for NATF contributions, (2) evaluated the performance and effectiveness of NATF-funded projects, and (3) evaluated the Afghan government's ability to sustain NATF investments.

During our audit, we encountered delays and a lack of cooperation from DOD. DOD did not allow direct and timely access to officials or records throughout the course of our fieldwork. On nine occasions from December 2019 through May 2020, we requested meetings with and records from the Combined Security Transition Command-Afghanistan (CSTC-A), the DOD-led organization that headed the NATF Office (NATFO) until April 2021. However, DOD refused to cooperate.⁵

On July 24, 2020, SIGAR's Deputy Inspector General sent a letter to CSTC-A's Deputy Commander informing him of DOD's delays and lack of cooperation, reminding him of SIGAR's congressionally-directed mandate to audit NATF, and requesting CSTC-A's cooperation. Although DOD officials acknowledged the letter, they did not fully address our requests and continued delaying access to information. In August 2020, DOD officials directed that we not request additional information until DOD responded to our written questions from April 2020. DOD partially responded to these questions in November 2020, about 7 months after receiving them. After receiving

¹ Documents we received refer to the NATO Afghan National Army Trust Fund with various names, including ANA Trust Fund, ANATF, and NATF. Throughout this report, we use "NATF" to describe the NATO Afghan National Army Trust Fund.

² The other two funding sources are the Law and Order Trust Fund for Afghanistan and the Afghan Security Forces Fund (ASFF). NATF planned to contribute about \$339.1 million, or 8 percent, of the ANDSF's budget in fiscal year (FY) 2021.

³ The initial MOU was established in August 2009. This audit covers the 2014 and 2018 MOUs. Since 2020, NATF stakeholders have been working to draft a new MOU.

⁴ S. Rep. No. 116-126, at 31 (2020). Office of the Under Secretary of Defense for Policy officials questioned whether this language from page 31 of S. Rept. 116-126 applies to NATF. The officials stated that the mandate comes from a committee with no DOD oversight responsibilities. DOD is incorrect. The Senate Appropriations Committee has oversight authority over all federal agencies, including DOD. Moreover, SIGAR has the authority to evaluate NATF because DOD is the trust fund manager, and the U.S. has contributed funds to NATF.

⁵ Some requested records which DOD did not produce included implementation plans, quarterly execution reports, and end-of-project reports that CSTC-A was responsible for developing.

DOD's responses, we decided to conclude our fieldwork, and per the mandate, report on the audit objectives. In addition, as directed in Senate Report 116-126, SIGAR's December 2020 *Semiannual Report to the Congress* informed the U.S. House of Representatives and the U.S. Senate about DOD's resistance to our oversight activities, which restricted or delayed access to information during our audit.⁶

In April 2021, President Biden announced the withdrawal of U.S. combat troops from Afghanistan. Following that announcement, DOD shut down CSTC-A and replaced it with the Defense Security Cooperation Management Office–Afghanistan. The Defense Security Cooperation Management Office–Afghanistan assumed many of CSTC-A's previous responsibilities.

To accomplish our objectives, we reviewed the 2014 and 2018 MOUs and standard operating procedures governing NATF; NATF plans and contracts; quarterly, annual, and end-of-project reports; independent audits; and financial data. We interviewed officials from DOD's Office of the Under Secretary of Defense (Comptroller), Office of the Under Secretary of Defense for Policy, and CSTC-A; the CSTC-A-led NATFO; NATO Headquarters, SHAPE, the NATO Support and Procurement Agency (NSPA); and six of the top seven NATF donor nations.⁷ We conducted our audit work in Arlington, Virginia, from December 2019 through October 2021, in accordance with generally accepted government auditing standards. Appendix I has a more detailed discussion of our scope and methodology.

BACKGROUND

The 2014 and 2018 NATF MOUs (1) prescribe the organizational and management arrangements between NATO, SHAPE, and DOD; (2) define the roles and responsibilities of NATO, SHAPE, and DOD in managing and executing the NATF in support of ANDSF sustainment post-2014 and post-2017, respectively; and (3) establish the applicable funds transfer, contracting, monitoring, evaluation, reporting, accounting, and auditing arrangements. The MOUs also state the following:

- DOD is responsible for executing funds transferred from the SHAPE NATF account to the ASFF account, in accordance with the NATF Implementation Plan and donor caveats on donated funds.⁸
- NATO Headquarters is responsible for fundraising activities and for mobilizing the support of the international community.
- SHAPE is responsible for financial management of the NATF account to which donors contribute funds, and for fund transfers in line with the NATF Implementation Plan.

According to the 2014 and 2018 MOUs, DOD is required to develop quarterly execution reports, annual progress and performance reports, and end-of-project reports that provide both financial and performance information, and to annually audit NATF funds transferred to the ASFF account. Specifically, the MOUs require DOD to develop the following reports:

⁶ SIGAR, *SIGAR Semiannual Response Reporting Period: April 1, 2020 to September 30, 2020*, December 2020. Additionally, in response to our preliminary audit findings, DOD officials told us in April 2021 that SHAPE "owns" NATF information and DOD could not share it with SIGAR. However, the notion that DOD may withhold information from SIGAR because it does not "own" that information is fallacious. There is no law or regulation that permits DOD to withhold information from SIGAR. Moreover, DOD did not provide any evidence to support the claim of SHAPE ownership or of DOD's actions to obtain requested documents from SHAPE, and we found no evidence indicating that SHAPE owns documents that CSTC-A or DOD produced in their role as overall fund manager. In fact, the MOUs clearly state that DOD should share these reports with NATO Headquarters, SHAPE, RSM, senior NATO civilian representatives, and the NATF Board, which includes donor nations (emphasis added).

⁷ We interviewed officials from Germany, Australia, Italy, the Republic of South Korea, Canada, and the United Kingdom. The audit team did not meet with representatives from the Netherlands.

⁸ Congress created the ASFF account to provide the ANDSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.

- Quarterly execution reports that provide updates on NATF project implementation, expenditures incurred, and results achieved. The 2014 and 2018 MOUs state, “Concise Quarterly Execution Reports are to be developed by the United States providing in-between updates on implementation, expenditures incurred, and results achieved for ANDSF requirements funded from [NATF] and implemented by the United States... Detailed scope and format of the reports are to be developed by the United States in close coordination with NATO HQ [Headquarters] IS-NOR [International Staff NATO Office of Resources] and SHAPE.”
- Annual progress and performance reports that provide financial information and information on the overall progress, performance, and assessments of NATF. The 2014 and 2018 MOUs state that these reports should provide financial and narrative information on overall progress and performance, and assessments of the programmatic aims of ANDSF requirements funded from NATF and implemented by the United States.
- End of project reports, after U.S. support has ended on a project, “detailing the overall execution of ANDSF requirements funded from NATF and implemented by the U.S.”

The MOUs note that DOD should share these reports with NATO Headquarters, SHAPE, NATO’s Resolute Support Mission (RSM), senior NATO civilian representatives, the NATF Board, and donor nations.⁹ The MOUs also state that DOD develops the scope and format of the reports, in coordination with NATO Headquarters and SHAPE, and chooses independent public accountants to audit the funds.

In October 2014, DOD created an internal MOU between three of its divisions, the Office of the Under Secretary of Defense (Comptroller), CSTC-A, and the Defense Finance and Accounting Service, to establish terms and conditions under which these organizations intended to share information on the identification and execution of ANDSF requirements. According to DOD, the internal MOU’s purpose was to help assure NATF’s transparency and provide accurate reporting to NATO and donor nations. This MOU identified CSTC-A as the primary DOD entity for managing and overseeing the fund, and for evaluating and reporting on the performance and effectiveness of NATF-funded projects to NATO stakeholders.

The Afghan government is responsible for preparing an annual ANDSF Requirements Plan, which is the basis for establishing NATF project requirements eligible to receive NATF funding. In addition, the 2014 internal DOD MOU assigned CSTC-A responsibility for coordinating with the Afghan government to create the annual Requirements Plan, and with support from RSM, to ensure NATF funds address ANDSF requirements. According to DOD, the latest ANDSF Requirements Plan is from “2013 or 2015.”

CSTC-A is also responsible for creating an annual Implementation Plan that describes the scope, execution priorities, and performance objectives of the ANDSF requirements in a given year. Lastly, the internal MOU states that the U.S. is not only responsible for executing NATF funds merged into the ASFF account, but also for coordinating with SHAPE, RSM, and NATO Headquarters for input on NATF-funded ANDSF requirements that NSPA may implement.

NATF Funding

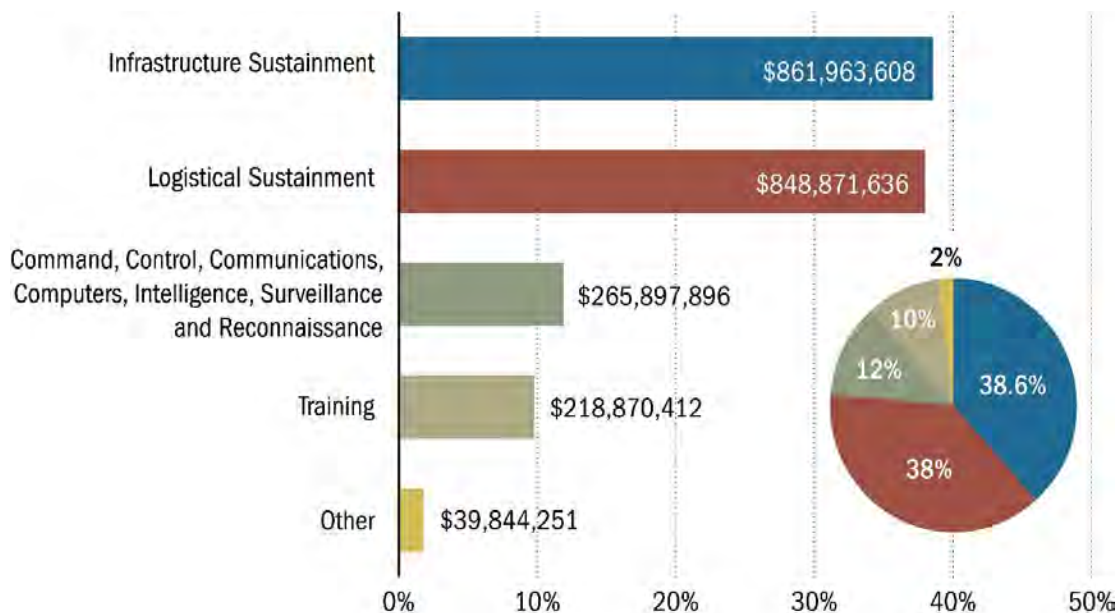
As of March 2021, 37 donors, including NATO members and partners, had contributed \$3.4 billion to NATF, with the top five donors—Germany, Australia, Italy, Republic of South Korea, and Canada—contributing \$2.6 billion, or about 75 percent of all NATF contributions. In 2018, the U.S. made a one-time contribution of \$40.4 million to the fund.¹⁰ NATF funding is mainly used to support infrastructure sustainment; logistical sustainment, such as uniforms, vehicle maintenance, and equipment sustainment; and command, control, communications,

⁹ The NATF Board is the body responsible for monitoring the fund’s overarching progress and implementation, including reviewing and approving Implementation Plans, certified financial statements, progress and performance reports, and audits. Membership includes NATF donors, the U.S., NATO, RSM, and Afghan authorities.

¹⁰ The U.S. contribution supported an existing contract for purchasing Counter Improvised Explosive Devices Countermeasures Equipment for the ANDSF.

computers, intelligence, surveillance and reconnaissance training for the ANDSF. Figure 1 summarizes NATF's investment of its \$2.2 billion in contributions by category, for 2015 through 2019 (the most recent year for which complete data was available).

Figure 1 - Investment, By Category, For 2015 through 2019



Source: SIGAR analysis of CSTC-A quarterly reports.

Note: The total amount for the five NATF categories is \$2.2 billion.

Donors generally contribute annually to NATF and can place a caveat, or a funding preference, on the type of broad category that they want to fund. Donors may use the ANDSF Requirements Plan as the basis for identifying the categories, which change over time with evolving ANDSF requirements. The 2018 MOU states that caveats should be limited to broad categories of expenditures, such as non-lethal assistance; salaries; individual support; training, including literacy and professional military education; infrastructure; and equipment sustainment. The U.S., as the NATF manager, must execute NATF funds in accordance with the national caveats on donated funds, unless the caveats conflict with U.S. acquisition laws, regulations, and policies.

The 2014 and 2018 NATF implementation MOUs establish two paths for SHAPE to transfer NATF funds, one to DOD's NATF ASFF account (called the X-year account), and the other to RSM account.¹¹ NATO officials told us that about 90 percent of all NATF funds go through DOD, while the remaining 10 percent go through RSM account.¹² According to the 2014 MOU, DOD receives, manages, and executes NATF funding transferred from the SHAPE account to DOD's ASFF X-year account. The U.S. Army Corps of Engineers awarded and oversaw these contracts, and they were to be carried out in accordance with DOD's contracting system and U.S. laws,

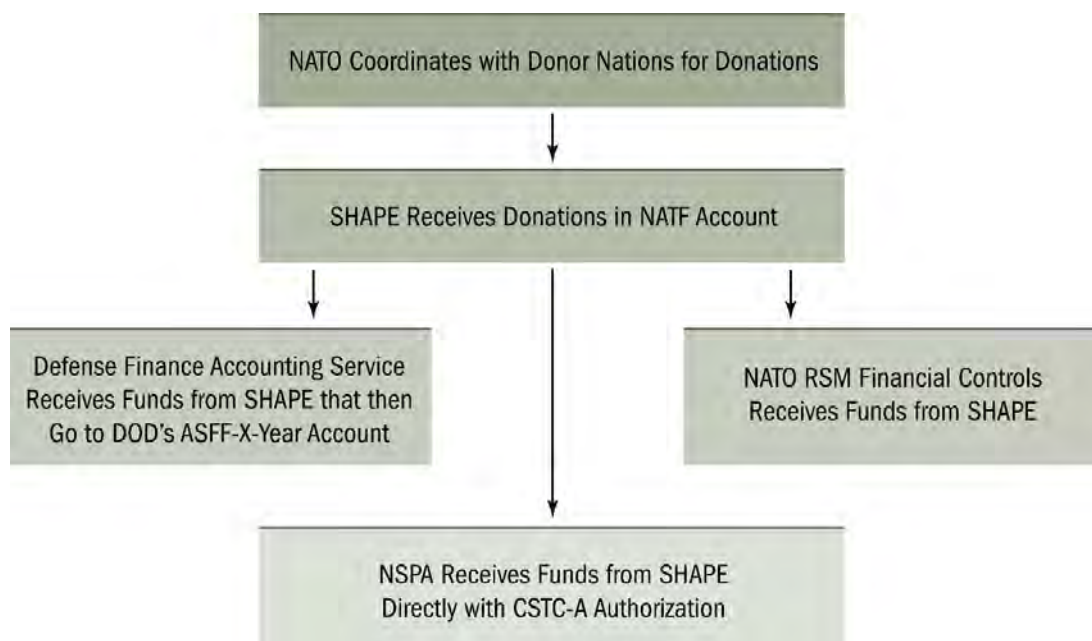
¹¹ RSM's Financial Controls Group is responsible for managing and executing funds transferred from the SHAPE NATF account to RSM. The X-year accounts are U.S. Department of the Treasury special accounts that can be used for trust funds. The X-year account funds do not expire or get commingled with other funds. The ASFF-NATF X-year account is separate from Congress's broader Overseas Contingency Operations ASFF account.

¹² Our audit did not assess the management and oversight of funds obligated and executed through the RSM account. Since we did not receive all of the information we requested from DOD, we could not confirm comments from NATO officials about how the \$3.4 billion contributed to NATF as of March 2021 breaks out across each funding path.

regulations, and procedures. For the second path, RSM receives, manages, and executes NATF funds that go from SHAPE to RSM.¹³

In 2016, CSTC-A entered into a sales agreement with NSPA to procure and execute NATF projects on CSTC-A's behalf.¹⁴ According to the sales agreement, NSPA provides an alternate procurement method when the U.S. system is unable to provide either timely or specific goods or services to the Afghan government through the U.S. government procurement system. This sales agreement resulted in a third path for SHAPE to transfer NATF funds. According to the agreement, SHAPE can transfer NATF funds, with CSTC-A authorization, directly to NSPA for NATF-funded projects that it executes for CSTC-A, bypassing DOD's ASFF account. Figure 2 shows how NATF funds flow from the SHAPE account to the three paths.¹⁵

Figure 2 - How NATF Funds Flow from the SHAPE Account to DOD, RSM, or NSPA



Source: SIGAR analysis of DOD information, as of January 2021.

¹³ DOD is not responsible for managing or executing NATF funds that SHAPE provides to RSM; that responsibility lies with NATO. The International Board of Auditors for NATO audits NATF funds.

¹⁴ CSTC-A and NSPA, "Sales Agreement No. CSTC-A-01 for Support to the CSTC-A for Infrastructure and Logistics Sustainment, Capacity and Integrity Building, Training and C4ISR [Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance] by NATO Support and Procurement Agency (NSPA)," January 8, 2016.

¹⁵ The U.N. Office for Project Services, U.S. Army Corps of Engineers, and Asian Development Bank also implement NATF projects.

DOD DID NOT MEET MONITORING AND ACCOUNTING REQUIREMENTS FOR NATF FUNDS

CSTC-A was responsible for managing the approximately \$1.2 billion in NATF funds that SHAPE transferred into DOD's ASFF X-year account from 2014 through 2020.¹⁶ As part of its responsibilities, CSTC-A was required to produce various reports that include both financial and performance information, including quarterly and annual reports, and annual independent audits. However, we found that DOD has not met monitoring and accounting requirements for NATF funds and projects executed through the DOD ASFF X-year account. For example, CSTC-A should have produced 26 quarterly execution reports and 7 annual progress reports from January 2014 through December 2020. However, DOD only provided us with evidence that it completed 4 quarterly execution reports and 1 annual progress report. Further, although DOD receives 90 percent of all NATF funds for execution, not all of those funds pass through the ASFF account. According to a DOD sales agreement between CSTC-A and NSPA, SHAPE sends some funds directly to NSPA, bypassing the DOD's ASFF X-year account. While the MOUs and sales agreement do not clearly define responsibilities for monitoring and accounting for these funds, DOD claims that CSTC-A was not the responsible party because the funds do not go into DOD's ASFF X-year account.

DOD Did Not Meet Monitoring and Accounting Requirements for NATF Funds Going through DOD's ASFF X-Year Account

The 2014 and 2018 MOUs required DOD to monitor, report on, and account for NATF funds that were transferred from SHAPE to DOD for execution. However, we found that CSTC-A did not fully monitor and account for all NATF funds going through the DOD ASFF X-year account, as required by the MOUs. Specifically, CSTC-A should have produced 26 quarterly execution reports and 7 annual progress reports from January 2014 through December 2020.¹⁷ However, DOD provided us only 4 quarterly execution reports and 1 annual progress report. DOD did not provide us with 19 quarterly execution reports and 6 annual progress reports (85 percent) that we requested.¹⁸

In addition, the 2014 and 2018 MOUs require DOD to complete annual financial audits of NATF and share the results with donor nations through the NATF Board. We requested that DOD provide us a copy of the annual independent audit reports completed from FY 2014 through FY 2019. DOD provided four financial audits that KPMG Limited International (hereafter "KPMG"), whom DOD contracted to undertake the audits, completed covering FY 2015 through FY 2018; DOD did not provide the audits for FY 2014 or FY 2019. A DOD official told us that to fulfill the annual audit requirement for FY 2014, DOD accepted two DOD Office of Inspector General financial audit reports issued in FY 2014 and FY 2015. However, our review of the DOD Office of Inspector General financial audits found they did not cover FY 2014, but rather FY 2010 through FY 2012, and FY 2013, respectively. In addition, the official also told us in April 2021 that the FY 2019 KPMG audit report had not been issued yet.¹⁹

¹⁶ We did not assess the extent to which CSTC-A sections that received NATF funds followed U.S. and ASFF accounting and procurement laws, regulations, and other guidance. SIGAR has previously reported on its concerns with DOD's monitoring of and accounting for ASFF funds. For example, in a 2020 audit examining women's infrastructure projects in the ANDSF, we found that CSTC-A did not develop and retain project justification documents or needs assessments for women's infrastructure, and could not provide documentation showing funding approvals for 29 projects we reviewed. SIGAR, *Facilities to Support Women in the Afghan Security Forces; Better Planning and Program Oversight Could Have Helped DOD Ensure Funds Contributed to Recruitment, Retention, and Integration*, SIGAR 21-04-AR, October 15, 2020.

¹⁷ With regard to analysis, the four quarterly execution reports may be combined with the annual progress and performance reports. However, we chose to count each quarterly and annual report as a separate report.

¹⁸ In April 2021, DOD officials told us they would not provide us additional reports we requested because SHAPE "owns" NATF information. However, as noted previously, there is no basis in law or regulation for the notion that DOD may withhold information from SIGAR because that information is "owned" by someone else. Moreover, the MOUs clearly state that DOD should share these reports with NATO Headquarters, SHAPE, RSM, senior NATO civilian representatives, the NATF Board, and donor nations (emphasis added).

¹⁹ In April 2021, other DOD officials told us they would continue searching for the missing FY 2014 audit report and provide it to our team. However, we did not receive the FY 2014 audit report prior to this report's issuance.

Our review of the FY 2013 DOD Office of Inspector General report shows that the audit covered CSTC-A's management of NATF contributions to the ASFF account and found significant material variances in collections, obligations, and disbursements from the fund. The report concluded that receipts and expenditures of NATO's NATF-funded projects in FY 2013 and earlier were not presented fairly, in accordance with generally accepted accounting principles. The DOD Office of Inspector General made three recommendations, all of which CSTC-A agreed to implement. In April 2021, DOD officials told us they would provide documents showing what corrective action they took to address the recommendations. However, as of the issuance of this report, DOD has not provided any corrective action documents.

Our review of the four KPMG financial audits covering FY 2015 through 2018 showed that KPMG reported several instances where DOD did not provide all of the requested information necessary to complete the audit work. For example, in the FY 2015 audit report, KPMG noted that DOD was unable to provide requested project documentation, which prevented KPMG from comparing the total obligations incurred for 12 of 17 projects sampled to the total obligations estimated for each project. In another example, KPMG noted in its FY 2017 audit report that DOD was unable to provide funding authorization documents and cash collection vouchers, which prevented KPMG from assessing all requested financial transactions.

These examples demonstrate disturbing trends within DOD: the department has not cooperated with audits examining NATF, and has not completed required monitoring and accounting of NATF. These issues leave Congress, international donors, and the Afghan government without the information necessary to prioritize and implement projects intended to benefit the ANDSF.

Finally, as described earlier, CSTC-A was required to produce quarterly and annual reports that provide financial and narrative information on the progress of NATF-funded projects that the U.S. implemented. The four quarterly reports we received contained project execution information by category, SHAPE account donor nation balances, and a yearly project tracker. The one annual report we received contained a list of active, completed, and canceled projects; an NATF financial statement; and the status of SHAPE account nation balances. Although the MOUs do not define what type of financial information CSTC-A should include in the reports, except a certified financial account statement, representatives from two of the top six donor nations told us that the reports do not contain enough detailed financial information to determine how the funds their nations provided to NATF were spent and to help make future funding decisions. For example, one donor representative told us that financial reports have structural issues making it difficult to check which projects are completed and financially closed out versus completed but financially still open. According to donor representatives, these difficulties have resulted in not knowing their funding levels in the SHAPE account.

Monitoring and Accounting Guidance for NATF Funds Transferred to NSPA Under the Sales Agreement Is Not Clear

We found a lack of clear guidance detailing the monitoring and accounting responsibilities for NATF funds that go from the SHAPE account directly to NSPA, thus bypassing DOD's ASFF X-year account. Based on the 2016 sales agreement between CSTC-A and NSPA, SHAPE can send NATF funds—with CSTC-A authorization—directly to NSPA to obligate for specific projects. However, DOD and NATO have differing views on whether CSTC-A should be responsible for monitoring and accounting for these funds. DOD officials told us that CSTC-A was not responsible for managing, executing, or monitoring NATF funds executed through NSPA, an amount which totals about \$641 million since 2016.²⁰ DOD officials told us NATFO—an international office of donor nation representatives and headed by a DOD official—is responsible for managing and executing NATF funds that go to NSPA. The officials said that NATFO manages and executes NATF funds provided to NSPA, and that CSTC-A managed NATFO in a “dual-hatted” capacity as a leader in NATO and not in a DOD capacity.

²⁰ The \$641 million does not include the \$205 million that CSTC-A provided to NSPA for overhauling Mi-17 helicopters from FY 2014 through FY 2019, a project that NSPA implemented in 2014.

In April 2021, in response to our preliminary audit findings, DOD officials said that the 2016 sales agreement is between NATFO and NSPA, not CSTC-A and NSPA. However, the sales agreement shows CSTC-A and NSPA as signatories, not NATFO and NSPA. In addition, SHAPE officials told us that the sales agreement is between CSTC-A and NSPA, and provides a mechanism for the U.S. to use NSPA.

NATO officials told us they have a different understanding than CSTC-A's explanation for the monitoring and accounting of NSPA funds that come through the sales agreement. The officials told us that because CSTC-A was responsible for the overall management and execution of NATF funds, CSTC-A was also responsible for funds it authorized for NSPA through the sales agreement. These NATO officials also said that based on their understanding and interpretation of NATF guidance, CSTC-A should have managed NATF funds that went from CSTC-A to NSPA. A senior CSTC-A official acknowledged that the MOUs and sales agreement are poorly written and may cause confusion in understanding NATF roles and responsibilities concerning NATF funds executed by NSPA.

We found that the MOU terms stating what NATF funds DOD should monitor and account for contradict what DOD agreed to in the NSPA sales agreement. Specifically, the MOUs state that NATF funds going to DOD must be transferred to DOD's ASFF X-year account, while the sales agreement notes that CSTC-A could authorize SHAPE to channel NATF funds directly to NSPA. As a result, and based on DOD's interpretation of the MOUs and sales agreement, the NATF funds CSTC-A authorized for NSPA based on the sales agreement were not subjected to U.S. oversight.²¹ For example, NATF funds provided to NSPA are excluded from annual DOD audits. In addition, bypassing the ASFF account and channeling funds directly to NSPA can limit Congress's ability to make informed decisions about the projects funded under the ASFF account. Further, NATF donors may be left without a firm understanding of how their contributions are used.

DOD DID NOT EVALUATE THE PERFORMANCE AND EFFECTIVENESS OF NATF-FUNDED PROJECTS, AND NATF'S OVERALL IMPACT IS NOT CLEAR

CSTC-A did not evaluate the performance and effectiveness of NATF-funded projects. Specifically, DOD did not provide us all of the required periodic performance reports, and the performance reports that we did receive lacked required performance information. Further, CSTC-A and the Afghan government did not select and fund NATF projects that aligned with ANDSF Requirements Plans that were current at the time of project selection.

CSTC-A Did Not Meet NATF Performance Management and Reporting Requirements

DOD did not provide us evidence that CSTC-A completed the required number of periodic performance reports. As noted earlier, CSTC-A should have produced 26 quarterly and 7 annual reports from January 2014 through December 2020. However, DOD only provided 4 quarterly execution reports and 1 annual progress and performance report. Additionally, in February 2020, DOD provided us a list of projects indicating that at least 32 NATF projects were completed using ASFF funds from June 2014 through January 2020; however, DOD only provided us with 4 of the 32 required end-of-project reports.

Based on our analysis of the performance reports DOD provided, we found that CSTC-A did not include the performance information required by the MOUs. Specifically, we found that the quarterly, annual, and end-of-project reports did not contain any performance information or narrative, such as details on results achieved, community or security-related outcomes, or project utilization. The quarterly and annual reports only provided descriptive, high-level information about each project, such as a project description, project start and end dates, or total project expenditures. Similarly, the end-of-project reports only provided project requirement details and

²¹ The current sales agreement was set to expire in February 2021, but DOD extended it to December 2021. DOD told us CSTC-A signed the sales agreement with NSPA to fast-track the procurement process for NATF projects and to spend some NATF funds through NSPA. Additionally, in April 2019, NATO and the UN Office for Project Services signed a "project agreement" for the latter to implement some NATF projects. However, DOD has not explained to us who currently enforces the agreement extending through December 2021 given that CSTC-A, as a signatory, no longer exists.

some project information, such as contributing nations, project completion dates, and financial information, such as project budgets and expenditures.

Donor representatives from multiple countries told us that the CSTC-A reports they received lack information that they would have liked to see, such as project progress and performance. For example, one donor representative said that CSTC-A's reporting only provided general project status updates. Additionally, we reviewed a NATO document showing donors officials telling CSTC-A that they wanted more project performance information and narrative that assessed overall project and NATF achievements. Donor nations told us this information is important for justifying to their governments continued voluntary NATF investments based on the benefits achieved.

As outlined in the 2014 MOU, CSTC-A was responsible for evaluating the performance and effectiveness of NATF projects since June 2014. However, CSTC-A did not develop a plan for measuring the performance of NATF-funded projects, and it did not measure impact or outcomes related to NATF projects it ostensibly "managed" per the requirements and agreement outlined in the MOUs. In direct contradiction of the MOU requirements, DOD officials told us in November 2020 that CSTC-A "does not have a role in creating, reviewing, tracking, and assessing periodic performance reporting." DOD officials also told us that NATF project oversight should include a combination of reporting from the NATF Board, project owners, implementers, and the Afghan government. However, we found that the MOUs state that the NATF Board is only responsible for reviewing and endorsing DOD's performance reports and does not create them. The MOUs make no mention of the NATF Board's or any other party's responsibility—other than DOD's—regarding reporting on the performance of NATF projects.

While donor representatives told us they recognize that the NATF MOUs are an agreement between DOD, NATO, and SHAPE, the representatives stated that the next update to the MOU should address the need for more performance information on NATF-funded projects. When we asked DOD if donors have asked for more robust performance reporting, DOD officials responded that DOD "is not going to comment on donor nations' views or perceptions pertaining [to] their [donors] internal deliberations." However, in April 2021, more than 11 years after DOD accepted performance measurement responsibility for NATF, DOD officials said that CSTC-A and the NATF Board had approved the implementation of a third-party monitoring mechanism to address donors' requests for increased monitoring following project completion. This mechanism allows donors to initiate, and pay for, monitoring and evaluation for both in-progress and completed projects. DOD said that this process addressed donor requests for more project information and should ensure projects are completed according to project specifications, used as intended, and maintained.

CSTC-A and the Afghan Government Did Not Update ANDSF Requirements Plans for at Least 6 Years, and CSTC-A Cannot Ensure Approved NATF Projects Address Broader ANDSF Goals

The 2014 and 2018 MOUs state that NATF's objective is to support and sustain the ANDSF, and that NATF-related activities must be closely coordinated with the Afghan government. The 2014 MOU also states that NATF projects must align with the ANDSF Requirements Plan, a plan that the Afghan government is supposed to develop annually in coordination with CSTC-A, RSM, and others. Further, the U.S. is responsible for developing an annual NATF Implementation Plan, which describes the performance objectives of NATF-funded projects. Together, these annual plans should show how NATF projects align with overall NATF strategic goals to build and sustain a capable ANDSF.

According to CSTC-A, the Afghan government did not prepare an ANDSF Requirements Plan for several years, nor has CSTC-A coordinated with the Afghan government to do so. The plan was supposed to help guide NATF project selection and goals, and ensure projects are aligned with up-to-date requirements; however, the size, structure, makeup, and other ANDSF factors have evolved over time, often annually. For example, between January 2020 and January 2021, the ANDSF recorded an increase in total numbers of over 26,000 personnel, with the ANA's total ANDSF strength allocation decreasing from 65 percent to 61 percent, and the Afghan National Police's share increasing from 35 percent to 39 percent during that time period. CSTC-A officials told us that the most recent ANDSF Requirements Plan is from "2013 or 2015," but DOD did not provide us a copy

of the plan. Despite the severely outdated ANDSF Requirements Plan, CSTC-A completed the required annual NATF Implementation Plan.

When we asked DOD officials and donor nation representatives about NATF's project proposal and selection process for inclusion in the Implementation Plan's list of available projects, they told us that the NATF project proposal and selection process is not based on an ANDSF Requirements Plan, as the MOU requires. DOD told us that the Afghan government does not follow the MOU process to create an ANDSF Requirements Plan because it is not a party to the MOU, and instead uses "alternative means" to determine ANDSF requirements. DOD officials and donors told us that the "alternative means" general process was for CSTC-A Train Advise Assist Command advisors to propose NATF projects based on ANDSF requirements they identify. Afghan officials are not required to be involved in the NATF project proposal process, but can be. The CSTC-A Train, Advise, Assist Command advisors then sent their NATF project proposals to the CSTC-A official managing NATFO. CSTC-A officials and NATF governing bodies assessed the project list and then agreed on specific projects to provide to the Afghan Ministry of Defense for review and ranking based on three categories: mission-essential, mission-critical, and mission-enhancing. At that point, CSTC-A decided whether to endorse a project, appeal to the NATF Board for approval, and add to the annual Implementation Plan for donors to fund through caveated NATF donations.

Donor representatives told us that there is little scrutiny during the project selection process to determine whether proposed projects meet overall NATF objectives or Afghan needs based on budgetary and capability requirements that are supposed to be established in the ANDSF Requirements Plan. Donor nation representatives described several concerns with this process, including a lack of strategic direction or alignment in project selection, inadequate Afghan government involvement, a lack of projects for donors to fund, and many canceled projects. In 2020, NAFTO cancelled all projects that could not be completed by the end of spring 2021 due to the decision to drawdown U.S. and NATO forces from Afghanistan. The remaining money for these cancelled projects was returned to the SHAPE account.

Some donors told us that due to a lack of projects to fund, they have large unused balances in their SHAPE accounts from prior year contributions; this makes donors question the continuation of their regular fund contributions. Further, a donor representative told us that since NATF projects are fully funded by donor money, Afghan government officials who review NATF projects may be more inclined to support all projects, regardless of whether they are needed or align with Afghan priorities. The donor nation representatives added that the Afghan government should be more involved in project proposal and selection to ensure that projects align with Afghan priorities before they are added to CSTC-A's Implementation Plan. DOD did not respond to our requests to explain why CSTC-A did not coordinate with the Afghan government to develop updated ANDSF Requirements Plan(s), or how CSTC-A, as trust fund manager, addressed donor concerns that NATF projects may not align with Afghan requirements or priorities.

DOD HAS NOT EVALUATED THE AFGHAN GOVERNMENT'S CAPACITY TO SUSTAIN NATF PROJECTS, AND NATO PARTNERS ARE CONCERNED ABOUT SUSTAINABILITY

The 2014 and 2018 MOUs did not require CSTC-A, as the trust fund manager, to evaluate the extent to which the Afghan government can sustain proposed projects prior to approving and obligating NATF monies. Further, the Afghan government is not required to determine how it will sustain NATF projects prior to approval, and NATF project contracts do not contain, and are not required to contain, an Afghan sustainment requirement.

Since January 2013, SIGAR has stressed the importance of sustainability for projects funded in Afghanistan. Based on common challenges identified through its body of work, SIGAR has cited seven key questions that decision-makers should consider as they decide on whether and how best to fund reconstruction projects in Afghanistan. One question SIGAR has consistently stated that needs asking before starting a project is, "Do the Afghans have the financial resources, technical capacity, and political will to sustain it?" We have reported on the effects of U.S. investment in Afghanistan reconstruction if agencies fail to consider this question. For

example, a February 2021, SIGAR report on U.S.-funded capital assets in Afghanistan found that \$723.8 million, or 91 percent of the total cost of 60 capital asset projects, went toward assets that were unused or abandoned, were not used as intended, had deteriorated, were destroyed, or had some combination of the latter.²²

NATO and donor nations have expressed concern about NATF project sustainment.²³ NATO officials told us they expected donors and CSTC-A to discuss and include sustainability clauses in NATF project contracts, when applicable. Further, donors and NATO officials told us that sustainability should be an important component of NATF management and that CSTC-A, as the trust fund manager, should have addressed and reported on the sustainability of NATF projects after completion. For example, donors told us that CSTC-A should have made NATF stakeholders aware of whether completed projects are being used and maintained as intended, 6 to 12 months after completion. In addition, donors and NATO officials stated that they would like to have sustainability assessments completed prior to providing funding to determine whether the Afghan government can sustain NATF-funded infrastructure projects in the long-term. As one donor representative stated, donors want to avoid funding and supporting NATF projects that the Afghan government cannot sustain.

Donor representatives told us that CSTC-A provided little information after it transferred NATF projects to the Afghan government, decreasing donor visibility into project use and sustainment. Some donor nations told us that as a result, they talked directly with the Afghan government to help determine whether the government can sustain the donor's NATF investments after transfer. For example, one donor worked with the Afghan Ministry of Defense to ensure project sustainability by including operation and maintenance costs in the ministry's annual budget. However, the donor representative noted that its government still has reservations about whether the Afghan government will be able to sustain NATF-funded projects, even when the Afghan government states that it will allocate resources to do so.

DOD officials told us that in August 2019, CSTC-A started multiple initiatives to help make NATF funding more efficient, transparent, and responsive to donor needs. For example, the officials said that CSTC-A produced a revised NATF project brief—an NATF project proposal template—that allowed DOD requirements owners who receive NATF funds through the ASFF to determine and explain whether a project they are proposing is sustainable.²⁴ The project brief also introduced a sustainment section for requirements owners to provide Afghan government project sustainment cost estimates and plans, and any future training or additional requirements the Afghan government would need to sustain a project upon completion. CSTC-A stated that these updates to the brief would help stakeholders focus on sustainability from the onset of project development. CSTC-A also noted that it would continue to refine the project brief template as donor nations provide feedback through key engagements with the NATF Board, requirements owners, and procurement agencies.²⁵

²² SIGAR, *U.S.-Funded Capital Assets in Afghanistan*, SIGAR 21-20-IP, February 24, 2021.

²³ Due to restrictions related to the COVID-19 pandemic, we did not specifically assess the sustainment, condition, or use of individual NATF-funded projects as part of this report. Instead, we focused on sustainment requirements and related issues or concerns. We have addressed individual NATF projects in other reports (see for example, SIGAR, *Afghan National Army and Train Advise Assist Command—Air Joint Air Force Hangar I Complex: Construction and Renovation Generally Met Requirements and Standard*, SIGAR 20-38 Inspection Report, May 2020; SIGAR, *Facilities to Support Women in the Afghan Security Forces: Better Planning and Program Oversight Could Have Helped DOD Ensure Funds Contributed to Recruitment, Retention, and Integration*, SIGAR 21-04 Audit Report, October 2020).

²⁴ Requirements owners identify ANDSF needs and propose NATF projects to address those needs. For example, project proposals come from advisors in the Train Advise Assist Command teams, who act as the requirements owners. In Afghanistan, CSTC-A advisors also occasionally act as requirements owners.

²⁵ In April 2021, DOD officials told us that CSTC-A intends to “lead NATF for the foreseeable future,” but they did not provide specific dates. In addition, DOD did not provide a copy of the NATF project brief, thus we were unable to determine the extent to which the brief addresses sustainment. Moreover, DOD has not explained to us who currently leads or manages NATF now that CSTC-A no longer exists.

CONCLUSION

DOD and CSTC-A did not monitor and account for NATF funds, measure project effectiveness, and ensure NATF funds addressed ANDSF priorities and trust fund goals. The failure of DOD and CSTC-A to manage NATF as outlined in the MOUs and as expected by donors, left the department, oversight bodies, and Congress without the information needed to determine whether the fund was contributing to U.S. objectives in Afghanistan. These failures also left donors wondering whether their \$3.4 billion investments actually met the needs of the ANDSF, and whether the projects they funded actually contributed to coalition goals.

Donor nations depended on CSTC-A to monitor and account for their NATF contributions, and to evaluate the performance and effectiveness of the NATF-funded projects and their impact in supporting the ANDSF. However, DOD did not deliver on the commitments it made in the 2014 and 2018 MOUs outlining management and oversight requirements. Importantly, ANDSF requirements were supposed to form the basis for project selection, but CSTC-A did not coordinate with the Afghan government to develop an ANDSF Requirements Plan for at least 6 years. The ANDSF changed significantly over this period in terms of personnel, equipment, and sustainment requirements; CSTC-A's failure to ensure NATF projects responded to up-to-date ANDSF needs means that NATF funds could have been wasted or used to fund projects that did not meet NATF's objectives and ANDSF requirements.

Unclear, conflicting, and absent guidance across the MOUs and sales agreement also contributed to NATF stakeholders' differing interpretations of CSTC-A's roles and responsibilities in managing and overseeing the fund. As a result, CSTC-A, NATO, and donors do not have adequate information to determine the effectiveness of NATF's billions of dollars in investment for the ANDSF. If DOD, NATO, and SHAPE plan to continue to develop a new MOU, the opportunity exists to clarify and formalize NATF processes and other issues identified during our audit, including evaluating the extent to which the Afghan government can sustain NATF investments.

Equally troubling is DOD's apparent aversion to independent oversight of NATF. Specifically, DOD did not cooperate with our audit or with those of KPMG, and the department refused to provide necessary documents or make staff available for necessary interviews. Since we received limited information from DOD and did not have adequate access to its officials, it is not clear why CSTC-A did not follow its project reporting requirements, or why it did not address requirements regarding the type of information to include in its reporting. This is a concern to us and should be a concern to donor nations because donors lack a clear understanding of how their contributions were used and what tangible outcomes NATF-funded projects actually delivered for the ANDSF.

In May 2021, we completed field work for this audit. Also in May, we briefed DOD on its preliminary findings and the department responded to our preliminary findings and provided additional information. In August 2021, we provided a complete draft of this report to DOD for review and comment. However, the events of August 2021—including the collapse of the Afghan government and the Taliban's return to power—led NATO to indefinitely suspend and freeze NATF funding for Afghanistan. Moreover, in September 2021, a DOD official told us that DOD had not yet read the report and would not have time to provide comments. Because our findings highlight deficiencies in DOD's oversight, monitoring, and evaluation of NATF, we are issuing this report to inform Congress of important information to consider as it makes decisions regarding future use of the trust fund and future assistance in Afghanistan.

RECOMMENDATIONS

We are not making any recommendations in this report.

However, our draft report did include two recommendations. We recommended that the Director of the Defense Security Cooperation Management Office–Afghanistan (1) work with NATO and SHAPE, and consult with donor nations to the extent possible, to develop a new NATF memorandum of understanding (MOU) and specify responsibility for (a) monitoring and accounting for NATF funds passing through the DOD NATF ASFF account and determining what processes, reports, and other information is required; (b) monitoring and accounting for

NATF funds that go from SHAPE directly to NSPA; (c) working with the Afghan government to develop ANDSF requirements, the frequency in developing the requirements, and for ensuring the NATF-funded projects align with ANDSF requirements; and, (d) developing a sustainability plan for NATF-funded projects prior to approval, including a mechanism to report whether the Afghan government maintains projects after transfer. Additionally, we recommended that the Director of the Defense Security Cooperation Management Office–Afghanistan (2) update the existing sales agreement between CSTC-A and NSPA to specify the responsible party for monitoring and accounting for NATF funds to align with language in the next MOU, and include accountability and transparency measures, such as annual DOD audits of these funds.

AGENCY COMMENTS

We provided a draft of this report to DOD to review and comment. In September 2021, DOD told us that it had not read the report and did not have time to provide comments.

APPENDIX I - SCOPE AND METHODOLOGY

This audit examined the Department of Defense's (DOD) management and oversight of the NATO Afghan National Army Trust Fund (NATF) from October 2013 through December 2020. The objectives of this audit were to assess the extent to which DOD has (1) monitored and accounted for NATF contributions, (2) evaluated the performance and effectiveness of NATF-funded projects, and (3) evaluated the Afghan government's ability to sustain NATF investments.²⁶

For all audit objectives, we reviewed

- policies, procedures, and other documentation that govern NATF activities in Afghanistan—such as memoranda of understanding (MOUs) signed by NATO Headquarters, Supreme Headquarters Allied Powers Europe (SHAPE), and DOD—and that established the terms for fund transfer mechanisms, accountability, transparency, and DOD's responsibilities for reporting, monitoring, and auditing of NATF contributions used to support NATF-funded projects in Afghanistan. This includes a 2014 MOU between DOD's Office of the Under Secretary of Defense (Comptroller), the Combined Security Transition Command–Afghanistan (CSTC-A), and the Defense Finance and Accounting Service that set forth the terms and conditions under which these DOD organizations intend to share information on the identification and execution of Afghan National Defense and Security Forces (ANDSF) requirements;
- a 2016 sales agreement between CSTC-A and the NATO Support and Procurement Agency (NSPA) governing NSPA's implementation of NATF projects; and NATF standard operating procedures, arrangements, and terms of reference that detail the processes through which each trust fund participant intends to share information on the identification and execution of NATF-sponsored ANDSF requirements; and
- CSTC-A-produced NATF documentation, including quarterly, annual, and end of project reports, Implementation Plans, plenary meeting minutes, and financial data.

In addition, we interviewed officials or representatives from

- DOD's Office of the Under Secretary of Defense (Comptroller), Office of the Under Secretary of Defense for Policy, CSTC-A, and the CSTC-A-led NATF Office (NATFO);
- NATO Headquarters, NATO's SHAPE, and NSPA; and
- six of the top seven donor nations to NATF: Australia, Canada, Germany, Italy, the Republic of South Korea, and the United Kingdom.²⁷

During our audit, we faced delays and a lack of cooperation from DOD that affected our ability to conduct the audit, obtain and review all relevant documents, and interview DOD and Afghan government officials. DOD did not allow us direct and timely access to officials and records throughout the course of our fieldwork, resulting in delays and our working with limited information for all three audit objectives.

To determine the extent to which DOD, as the NATF manager, monitored and accounted for NATF contributions, we analyzed DOD's financial oversight requirements, including the MOUs and sales agreement, annual NATF auditing requirements, and prior DOD Office of Inspector General and private sector audit reports. We also reviewed quarterly, annual, and end of project reports that DOD produced and provided to us. We interviewed DOD, CSTC-A, and NATO officials and donor nation representatives to determine the extent to which DOD provided oversight of NATF funds, per the MOUs.

To determine the extent to which DOD evaluated the performance and effectiveness of NATF-funded projects, we analyzed DOD's and CSTC-A's periodic reporting requirements and performance reports for NATF projects,

²⁶ Due to limited information that DOD provided, we only received and analyzed financial data from 2015 through 2019, rather than the full October 2014 through 2020 period of our audit scope.

²⁷ The audit team did not meet with representatives from the Netherlands.

including quarterly execution reports, annual progress and performance reports, end of project reports, and Implementation Plans. We interviewed DOD and CSTC-A officials about project performance and reporting requirements, and reviewed their written responses to our interview questions.

To determine the extent to which DOD evaluated the Afghan government's ability to sustain NATF investments, we reviewed NATF documentation and interviewed DOD, CSTC-A, and NATFO officials managing and overseeing NATF activities to understand the extent to which they are required to, and plan for, sustainability of NATF investments. We reviewed CSTC-A responses to our requests for information pertaining to the sustainability of NATF projects. We also interviewed donor nation representatives to identify challenges to sustaining NATF projects and how, if at all, CSTC-A and NATFO officials addressed these challenges.

We did not use or rely on computer-processed data for the purpose of our audit objectives. We assessed the significance of internal controls and compliance with laws and regulations necessary to satisfy the audit objectives. We determined that DOD's NATF-related control activities and control environment were significant to the audit objectives. Specifically, we determined the extent to which (1) DOD's management of NATF MOU requirements were designed to achieve the fund's objectives and respond to risks, and (2) how DOD's organizational structure, assignment of responsibility, and delegation of authority ensured that activities followed the MOU requirements. The results of our assessment are included in this report. However, because our review was limited to these internal control components and underlying principles, it may not disclose all internal control deficiencies that may have existed at the time of this audit.

We conducted our audit work in Arlington, Virginia, from December 2019 through October 2021, in accordance with generally accepted government auditing standards. Due to travel restrictions related to the COVID-19 pandemic, we were unable to travel to NATO HQ and Kabul as originally planned, and used Zoom and other teleconference formats to conduct our interviews. Audit standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. SIGAR performed this audit under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

APPENDIX II - ACKNOWLEDGMENTS

Eugene Gray, Senior Program Manager

Jerry Clark, Senior Auditor

Ahmad Fawad, Senior Program Analyst

Alyssa Teddy, Senior Program Analyst

Ashley Cox, Senior Auditor

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SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

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Public Affairs Officer

- Phone: 703-545-5974
- Email: sigar.pentagon.ccr.mbx.public-affairs@mail.mil
- Mail: SIGAR Public Affairs
2530 Crystal Drive
Arlington, VA 22202