



SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

OFFICE OF SPECIAL PROJECTS

DEPARTMENT OF DEFENSE COMMANDER'S EMERGENCY RESPONSE PROGRAM (CERP): PRIORITIES AND SPENDING IN AFGHANISTAN FOR FISCAL YEARS 2004 - 2014

This product was completed under SIGAR's Office of Special Projects, the Special Inspector General's response team created to examine emerging issues in prompt, actionable reports to federal agencies and the Congress. The work was conducted pursuant to the Special Inspector General's authorities and responsibilities under the National Defense Authorization Act for FY 2008 (P.L. 110-181).

APRIL 2015

SIGAR-15-49-SP



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

April 17, 2015

Congressional Committees:

Enclosed is an analysis prepared by my office of funding for the Commander's Emergency Response Program (CERP) in Afghanistan.

Congress appropriated about \$3.7 billion between November 2003 and June 2014 for CERP, which was designed to help U.S. commanders in Afghanistan respond to urgent humanitarian relief and reconstruction requirements. As of June 2014, the Department of Defense (DOD) had obligated \$2.3 billion of these funds.

In preparing this report, SIGAR requested information from DOD about how and where CERP funds were likely spent on reconstruction projects in Afghanistan. SIGAR formally issued this request through an inquiry letter released in January 2014.¹ This report provides an analysis of the information obtained from DOD's response and SIGAR's ongoing oversight of CERP funding.

Despite challenges associated with the reliability of the data provided, we've broadly identified how CERP funds were used and where CERP Projects were located in Afghanistan. We also considered publicly available information and previous data calls provided to SIGAR for inclusion into our quarterly reports in conducting our analysis.

This report was prepared by SIGAR's Office of Special Projects, a response team created to examine emerging issues in prompt, actionable reports to federal agencies and the Congress. The work was conducted under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

Sincerely,

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

¹ SIGAR Special Project 14-22-SP, *CERP Funding Inquiry*, January 16, 2014, see Appendix VII.

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Summary

The Department of Defense (DOD) created the Commander's Emergency Response Program (CERP) to help military commanders respond to urgent humanitarian relief and reconstruction requirements. Congress appropriated \$3.7 billion for CERP between fiscal year (FY) 2004 and FY 2014 and, according to data provided by the DOD, the U.S. military obligated \$2.3 billion of these funds as of June 2014.

Between FY 2008 and FY2014 alone, Congress appropriated \$3 billion in CERP funds; however, only \$1.77 billion (59 percent) was obligated. DOD attributes the decline in CERP obligations in this period to a change of mission occurring in FY 2012 that re-focused the US military efforts in Afghanistan toward training, advising, and assisting Afghan forces instead of conducting combat operations. Of the remaining \$1.3 billion (41 percent) in unobligated CERP funds appropriated in this period, DOD reported that roughly \$659.9 million (52 percent) were reprogrammed for other purposes and \$609.1 million (48 percent) expired and were returned to the Treasury.

In Afghanistan, CERP funds were used to implement projects in all 34 provinces, with a significant portion of these funds used in Kandahar and Helmand Provinces. DOD primarily used CERP funds to support urgent humanitarian and reconstructive projects; transportation; education; agriculture/irrigation; healthcare; water and sanitation; and economic, financial, and management improvements. However, according to data provided by DOD, the largest group of completed CERP projects lacked specific categorization and remain unknown. Finally, current financial and project management systems used by DOD in tracking CERP projects do not contain sufficient data relating to obligations and disbursements or comprehensive information relating to the actual costs of projects.

Background

The DOD established CERP in Afghanistan in FY 2004 pursuant to section 1110 of the Emergency Supplemental Appropriations Act for Defense for the Reconstruction of Iraq and Afghanistan, 2004, Pub. L. No. 108-106, § 1110, 117 Stat. 1209, 1215 (2003). The purpose of CERP is to enable local commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements. CERP's first formal appropriation, as well as its subsequent appropriations, gave DOD broad authority to spend CERP funds notwithstanding other provisions of law.² As a result, projects supported by CERP funds are not bound by procurement laws or the Federal Acquisition Regulation.

However, the DOD Financial Management Regulation (FMR), which implements various Congressional requirements related to CERP restricts the use of CERP funds to 20 authorized purposes, including electricity, education, transportation, and other urgent humanitarian or reconstruction projects.³ (See Appendix II for a complete list of authorized CERP categories.) Starting in 2015, CERP funding in Afghanistan will be used primarily for condolence payments for the loss of life or injury, battle damage payments for property damage, and small-scale projects that would

² Emergency Supplemental Appropriations Act for Defense for the Reconstruction of Iraq and Afghanistan, 2004, Pub. L. No. 108-106, § 1110, 117 Stat. 1209, 1215 (2003); see, e.g., Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, § 9005 (2014).

³ Department of Defense, Financial Management Regulation 7000.14-R, Volume 12, Chapter 27, *Commander's Emergency Response Program*, Annex A, January, 2009, pp. A-1 – A-5.

assist local communities near enduring bases to enhance force protection according to DOD officials, (see Appendix VI).

Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.⁴ Projects with estimated costs exceeding \$1 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5 million require approval from the Afghanistan Resources Oversight Council.⁵ CERP-funded projects may not exceed \$20 million.⁶

U.S. Forces-Afghanistan (USFOR-A) is responsible for providing oversight of CERP in Afghanistan and has issued standard operating procedures for CERP, which have evolved since the program began. Starting in May 2009, these procedures were included in USFOR-A Publication 1-06, which provides guidance for using “money as a weapon system” in Afghanistan.

As of December 2009, CERP standard operating procedures required that all CERP projects adhere to the Afghanistan First Program, which encourages the use of Afghan contractors to the greatest extent possible. In addition, the FMR and standard operating procedures required commanders to coordinate CERP projects with Afghanistan government representatives and to document Afghanistan’s commitment to sustain the projects after completion.⁷

⁴ Department of Defense, Financial Management Regulation 7000.14-R, Volume 12, Chapter 27, Commander’s Emergency Response Program (2009), p. 27-3.

⁵ The AROC is an approval body convened to provide senior-level review of expenditures of Afghanistan Reconstruction Funding. The AROC is comprised of Principal Deputy Under Secretaries for The Office of the Under Secretary of Defense (OUSD) (Policy), OUSD(Acquisition, Technology, and Logistics), and OUSD(Comptroller), as well as senior representatives from the Joint Staff, U.S. Central Command, and Assistant Secretary of the Army (Financial Management and Comptroller).

⁶ Cost limits and approval processes have changed since CERP’s inception in 2004. These represent the current figures associated with CERP issued in the 2012 policy titled Money as A Warfare System – Afghanistan (MAAWS-A) available in United States Forces – Afghanistan (USFOR-A), Publication 1-06, *Commander’s Emergency Response Program (CERP) SOP*, March, 2012, p. 47.

⁷ SIGAR Audit Report Audit-11-7, *Commander’s Emergency Response Program in Laghman Province Provided Some Benefits, but Oversight Weaknesses and Sustainment Concerns Led to Questionable Outcomes and Potential Waste*, January 27, 2011, pg. 2.

DOD Obligated \$2.3 Billion of the \$3.7 billion Congress Appropriated for CERP from FY 2004 to FY 2014

Since FY 2004, Congress has appropriated nearly \$3.7 billion for CERP. Of this amount, as of June 30, 2014, DOD has obligated nearly \$2.28 billion and disbursed nearly \$2.26 billion. Section 9005 of the Consolidated and Further Continuing Appropriations Act for Fiscal Year 2015, Pub. L. No. 113-235 (2014), provides that up to \$10 million of the funds appropriated to the Army for operations and maintenance may be used to fund CERP. Section 9005 also limits each CERP project to a \$2 million funding cap and Congressional notification is required for projects with anticipated costs of \$500,000 or more.⁸

Figure 1 below shows CERP appropriations by fiscal year while providing a cumulative comparison of amounts appropriated, obligated, and disbursed. A significant portion of the funds appropriated for CERP was never obligated. As of June 2014, the U.S. military obligated only \$2.3 billion of the \$3.7 billion, or about 62 percent, appropriated by Congress. The percent of unobligated funds increased significantly in FYs 2010, 2012, 2013, and 2014.

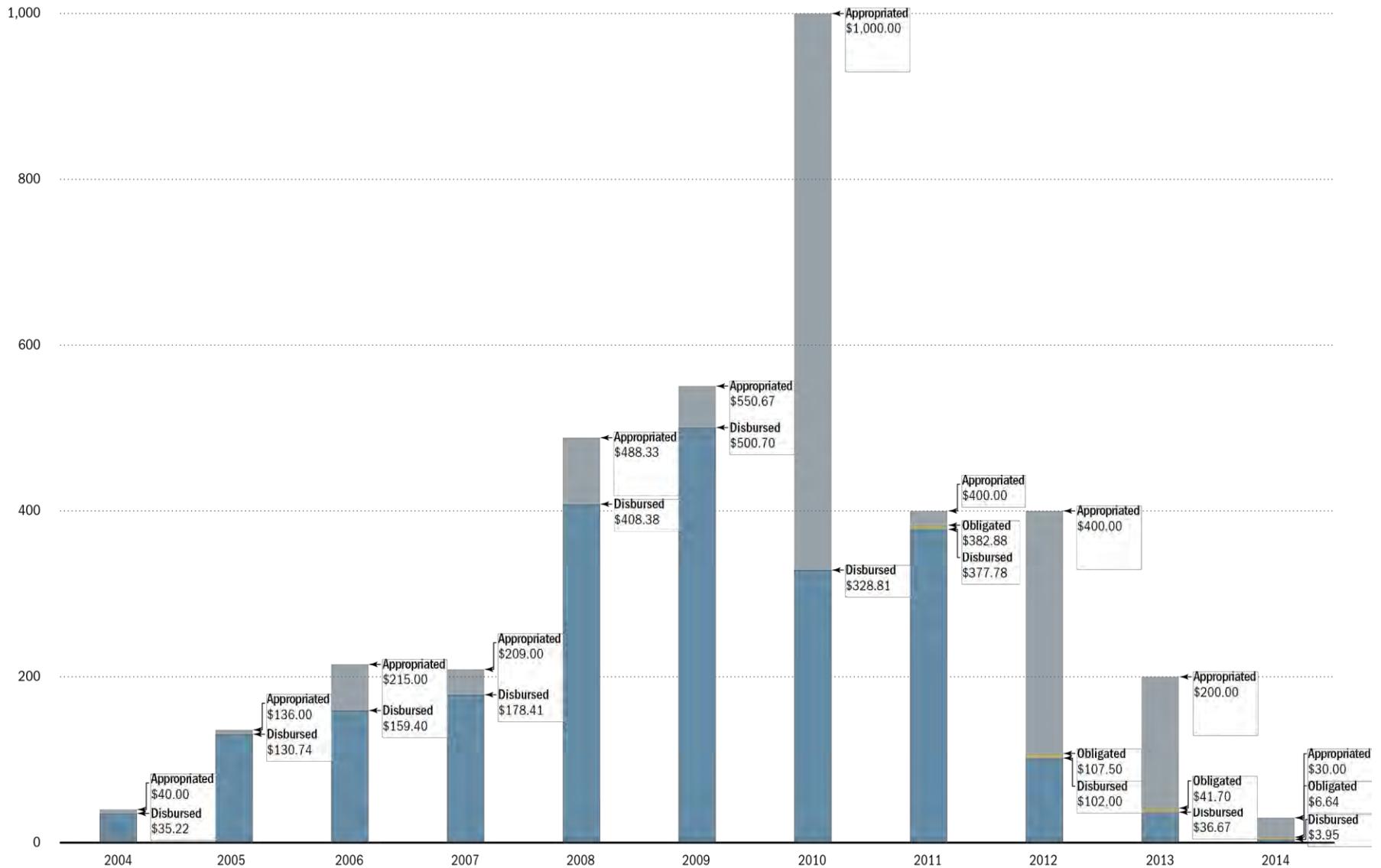
According to DOD, CERP activity began to decline in FY 2012 as the U.S. mission began to fundamentally change from combat operations to training, advising, and assisting the Afghan National Security Forces, which increasingly assumed the lead for security across Afghanistan. As a result, the number of U.S. units conducting many of the counterinsurgency activities that CERP is designed to support declined.

In response to an inquiry from SIGAR regarding CERP fund obligation rates, DOD stated that the reduced obligation rate during FY 2012 and FY 2013—particularly in FY 2013 when the obligation rate fell to 22 percent — is connected to the change in the U.S. military mission over time. DOD also noted that between FY 2008 and FY 2013, roughly \$659.9 million (52 percent) of unobligated CERP funds were reprogrammed for other purposes and \$609.1 million (48 percent) of those unobligated funds expired. DOD reprogrammed a portion of unobligated CERP funds every year during this period, with the exception of FY 2011, and unobligated funds not reprogrammed expired at the end of each fiscal year.⁹

⁸ See also National Defense Authorization Act for Fiscal Year 2015, 113-291, § 1221 (2014). Section 1221 authorized an extension of CERP until the end of fiscal year 2015. Section 1221 also capped each CERP project at \$2 million and required Congressional notification for projects anticipated to cost \$500,000 or more.

⁹ Calculated based on a comparison of rounded values for unobligated funds displayed in Figure 1 with percentages of unobligated funds provided by the Department of Defense, response to SIGAR-14-22-SP, *CERP Funding Inquiry*, received August 21, 2014, p.1. (see Annex IV).

FIGURE 1 - CERP FUNDS, CUMULATIVE COMPARISON, FY 2004 – FY 2014 (\$ MILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers.

Source: DOD, response to SIGAR data call, 1/20/2015 and 10/20/2014; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, and 112-10.

CERP Projects Supported a Wide Range of Reconstruction Activities

DOD officials provided SIGAR with CERP project information recorded in the Combined Information Data Network Exchange (CIDNE) database. CIDNE contains detailed information on various aspects of each project, such as the military unit responsible for the project; the project document reference number; the description of the project; the amounts committed, obligated, and disbursed for the project; and the project status, including the projected completion date.¹⁰

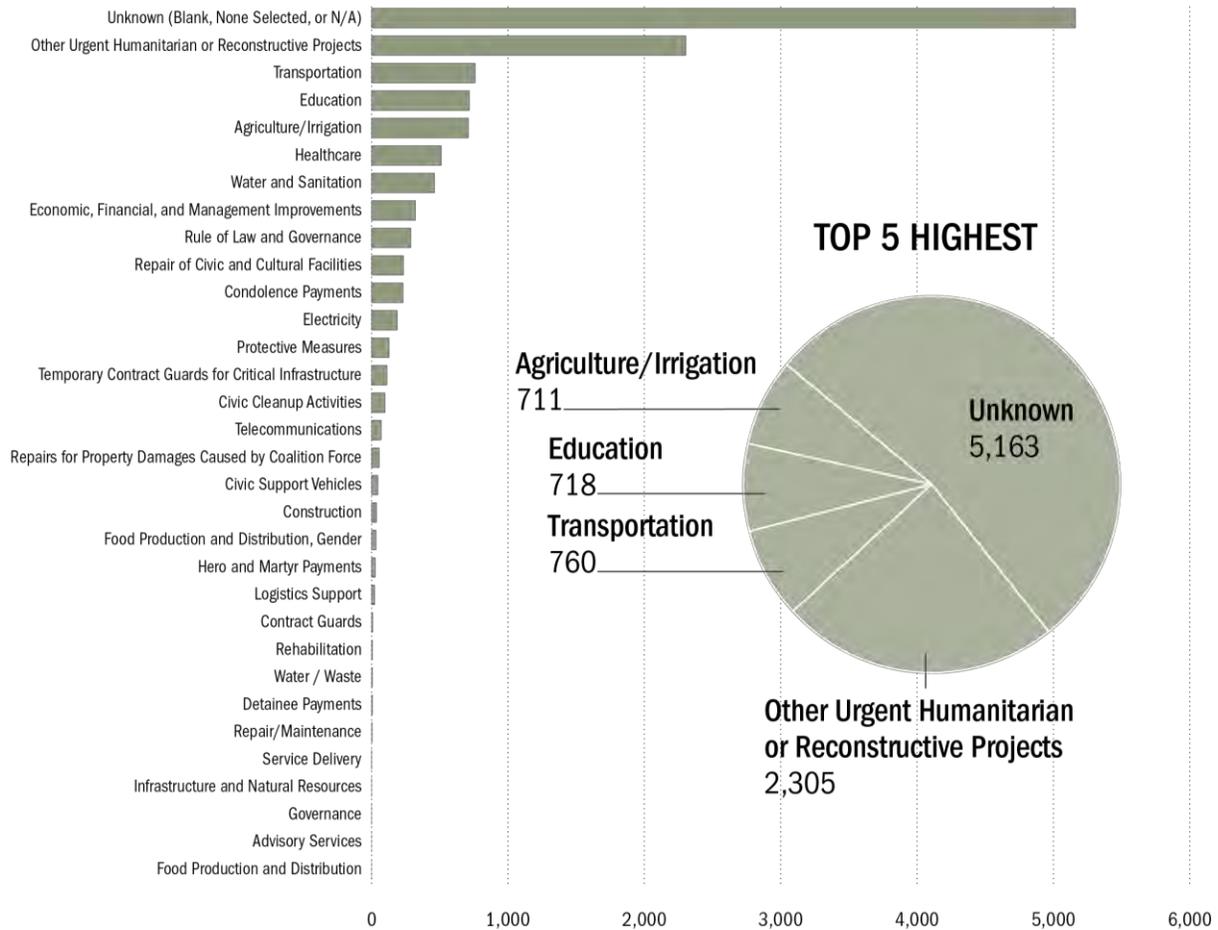
As shown in figure 2, the CIDNE data provided to SIGAR categorize the purpose of many, but not all, of the CERP projects in Afghanistan. For those projects that were categorized, the most common types of programs were:

- other urgent humanitarian and reconstructive projects;
- transportation;
- education;
- agriculture/irrigation;
- healthcare;
- water and sanitation; and
- economic, financial, and management improvements.

As shown on figure 3, the largest amount of CERP dollars went to transportation and uncategorized projects.

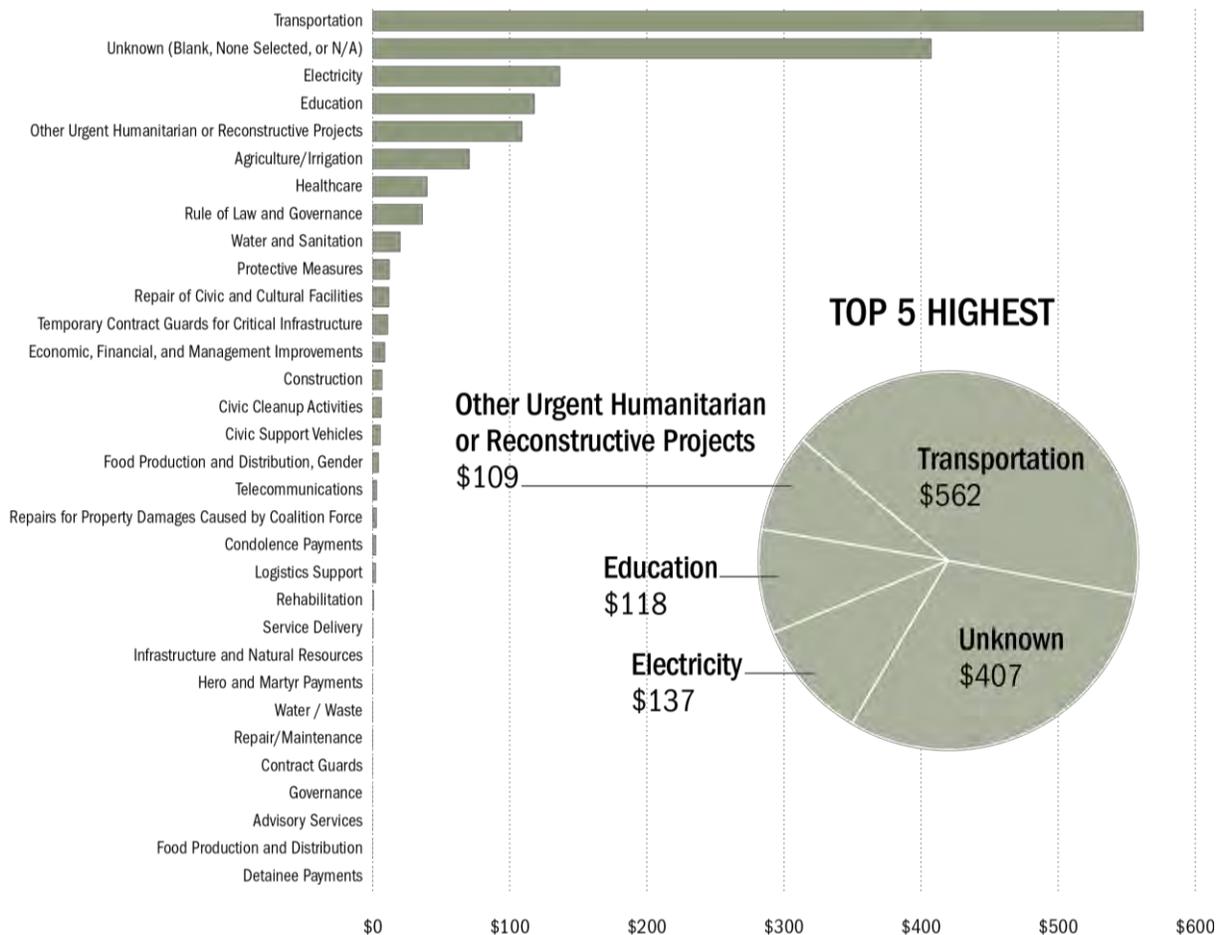
¹⁰ DOD did not provide comprehensive data for the actual costs of each CERP project. In preparing this report, SIGAR used data provided from DOD's project nomination and management tool which did not contain complete or sufficient obligation and disbursement data, despite providing some valuable descriptive information. While obligations would generally reflect the cost of the contract, this information was not sufficiently collected within the dataset to yield meaningful analysis. Disbursement data could also be reconciled with the DOD Comptroller, but this information was not present in the dataset provided by the agency. Therefore, SIGAR used estimated cost figure for CERP projects because it provided the largest and most reliable population of financial information within the dataset. Also, estimated costs are likely similar to the initial commitment amount for each project. However, the estimated cost could be updated throughout the course of a project to reflect the increased obligation amounts or to reconcile with the actual cost by matching disbursements after project completion.

FIGURE 2 – TOTAL NUMBER OF CERP PROJECTS BY PROJECT CATEGORY, FY 2004 – FY 2014



Source: SIGAR analysis

FIGURE 3 – TOTAL ESTIMATED COST FOR CERP PROJECTS BY PROJECT CATEGORY FY 2004 – FY 2014 (\$ MILLIONS)

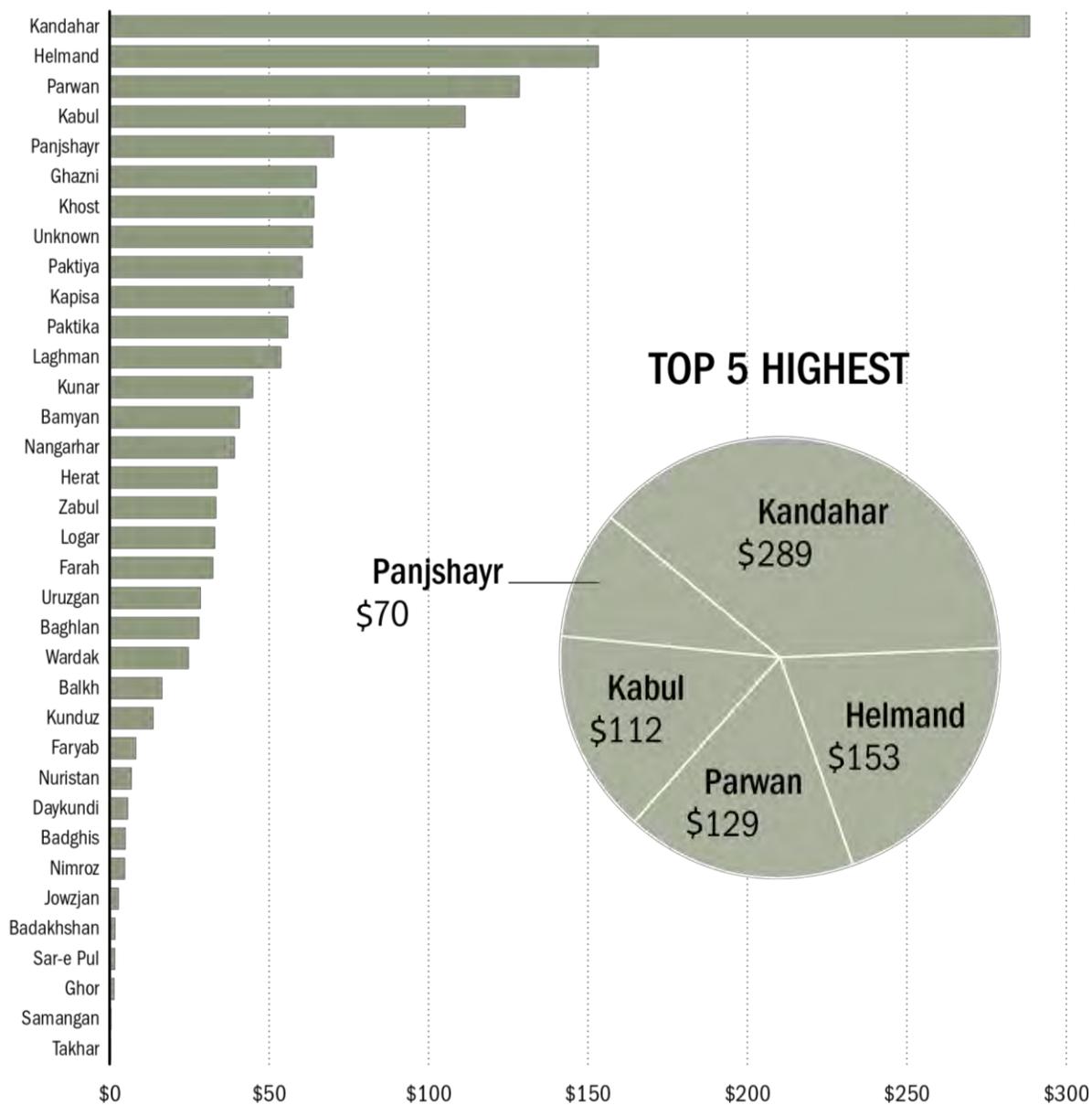


Source: SIGAR analysis

Many CERP Projects Focused on Kandahar and Helmand Provinces

Approximately one third of all CERP funds used in Afghanistan were likely spent on projects implemented in Kandahar and Helmand Provinces. These provinces were the top two recipients of CERP funds with Kandahar receiving \$288.6 million (18.2 percent) and Helmand receiving \$153.4 million (9.7 percent), as shown in figure 4.

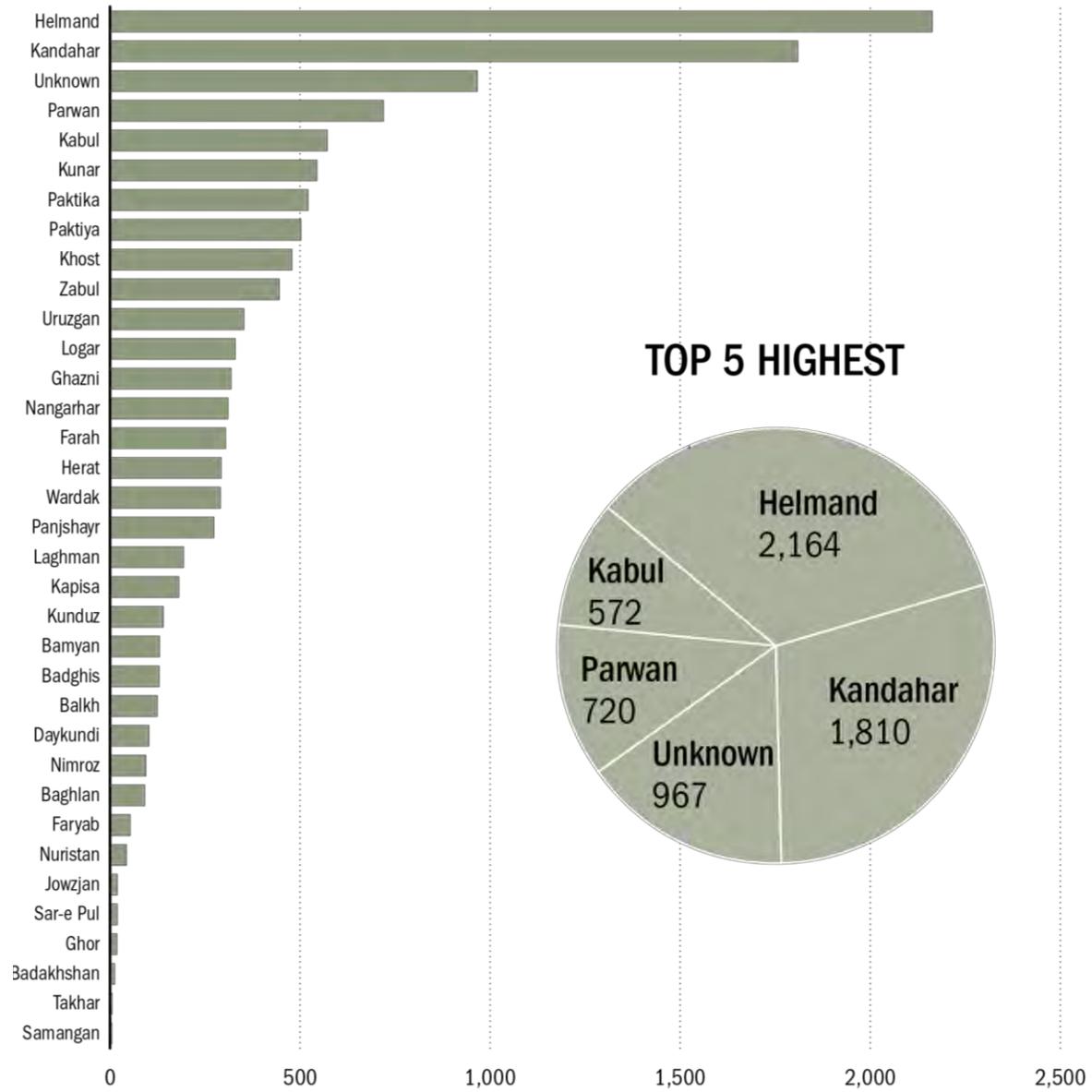
FIGURE 4 – TOTAL ESTIMATED COSTS FOR CERP PROJECTS BY PROVINCE, FY 2004 – FY 2014, (\$ MILLIONS)



Source: SIGAR analysis

As shown in figure 5, almost one third of all CERP projects were implemented in Kandahar and Helmand Provinces alone.

FIGURE 5 – TOTAL NUMBER OF CERP PROJECTS BY PROVINCE, FY 2004 – FY 2014

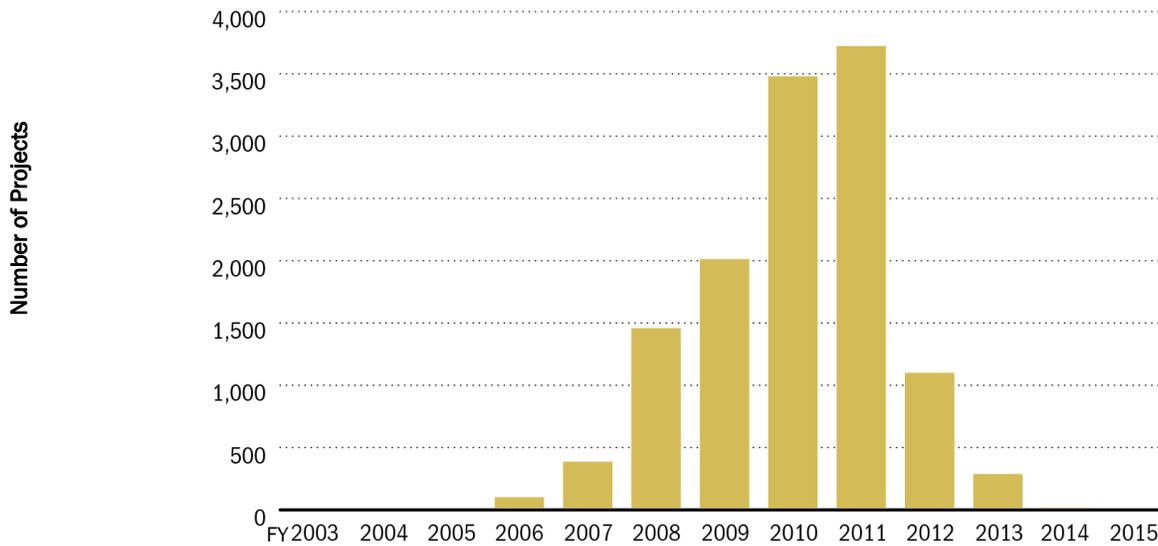


Source: SIGAR analysis

CERP Used Heavily During the U.S. Troop Surge. FY 2008 – FY2011

As shown in figure 6, the majority of CERP projects were started between 2008 and 2011. As mentioned before, CERP activity began to decline in FY 2012 as the U.S. mission began to fundamentally change from combat operations to training the Afghan National Security Forces.

FIGURE 6 – CERP PROJECTS STARTED BY YEAR, FY 2004 – FY 2014

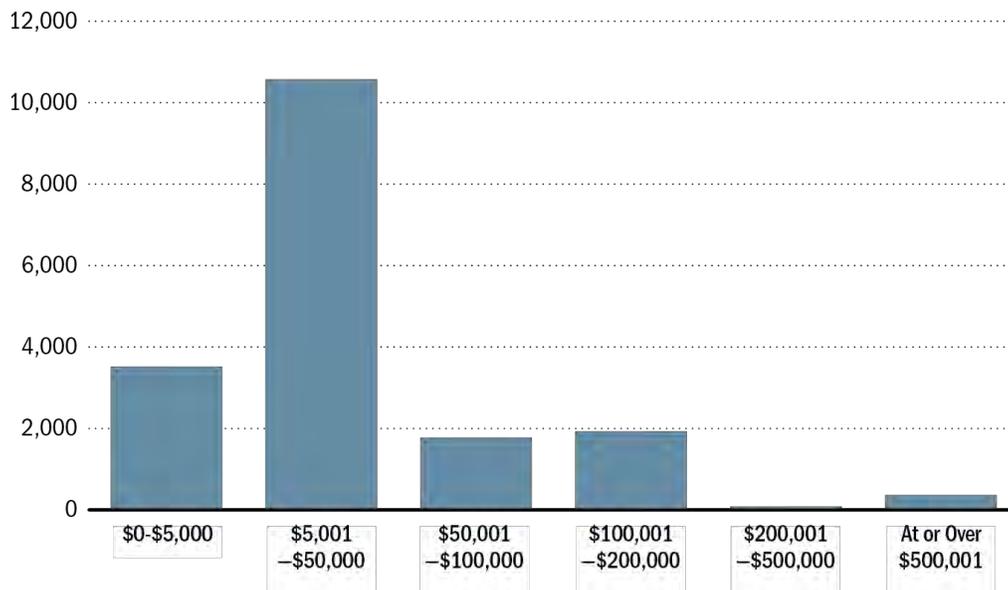


Source: SIGAR analysis

Most CERP Projects Are Less than \$50,000, FY 2004 – FY2014

As shown in figure 7, the majority of CERP projects have an estimated value of less than \$50,000.

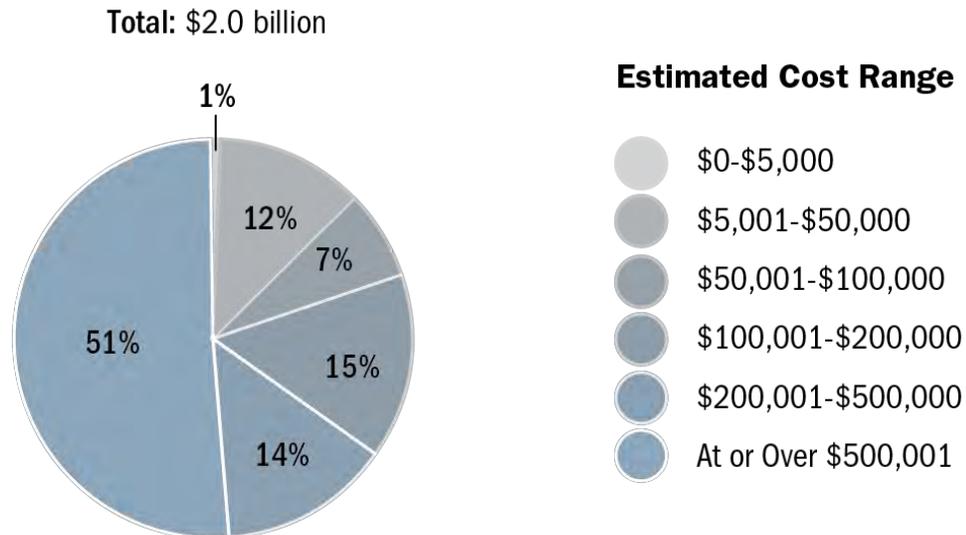
FIGURE 7 – CERP PROJECTS BY ESTIMATED PROJECT COST, FY 2004 – FY 2014



Source: SIGAR analysis

However, CERP projects at or over \$500,001 account for roughly \$1.02 billion or 51% of the value of all CERP funds obligated by DOD as of June 2014, as shown below in figure 8.

FIGURE 8 – PERCENTAGE OF CERP PROJECTS BY ESTIMATED COST RANGE, (\$ MILLIONS)



Source: SIGAR analysis

DOD Does Not Maintain Actual Costs of CERP Projects

DOD did not provide comprehensive data for the actual costs of each CERP project.

In October 2013, SIGAR initially requested CERP data through the Office of the Secretary of Defense (OSD). In response, SIGAR received CERP data pulled from the Standard Army Finance Information System (STANFINS) managed by the Department of Army containing financial information for CERP projects covering the period from FY 2004 – FY 2013. In reviewing this data, SIGAR found that DOD could only provide financial information relating to the disbursement of funds for CERP projects totaling \$890 million (40 percent) of the approximately \$2.2 billion in obligated funds at that time.

SIGAR issued a second request for CERP data through the issuance of SIGAR-14-22-SP, CERP Funding Inquiry Letter, dated January 16, 2014, (Appendix VII). This request specifically asked for CERP project and financial data. In January 2014, DOD responded with the requested data pulled from the CERP management system used in Afghanistan known as CIDNE that covered the period between FY 2004 and FY 2014 (as of December 31, 2013). In testing this data, SIGAR found that DOD did not provide any disbursement data related to projects, but did provide some limited information relating to obligation of funds for CERP projects totaling \$62.3 million (2.8 percent) of the \$2.24 billion disbursed at that time.

APPENDIX I: METHODOLOGY

SIGAR obtained appropriation, obligation, and disbursement data pertaining to CERP funds from the DOD Comptroller. The information provided to SIGAR appeared to be consistent with publicly available information and data previously reported to SIGAR for incorporation into the SIGAR Quarterly Report. We concluded that the data were sufficiently reliable to illustrate the general size of CERP in Afghanistan funding over time.

SIGAR’s analysis of how CERP funds were used at the project level is based on information contained in CIDNE, which is a database used by military personnel, civilians, and analysts for the majority of operational reporting within Afghanistan and Iraq. DOD provided multiple spreadsheets to SIGAR containing CERP information extracted from the CIDNE database. SIGAR merged files to produce a combined dataset. The merged dataset contained 87,474 unique entries. The dataset included not only CERP projects, but also a significant number of Afghan government projects that appear to be National Solidarity Program projects overseen by the Ministry of Rural Rehabilitation and Development or other entities that would not be responsible for implementing CERP projects. These projects were excluded from SIGAR’s analysis.

As shown in figure 9, the dataset also included a large number of projects listed as “report.” The “report” entries appeared to include a mix of projects supported by the Afghanistan Infrastructure Fund, military construction, the Afghanistan Security Forces Fund, and other funding sources in addition to CERP. Additionally, projects associated with the Afghanistan Reintegration Program (ARP) were also present in the dataset.¹¹ SIGAR excluded these projects from the scope of its analysis.

As shown in figure 10, the dataset also included a large number of cancelled, failed, and terminated CERP projects, and the dataset also included a small number of ongoing projects. SIGAR excluded these projects as well to ensure only reliable, known CERP data would be used in our analysis.

Figure 9 - Estimated Cost by Type as Recorded in CIDNE (\$ Billions), FY 2004 – FY 2014

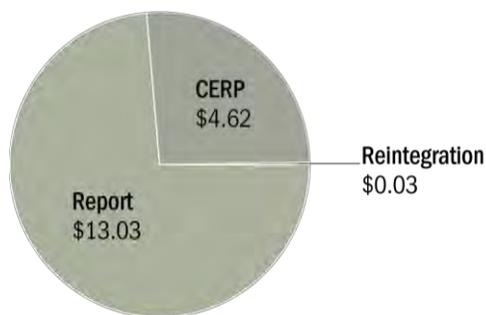
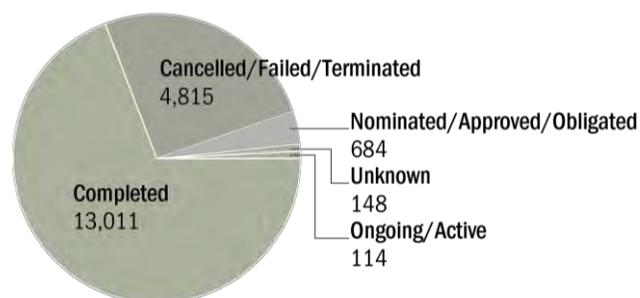


Figure 10 - Status of CERP Projects as Recorded in CIDNE, FY 2004 – FY 2014



Source: SIGAR analysis

¹¹ According to USFOR-A, “ARP is a congressionally appropriated fund designed to enable local military commanders in Afghanistan to support the Afghanistan Peace and Reintegration Program (APRP) within their respective areas of responsibility. The APRP is aimed at convincing insurgents, their leaders, and their supporters to cease active and/or passive support for the insurgency and become peaceful members of Afghan Society.” See USFOR-A Publication, *Money as a Weapon System – Afghanistan (MAAWS-A), Afghanistan Reintegration Program (ARP) Standard Operating Procedure*, May, 2011, p. 2.

SIGAR chose to use the estimated value of completed projects when analyzing how the funds were used because the preferred fields (obligations and disbursements) were insufficiently populated for SIGAR to conduct a meaningful analysis.

SIGAR checked the remaining dataset against publicly available information and data previously reported to SIGAR by DOD. We concluded that the estimated cost data and remaining project information were sufficiently reliable to illustrate the general uses for CERP funding in Afghanistan.

APPENDIX II: AUTHORIZED CERP USES

The DOD Financial Management Regulation allows CERP funds to be used under 20 broad categories of assistance.¹² Overall, the categories have remained fairly constant since the initial CERP regulation was published in April 2005.

1. Agriculture/Irrigation. Projects to increase agricultural production or cooperative agricultural programs.
2. Battle Damage Repair. Projects to repair, or make payments for repairs of, property damage that results from U.S., coalition, or supporting military operations and is not compensable under the Foreign Claims Act, 10 U.S.C. § 2734.
3. Civic Cleanup Activities. Projects to clean up public areas; area beautification.
4. Civic Support Vehicles. Projects to purchase or lease vehicles by public/government officials in support of civic and community activities.
5. Condolence Payments. Payments to individual civilians for the death or physical injury resulting from U.S., coalition, or supporting military operations not compensable under the Foreign Claims Act.
6. Economic, Financial, and Management Improvements. Projects to improve economic or financial security.
7. Education. Projects to repair or reconstruct schools or to purchase school supplies or equipment.
8. Electricity. Projects to repair, restore, or improve electrical production, distribution, and secondary distribution infrastructure. Cost analysis must be conducted so that the village or district may collect revenues to ensure operation and maintenance of systems for long-term use.
9. Food Production & Distribution. Projects to increase food production or distribution processes to further economic development.

¹² Department of Defense, Financial Management Regulation 7000.14-R, Volume 12, Chapter 27, *Commander's Emergency Response Program*, Annex A, January, 2009, pp. A-1 – A-5.

10. Former Detainee Payments. Payments to individuals upon release from Coalition (non-theater internment) detention facilities.
11. Healthcare. Projects to repair or improve infrastructure, equipment, medical supplies, immunizations, and training of individuals and facilities in respect to efforts made to maintain or restore health especially by trained and licensed professionals.
12. Hero Payments. Payments made to the surviving spouses or next of kin of Iraqi or Afghan defense or police personnel who were killed as a result of U.S. coalition or supporting military operations.
13. Other Urgent Humanitarian or Reconstruction Projects. Projects to repair collateral damage not otherwise payable because of combat exclusions or condolence payments. Other urgent humanitarian projects not captured under any other category. For other urgent humanitarian projects, this category should be used only when no other category is applicable.
14. Protective Measures. Projects to repair or improve protective measures to enhance the durability and survivability of a critical infrastructure site (oil pipelines, electric lines, etc.).
15. Repair of Civic and Cultural Facilities. Projects to repair or restore civic or cultural buildings or facilities.
16. Rule of Law and Governance. Projects to repair or reconstruct government buildings such as administrative offices or courthouses.
17. Telecommunications. Projects to repair or extend communication over a distance. The term telecommunication covers all forms of distance and/or conversion of the original communications, including radio, telegraphy, television, telephone, data communication, and computer networking. Includes projects to repair or reconstruct telecommunications systems or infrastructure.
18. Temporary Contract Guards for Critical Infrastructure. Projects to guard critical infrastructure, including neighborhoods and other public areas.
19. Transportation. Projects to repair or restore transportation to include infrastructure and operations. Infrastructure includes the transportation networks (roads, railways, airways, canals, pipelines, etc.) that are used, as well as the nodes or terminals (such as airports, railway stations, bus stations, and seaports). The operations deal with the control of the system, such as traffic signals and ramp meters, railroad switches, air traffic control, etc.
20. Water & Sanitation. Projects to repair or improve drinking water availability, to include purification and distribution. Building wells in adequate places is a way to produce more water, assuming the aquifers can supply an adequate flow. Other water sources such as rainwater and river or lake water must be purified for human consumption. The processes include filtering, boiling, and distilling among more advanced techniques, such as reverse osmosis. The distribution of drinking water is done through municipal water systems or as bottled water. Sanitation, an important public health measure that is essential for the prevention of disease, is the hygienic disposal or recycling of waste materials, particularly human excrement.

APPENDIX III: SIGAR RESPONSE TO DOD TECHNICAL COMMENTS

A draft version of this report was provided to DOD in February 2015 for review. SIGAR received technical comments from USCENTCOM and USFOR-A and revised this report in response to those comments where appropriate.

USFOR-A commented that CERP project data should be verified with the DOD Comptroller to secure accurate, adjusted fund amounts for terminated projects made through disbursed funds prior to cancellation. SIGAR generally concurs with this statement, however, in conducting analysis of data tables contained in the DOD response to SIGAR-14-22-SP, CERP Funding Inquiry Letter, dated January 16, 2014, (Appendix VII), SIGAR found that DOD did not provide any disbursement data related to projects, and only provided limited information relating to obligation of funds for CERP projects totaling \$62.3 million (2.8 percent) of the \$2.24 billion disbursed between FY2004 and FY2014 (as of December 31, 2013). While SIGAR considered the using these data fields containing financial data, we determined that they lacked sufficiency to conduct meaningful analysis. Therefore, to analyze how the funds were likely used, SIGAR relied on the estimated cost data and limited the scope of review to focus exclusively on completed CERP projects, both representing the largest and most complete datasets available.

USFOR-A also provided comments indicating that all CERP projects are categorized, but may require a review of either the title or description of a project to confirm. In reviewing the data provided by DOD, SIGAR concluded that projects that were left blank or listed as “None Selected” or “N/A” would be considered “Unknown” for the purposes of our analysis. We refined calculations displaying the “Unknown” CERP category for both the quantity and estimated costs of CERP Projects contained in figures 2 and 3. However, due to the unreliable nature of the data compiled by the agency, SIGAR concurs that further examination on individual projects currently categorized as unknown could provide additional insight into the historical use of CERP in Afghanistan.

USCENTCOM provided a comment suggesting that the report should have discussed the historical relationship between CERP and Counter Insurgency (COIN) strategies in greater detail. We understand and appreciate that there may be a longstanding relationship between COIN strategies and CERP spending priorities. However, in reviewing all known CERP SOPs and publications, we determined that a formalized relationship between CERP and COIN is only included in the March 2012 version (currently in effect) of the standard operating procedures.¹³ Therefore, we considered specific discussion regarding COIN outputs in respect to CERP to be outside the scope of this product, since it includes all CERP data dating back to November 2003.

Several footnotes based on comments from USFOR-A were also added to provide additional context to the report, (see footnotes 6 and 8).

See Appendices IV, V, and VI for full agency responses.

¹³ Department of Defense, United States Forces – Afghanistan (USFOR-A), Publication 1-06, *Money as A Warfare System – Afghanistan (MAAWS-A), Commander’s Emergency Response Program (CERP) SOP*, March, 2012, p. 113.

APPENDIX IV: USCENTCOM TECHNICAL COMMENTS

The following text is reproduced from an e-mail provided to SIGAR from the CENTCOM Command Inspector General (CCIG) Office on February 25, 2015:

As requested, USCENTCOM conducted a technical review of the draft SP-44B. The resulting comments (other than concur without comment) are below and attached.

CCJ4 Comments: Although the report is technically accurate, it did not discuss the Counter Insurgency (COIN) strategies in relationship to CERP. In addition, the 20 users [sic] of CERP funds, it was also used as a tool for COIN. CERP funds were, and continue to be used to build goodwill between the people of Iraq and/or Afghanistan and the United States in an effort to gain their support in fighting the insurgency. In many cases CERP's main effort was the COIN aspect verse the actual project being procured.

CCJ8 Comments: CCJ8-FMC compared the stated numbers against ABO reports of CERP projects and found the appropriations/obligations/disbursements amounts listed in the report accurate at the time of reporting. Figure 4 [now figure 2] lists 6,400 projects as "unknown" category, totaling \$.5B. Without the source documentation we are unable to confirm if these are indeed uncategorized, as CRRT does not keep records for the entire timeframe.



HEADQUARTERS
UNITED STATES FORCES-AFGHANISTAN
BAGRAM, AFGHANISTAN
APO AE 09354

USFOR-A CoS

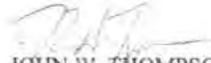
23 February 2015

MEMORANDUM FOR United States Central Command Inspector General (CCIG), MacDill
Air Force Base, FL 33621

SUBJECT: USFOR-A's Technical Review on SIGAR SP-44B, "Department of Defense
Commander's Emergency Response Program (CERP): Information on Priorities and Spending
in Afghanistan for Fiscal Years 2004-2014"

1. I have reviewed and concur with the enclosed comments on the above subject matter.
2. The point of contact is Col Patrick D. McEvoy, [REDACTED]
DSN [REDACTED]

Encl
Comment Resolution Matrix, undated


JOHN W. THOMPSON
Colonel, U.S. Army
Chief of Staff
United States Forces-Afghanistan

**USFOR-A Audit CRM
SIGAR SP-44B**

Comment Resolution Form			
Organization	Page & Para	Original Text	Input
CERP CIM	Pg 3, para 3	Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each. Projects with estimated costs exceeding \$1 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5 million require approval from the Afghanistan Resources Oversight Council. 4 CERP-funded projects may not exceed \$20 million.	This is new requirement written from new MAAWS-A and not true of program since inception. It gives a false impression of approval limits for the greater majority of the life of the program.
CERP CIM	Pg 6, para 3	As shown on figure 5, the largest amount of CERP dollars went to transportation and uncategorized projects.	All projects are categorized, even if block for CIDNE pull was empty, the title or description of project puts it into a category. With it being by far the largest amount, you cannot actually conclude what project category was largest or project accurate data by category.

CERP CIM	Pg 11, para 2	<p>As shown in figure 10, the dataset also included a large number of projects listed as "report." The "report" entries appeared to include a mix of projects supported by the Afghanistan Infrastructure Fund, military construction, Afghanistan Security Forces Fund, and other donors in addition to potential CERP projects. SIGAR excluded these projects from its analysis. As shown in figure 11, the dataset also included a large number of cancelled, failed, and terminated CERP projects, and the dataset also included a small number of ongoing projects. SIGAR excluded these projects as well to ensure only reliable, known CERP data would be used in our analysis.</p>	<p>You cannot exclude projects without going back to comptroller for adjusted fund amounts. Terminated projects are many times cancelled after the 50% margin is completed. Thus invalidating data that compares numbers of projects to amount of funds spent.</p>
JENG	General comment		<p>The FY15 National Defense Authorization Act (NDAA) authorizes \$10M for CERP with a cap of \$2M per project and Congressional notification required for any project exceeding \$500K.</p>

APPENDIX VI: DOD RESPONSE TO SIGAR-14-22-SP / CERP FUNDING INQUIRY, RECEIVED AUGUST 21, 2014

DoD Response to SIGAR-14-22-SP/CERP Funding Inquiry

As part of the subject inquiry, SIGAR requested that DoD explain:

1. *Why the DOD only executed 59 percent of its CERP funds from fiscal year (FY) 2008 through FY 2013.¹ Please include a detailed explanation of why the DOD only executed 18 percent of its FY 2013 funds.²*

DoD Response: By design, the Commanders' Emergency Response Program (CERP) permit U.S. military commanders to respond to urgent humanitarian relief and reconstruction requirements, which are often unplanned and emerge quickly.

From the inception of the CERP program in Afghanistan in FY 2004 through FY 2011, DoD obligated 84 percent of available CERP funds.³ In all but one of those years, DoD obligated at least 96 percent of CERP funds. CERP activity began to decline in FY2012 as the U.S. mission began to fundamentally change from combat operations to training, advising, and assisting the Afghan National Security Forces (ANSF), which increasingly assumed the lead for security across Afghanistan. As a result, the role of U.S. units in conducting many of the counterinsurgency activities that CERP is designed to support declined. This reduced the obligation rate during FY 2012 and FY 2013—particularly in FY 2013, when the obligation rate fell to 22 percent. Consequently, the overall obligation rate declined for the period from FY 2008-FY 2013.

2. *Whether expired CERP funds from FY 2008 through FY 2013 were reprogrammed for other purposes or returned to the U.S. Treasury.*

DoD Response: Between FY 2008 and FY 2013, 52 percent of unobligated CERP funds were reprogrammed for other purposes and 48 percent expired. Unobligated funds not reprogrammed expired at the end of each fiscal year. DoD reprogrammed a portion of unobligated CERP funds every year during this period, with the exception of FY 2011.

3. *Why the DoD requested \$60 million for CERP in FY 2014, even though the U.S. military is significantly decreasing its presence in 2014. Please include a copy of the FY 2014 budget justification and the backup documentation used to generate the budget request.*

DoD Response: CERP enables U.S. military commanders to respond to unanticipated events or other urgent requirements. DoD adjusts its funding requests to reflect potential CERP activity and anticipated force levels. Given the rapid shift in mission that the

¹ According to official data, DoD obligated 69 percent of CERP funds during this period. SIGAR's calculation appears to be based on CERP obligation numbers as of early 2014, which include de-obligations that occur after the expiration of each year's CERP appropriation. DoD's analysis is based on the traditional method of comparing the total obligation authority for CERP in a given fiscal year with total obligations at the time the appropriation expired.

² Consistent with the calculation described in footnote 1, DoD calculates that it obligated 22 percent of FY 2013 CERP funds.

³ In the early years of the program, DoD requested, and received, additional funds through supplemental appropriations.

President directed, which meant U.S. combat operations would decline in 2013 and 2014, DoD projected that a sizable reduction in the FY 2014 CERP request would be appropriate. In fact, \$60M is a 70 percent reduction from the FY 2013 appropriation, and the armed services authorizing committees supported this request.

The CERP portion of the Department of the Army FY 2014 Overseas Contingency Operations Budget Request is attached. This document shows an FY2013 request of \$400M, which was based on current obligation rates when the request was developed in late 2011. By the time Congress reviewed and voted on the DoD appropriations bill in early 2013, the use of CERP was in decline as the shift away from counterinsurgency operations got under way. This resulted in an actual appropriation for FY2013 of \$200M. The FY2014 budget request document had already been printed by the time the FY2013 appropriation was enacted.

4. *How the low execution rate for FY 2013 affected the FY 2014 budget request, if at all.*

DoD Response: DoD did not know the execution rate for FY 2013 when the FY 2014 budget request was being developed in early 2013. The FY2014 budget request reflected an expected reduced need for CERP given the shift in mission and accompanying projected drawdown in U.S. forces.

5. *What changes the DoD intends to make to CERP, if any, as a result of the decision by Congress to only provide half (\$30 million) of DoD's FY 2014 budget request.*

DoD Response: DoD does not intend to change CERP guidance as a result of receiving \$30M instead of \$60M but larger projects (\$1M or more) that would have been initiated based on emerging requirements will likely not be undertaken. FY2014 CERP is being primarily used for battle damage payments and condolence payments.

6. *The current plans and assumptions for the future use of CERP or any similar follow-on program in Afghanistan, assuming the U.S. government enters into a long-term Bilateral Security Agreement with the Government of the Islamic Republic of Afghanistan.*

DoD Response: For fiscal year 2015, DoD has requested \$10 million for CERP to support DoD's post-2014 mission in Afghanistan. DoD plans to use CERP primarily to make condolence payments for loss of life or injury and to make battle damage payments for property damage. CERP may also be used for small-scale projects that would assist local communities near enduring bases and thereby contribute to enhanced force protection.

In addition to the above questions, SIGAR requested:

1. *Monthly commitment, obligation, and expenditure data for CERP from October 2004 through December 2013.*

Monthly financial data from October 2003 through December 2013 is provided in a separate Excel spreadsheet. Note: DoD's former system of record, the Standard Finance System (STANFINS), did not retain CERP commitment data prior to June 2009.

2. *An unclassified listing of all CERP projects, whether nominated, on-going, or completed/closed, from October 2004 through December 2013. This list should include a) project number, b) project title, c) project description, d) funding source, e) project status, f) province, g) district, h) amount allotted, i) amount spent, j) amount obligated, k) project start date, l) project end date, and m) performance metrics.*

See response to question 5 below.

3. *Geospatial coordinates or military grid reference system location for each nominated, on-going, or completed/closed CERP project.*

See response to question 5 below.

4. *Afghan Development Reports for all CERP projects, whether nominated, on-going, or completed/closed, from October 2004 through December 2013.*

See response to question 5 below.

5. *A list of the performance metrics used to evaluate individual projects and the overall program.*

Per an agreement with SIGAR, DoD has provided two sets of data (each contained in multiple Excel spreadsheets) that satisfy the requirements of questions 2-5.

First, DoD has provided data on all CERP projects in Afghanistan initiated from FY 2004 through FY 2013. The data comes from DoD's CERP Reviewing and Reporting Tool (CRRT) and is similar to what DoD provides to Congress each fiscal year quarter, which is reviewed, validated, and approved by DoD. The CRRT data includes CERP project management information from the Combined Information Data Network Exchange (CIDNE) database and financial information from the General Fund Enterprise Business System (GFEBS). (Note: The CRRT was created in FY 2011. The information from prior-year CERP congressional reports was backfilled into the CRRT to create a repository of the data DoD has provided to Congress since FY 2004. Specific fields, however, have changed over time, resulting in the appearance of data gaps, particularly in the early years of the program.)

Second, DoD has provided all known CERP data that is currently stored in CIDNE. CERP data in CIDNE is stored in the following four database tables:

- The MAIN table stores basic information on CERP projects from September 2005 to the present; it is the parent table of the CERP Project Tracker report that is available to general users of CIDNE.
- The OBLIGATION table stores un-validated obligation data associated with CERP projects in the MAIN table from December 2009 to the present.
- The UPDATE table stores un-validated obligation data associated with CERP projects in the MAIN table beginning in March 2008. It was used prior to the OBLIGATION table. Widespread use was phased out in FY 2012.
- The LOCATION table stores location data associated with CERP projects in the MAIN table from March 2008 to the present.

Note 1: CIDNE contains nine data fields related to CERP project locations. Country, province, and regional command are included in the tables described above. District, city, village, latitude, longitude, and MGRS (military grid reference system) information will be provided separately via SIPR along with other classified CERP data. DoD will provide district information in an unclassified format.

Note 2: The CIDNE data described above contains raw, unverified information and may not be suitable for some types of analyses and/or may lead to inaccurate findings and conclusions.

6. *All relevant CERP guidance documents issued since the inception of the program in Afghanistan. This includes Money As A Weapon System-Afghanistan (MAAWS-A) guidance, standard operating procedures, fragmentary orders (FRAGOs), operations orders (OPORDs), and headquarters directives that describe the administration and objectives of CERP.*

This response includes all CERP guidance documentation located to date.

7. *All completed CERP lessons learned products produced by the DOD.*

This response includes CERP lessons learned products that have been located by relevant DoD offices and organizations to date. DoD will provide additional documents as they are located.

APPENDIX VII: SIGAR SPECIAL PROJECT 14-22-SP, CERP FUNDING INQUIRY LETTER, JANUARY 16, 2014



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

John F. Sopko
Special Inspector General

January 16, 2014

General Joseph F. Dunford, Jr.
Commander, U.S. Forces-Afghanistan, and
Commander, International Security Assistance Force

The Honorable Robert F. Hale
Under Secretary of Defense (Comptroller)

The Honorable John McHugh
Secretary, U.S. Department of the Army

Dear General Dunford, Under Secretary Hale, and Secretary McHugh:

I am writing to request financial and performance information for the Commander's Emergency Response Program¹ (CERP) in Afghanistan. This information will help the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) continue its ongoing oversight of CERP and facilitate SIGAR's contribution to the report mandated by Congress on CERP lessons learned and best practices.²

As part of SIGAR's mandate to track the obligation and expenditure of U.S. reconstruction funds in Afghanistan,³ SIGAR analysts recently determined that a significant portion of fiscal year (FY) 2013 CERP funds appropriated by Congress were never used. Specifically, the Department of Defense (DOD) only obligated \$43.5 million of \$200 million appropriated for CERP before the funds expired at the end of September 2013. This is not a new phenomenon. As the attached chart illustrates, over the past six fiscal years the DOD has used only 59 percent of the CERP funds provided by Congress.

There are likely many reasons why these funds were not used. For example, the accelerated U.S. troop drawdown may have reduced the need for these funds, or military commanders may have reduced the cost of various projects through effective oversight. Another factor may have been the overarching challenge of budgeting for small-scale reconstruction projects in an unpredictable conflict zone plagued by violence, corruption, and sustainability challenges. Fully understanding how these challenges affected not only financial planning for CERP but also the overall program will require a careful analysis of CERP performance data. That is why SIGAR is

¹ CERP enables U.S. military commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.

² Public Law No. 113-66, Section 1211.

³ Public Law No. 110-181, Section 1229(i)(1).

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also interested to see if CERP managers established performance metrics, collected performance data, and used performance data to properly manage individual projects and the overall program.

Although these are some of the many issues SIGAR and the DOD will analyze as part of the congressionally-mandated lessons learned report, SIGAR also needs to examine these issues to protect ongoing and future CERP projects from waste, fraud, and abuse. Therefore, I am formally requesting that you explain:

1. Why the DOD only executed 59 percent of its CERP funds from FY2008 through FY2013. Please include a detailed explanation of why the DOD only executed 18 percent of its FY2013 funds.
2. Whether expired CERP funds from FY2008 through FY2013 were reprogrammed for other purposes or returned to the U.S. Treasury.
3. Why the DOD requested \$60 million for CERP in FY2014, even though the U.S. military is significantly decreasing its presence in 2014. Please include a copy of the FY2014 budget justification and the backup documentation used to generate the budget request.
4. How the low execution rate for FY2013 affected the FY2014 budget request, if at all.
5. What changes the DOD intends to make to CERP, if any, as a result of the decision by Congress to only provide half (\$30 million) of DOD's FY2014 budget request.
6. The current plans and assumptions for the future use of CERP or any similar follow-on program in Afghanistan, assuming the U.S. government enters into a long-term Bilateral Security Agreement with the Government of the Islamic Republic of Afghanistan.

In addition, please provide the following documents:

1. Monthly commitment, obligation, and expenditure data for CERP from October 2004 through December 2013.
2. An unclassified listing of all CERP projects, whether nominated, on-going, or completed/closed, from October 2004 through December 2013. This list should include a) project number, b) project title, c) project description, d) funding source, e) project status, f) province, g) district, h) amount allotted, i) amount spent, j) amount obligated, k) project start date, l) project end date, and m) performance metrics.
3. Geospatial coordinates or military grid reference system location for each nominated, on-going, or completed/closed CERP project.
4. Afghan Development Reports for all CERP projects, whether nominated, on-going, or completed/closed, from October 2004 through December 2013.
5. A list of the performance metrics used to evaluate individual projects and the overall program.
6. All relevant CERP guidance documents issued since the inception of the program in Afghanistan. This includes Money As A Weapon System-Afghanistan (MAAWS-A) guidance, standard operating procedures, fragmentary orders (FRAGOs), operations orders (OPORDs), and headquarters directives that describe the administration and objectives of CERP.
7. All completed CERP lessons learned products produced by the DOD.

I am submitting this request pursuant to my authority under Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Please direct your staff to provide this information within 30 days of your receipt of this letter to my Director of Special Projects, Mr. Jack Mitchell, at [REDACTED] or at [REDACTED]. Please do not hesitate to contact him if you have any questions.

Thank you for your prompt attention to this matter. I look forward to your response and continuing to work with you in support of our nation's critical mission in Afghanistan.

Sincerely,



John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

Enclosure: Chart – CERP Appropriations, Obligations, and Disbursements

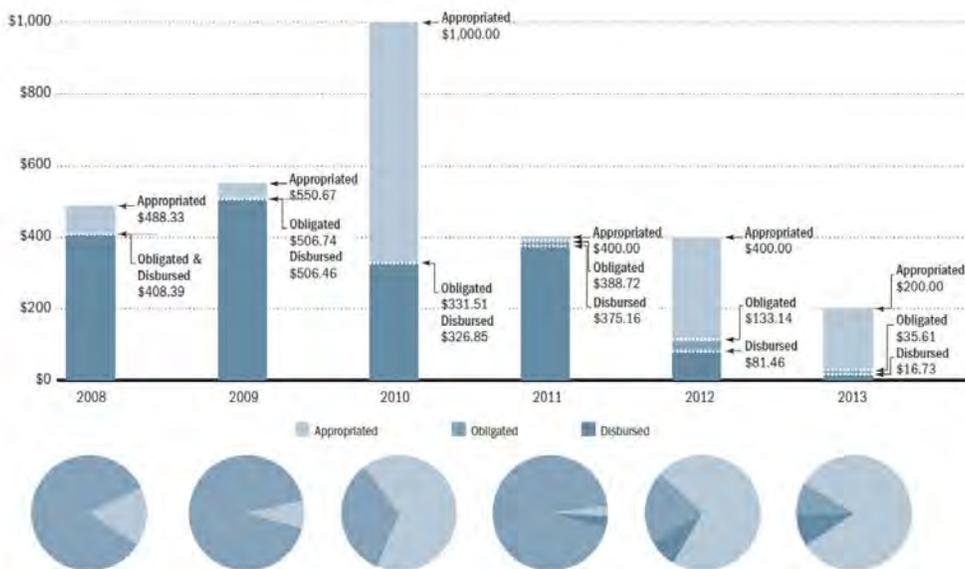
cc:

General Lloyd J. Austin III
Commander, U.S. Central Command

Ambassador James B. Cunningham
U.S. Ambassador to Afghanistan

Enclosure: CERP Appropriations, Obligations, and Disbursements

CERP FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)



Notes: Numbers have been rounded.
Source: SIGAR analysis of DOD-provided financial data

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.

Obtaining Copies of SIGAR Reports and Testimonies

To obtain copies of SIGAR documents at no cost, go to SIGAR's Web site (www.sigar.mil). SIGAR posts all publically released reports, testimonies, and correspondence on its Web site.

To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

- Web: www.sigar.mil/fraud
- Email: sigar.pentagon.inv.mbx.hotline@mail.mil
- Phone Afghanistan: +93 (0) 700-10-7300
- Phone DSN Afghanistan: 318-237-3912 ext. 7303
- Phone International: +1-866-329-8893
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Public Affairs

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