



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

February 19, 2014

Major General Kevin R. Wendel
Commanding General, Combined Security Transition
Command – Afghanistan/Ministerial Advisory Groups

Major General Harold J. Greene
Deputy Commanding General, Combined Security Transition
Command – Afghanistan

Major General Dean Milner
Deputy Commanding General, Operations
NATO Training Mission – Afghanistan

Dear Generals Wendel, Greene, and Milner:

I am writing to express my concern that the U.S. may be unwittingly helping to pay the salaries of non-existent members of the Afghan National Police (ANP). The possibility of “ghost workers” on the ANP payroll came up several times in the course of my most recent visit to Afghanistan and in recent discussions with European Union (EU) representatives. I have been encouraged by my recent conversations with Generals Wendel and Greene who told me that they are taking actions to address these concerns. These actions specifically include CSTC-A’s decision to strengthen their own capabilities to perform independent assessments and scrutinize Afghan financial processes. CSTC-A’s use of “Commitment Letters” may help bolster accountability by stipulating how Ministries allocate their funds and requiring the use of automated financial and personnel systems; but we must do more to understand how U.S. funds are flowing through the Afghan banking system, particularly those used to pay ANP salaries.

The issue of “ghost workers” is not a new issue for SIGAR. In 2011, a SIGAR audit report raised questions about the United Nations Development Program’s (UNDP) management of the Law and Order Trust Fund for Afghanistan (LOTFA), which is used to pay ANP salaries. SIGAR auditors found that neither the Afghan Ministry of Interior nor the UNDP could verify payroll data. SIGAR concluded that there was “limited assurance that only ANP personnel who worked received pay.”

There is a very significant amount of U.S. taxpayer money at stake in this program. Since 2002, the international community has contributed \$3.17 billion to LOTFA. The U.S. has provided 38 percent of that amount – approximately \$1.21 billion.

These challenges are not limited to U.S. funds. In recent discussions with officials from the European Commission and the European Anti-Fraud Office about oversight issues, I learned that the European Union is withholding €100 million (half of its €200 million contribution to LOTFA), due to concerns about how that money is being used, including the possibility of payments to ghost workers and other instances of financial mismanagement. I was told the Commission does not intend to release this funding until proper controls are in place to ensure that LOTFA funds are used as intended.

During my November visit to Afghanistan, I raised the issue of ghost workers and the European Commission's concerns with senior CSTC-A officials. None of the officials I met with was aware of any investigations of ghost workers or the EU's decision to withhold funds from LOTFA. At the same time, however, several others I spoke to in Afghanistan expressed concerns about the possibility of ghost workers. Directly related to this issue, my staff has initiated an audit on the reliability of Afghan National Security Forces personnel data and how those data are used for Afghan National Army (ANA) and ANP payrolls. While CSTC-A's own recent actions are positive steps, I remain concerned that we lack an adequate understanding and oversight of how U.S. funds flow from LOTFA through the Afghan banking system to their destination in the hands of legitimate ANSF personnel.

I look forward to an update on the actions you have identified and ask that you provide me with any evidence you have of this ghost worker and related financial management problems. Additionally, I ask that you identify any efforts to coordinate with other donors to LOTFA in order to share information on possible mismanagement of donor funds. If there is significant ghost payrolling or other mismanagement of these funds, it is not only a waste of money, but reliance on inaccurate ANP numbers could undermine U.S. transition planning as we continue to withdraw troops from Afghanistan.

Should you have any questions or need additional information, please contact me directly, or have your staff contact Jack Mitchell, Director of Special Projects at [REDACTED] or [REDACTED], or Jerry W. Clark, Engagement Manager for Special Projects, at [REDACTED] or [REDACTED].

Thank you in advance for your consideration of this important matter.

Sincerely,



John F. Sopko
Special Inspector General
for Afghanistan Reconstruction



**HEADQUARTERS
UNITED STATES FORCES – AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09354**

USFOR-A DCDR-S

08 March 2014

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

SUBJECT: United States Forces-Afghanistan (USFOR-A) Input to the SIGAR Letter on ANP Ghost Worker & Law and Order Trust Fund for Afghanistan (LOTFA) Financial Management, 19 February 2014

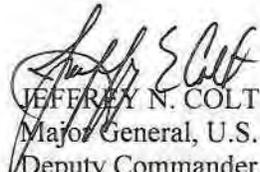
1. (U) References:

a. SIGAR Letter on ANP Ghost Worker & Law and Order Trust Fund for Afghanistan (LOTFA) Financial Management, 19 February 2014

b. Combined Security Transition Command – Afghanistan (CSTC-A) Response to SIGAR Letter, 07 March 2014

2. (U//FOUO) I have reviewed the referenced SIGAR letter and endorse CSTC-A's response.

3. (U//FOUO) Point of contact for this action is LTC Patrick Sullivan, USFOR-A CAG Director, at DSN [REDACTED] or [REDACTED].


JEFFREY N. COLT
Major General, U.S. Army
Deputy Commander, Support
United States Forces-Afghanistan

Encls. (2)

1 – SIGAR Letter, 19 February 2014

2 – CSTC-A Response, 07 March 2014



REPLY TO
ATTENTION OF

COMBINED SECURITY TRANSITION COMMAND - AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

CG CSTC-A

March 7, 2014

MEMORANDUM THRU

United States Forces - Afghanistan (CJIG), Kabul, Afghanistan, APO AE 09356
United States Central Command (CCIG), MacDill Air Force Base, FL 33621

FOR: Special Inspector General for Afghanistan Reconstruction, 2530 Crystal Drive,
Arlington, VA 22202-3940

SUBJECT: Payroll Accountability in the Afghan Ministry of Defense (MoD) and Ministry
of Interior (Mol)

1. Thank you for your inquiry regarding accountability of members on the payroll of the Afghan National Police (ANP). We understand there are potential vulnerabilities in providing Afghan security ministries with direct contributions and we are continuing to mitigate these potential risks while assisting the Afghan ministerial capabilities to provide transparency and accountability of international donations.
2. Your concern that we may be paying for non-existent members of the ANP has been raised anecdotally over the last several years. CSTC-A is aggressively pursuing this issue, but has not found evidence that anyone knowingly paid for non-existent workers. Our review of the payroll process is not complete, and we are continuing to work diligently with both ministries to establish personnel and resource accountability as automated systems are fully deployed.
3. In November 2013, we deployed 12 teams to provincial headquarters across the country that are now validating identification (ID) card numbers, issuing ID cards to trained ANP and civilian personnel, and collecting and updating human resource data in the Afghan Human Resource Management Information System (AHRIMS).
4. While we have made significant progress working with the Mol over the last several years, our recent efforts uncovered discrepancies in the reconciliation of personnel and payroll records. As shared with your staff, we developed and implemented corrective actions to reconcile approximately 54,000 erroneous personnel ID numbers in the Law and Order Trust Fund for Afghanistan's (LOTFA) database used by the United Nations Development Program (UNDP) to manage and account for ANP payroll on behalf of international donors, to include the U.S.
5. We have shared our concerns of erroneous ID card numbers with LOTFA, which, as your letter pointed out, could have facilitated LOTFA unwittingly making payments to

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SUBJECT: Payroll Accountability in the Afghan Ministry of Defense (MoD) and Ministry of Interior (Mol)

non-existent members on the ANP payroll. Based on these concerns, we requested LOTFA's most recent audit of the Mol payroll and we are working with the largest LOTFA donors and the U.S. Embassy Kabul to obtain the results.

6. As our Afghan partners develop the abilities to manage and execute resources, CSTC-A manages the majority of donated funds to ensure proper accountability and oversight. In order to build Afghan self-sustaining ministerial processes in resource management, we are working to increase the amount of direct contributions, the funding provided directly to the Afghans for their security. Our approach is twofold; developing professional competencies in the Afghan ministries to manage resources while ensuring transparency, accountability and oversight to assure international donors that their funds are used effectively.

7. To assure the international community regarding the accountability and oversight of their donations, we implemented a comprehensive Bilateral Financial Agreement. This agreement, known as the Commitment Letter, stipulates that the MoD and Mol must allocate their funding at the 5-digit accounting level while requiring the ministries to use automated accounting systems to provide international transparency and accountability. To strengthen our oversight, we have stood up our own audit division to perform independent assessments which place greater scrutiny over the Afghan financial processes. To enforce accountability, we institutionalized an incremental process that incentivizes the ministries to correct audit findings and address all audit recommendations. Initial results of these efforts appear promising.

8. CSTC-A's audit of Mol's Saratan Payroll substantiated three findings and made 14 recommendations. The initial response from the Mol did not address eight of the 14 recommendations. In accordance with the terms of the FY1393 Commitment Letter, the CSTC-A Review Board proposed withholding some of Mol's FY1393 funding until all recommendations are satisfied. Within three days of notification of the potential withhold of funds, the Mol formally responded to seven of the eight remaining recommendations. CSTC-A is working very closely with the Ministry of Interior to address the remaining audit issue while preparing options regarding future disbursements of FY1393 funds.

9. CSTC-A disburses funds on an incremental basis. CSTC-A has provided the first increment of FY1393 funding which funds Mol's and MoD's most critical items for the next few months to ensure the Afghan National Police can effectively provide security for the Afghan Presidential Elections and the start of the fighting season. CSTC-A still retains the majority of Mol's and MoD's FY1393 funds which would be incrementally disbursed throughout the rest of this year based on conditions in the commitment letter.

10. Our work is far from complete. We recognize the need for continued self-assessments and improvement to ensure we are taking all reasonable and prudent measures to safeguard accountability of U.S. donated funds. In this regard, we

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SUBJECT: Payroll Accountability in the Afghan Ministry of Defense (MoD) and Ministry of Interior (MoI)

requested assistance from the Department of Defense Inspector General (DoDIG) to conduct a comprehensive assessment of how payroll funds are accounted for within the Afghan financial system. The DoDIG team is on the ground today to help us gain a clearer understanding of the management of ANA and ANP personnel and payroll; financial management and controls at all levels; and the process for how U.S. donated funds flow from Da Afghanistan Bank through the Ministries of Finance, Defense, and Interior until they reach Afghan National Security Forces soldiers and police personnel.

11. We welcome the opportunity to continue working with you and your staff to ensure that American taxpayer' and donor nations' funds are used effectively and efficiently to support the Afghan National Security Forces. Should you have any questions or need additional information, please contact me directly, or have your staff contact my point of contact, Colonel John Ulrich at DSN 318-449-1335, or via e-mail at john.c.ulrich@afghan.swa.army.mil.


KEVIN R. WENDEL
Major General, US Army
Commanding General