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20 July 2015

DOCUMENT
C-M(2015)0052-AS1

**IBAN SPECIAL REPORT TO COUNCIL ON THE STEPS NEEDED TO IMPROVE
ACO AND NSPA MANAGEMENT OF CONTRACTOR SUPPORT TO OPERATIONS**

ACTION SHEET

On 17 July 2015, under the silence procedure, the Council noted the IBAN report IBA-AR(2014)11 attached to C-M(2015)0052 and agreed the recommendations contained in the RPPB report.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2015)0052.

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14 July 2015

NOTICE
C-M(2015)0052
Silence Procedure ends:
17 Jul 2015 16:00

**IBAN SPECIAL REPORT TO COUNCIL ON THE STEPS NEEDED TO IMPROVE ACO
AND NSPA MANAGEMENT OF CONTRACTOR SUPPORT TO OPERATIONS**

Note by the Secretary General

1. I attach the International Board of Auditors for NATO (IBAN) Special report to Council on the Steps Needed to Improve ACO and NSPA Management of Contractor Support to Operations.
2. The IBAN conducted a review of the ACO and NSPA contractor support provided to the International Security Assistance Force (ISAF) by ACO and the NSPA, with the objective of assessing the extent to which these two organisations effectively and efficiently procure and manage this support. The examples reviewed by the IBAN illustrate relative strengths and weaknesses associated with the ACO and NSPA contractor support to operations management models. The IBAN makes a number of recommendations to enhance contractor support to operations.
3. The IBAN report has been reviewed by the Resource Policy and Planning Board (RPPB), which has provided its own report with conclusions and recommendations to Council.
4. I consider that no further discussion regarding this report is required. Consequently, **unless I hear to the contrary by 16:00 hours on Friday, 17 July 2015**, I shall assume that the Council has noted the IBAN report IBA-AR(2014)11 and agreed the recommendations contained in the RPPB report.

(Signed) Jens Stoltenberg

**IBAN SPECIAL REPORT TO COUNCIL ON THE STEPS NEEDED TO IMPROVE
ALLIED COMMAND OPERATIONS (ACO) & NATO SUPPORT AGENCY (NSPA)
MANAGEMENT OF CONTRACTOR SUPPORT TO OPERATIONS**

Report by the Resource Policy and Planning Board (RPPB)

References: (a) IBA-A(2014)149 & IBA-AR(2014)11
(b) BC-D(2014)0187-FINAL

Background

1. The present report by the Resource Policy and Planning Board (RPPB) contains the RPPB's observations and recommendations concerning the International Board of Auditors for NATO (IBAN) Special Report to Council on the Steps needed to improve Allied Command Operations (ACO) & NATO Support Agency (NSPA) Management of Contractor Support to Operations (reference (a)).
2. The report is based on the full review of the IBAN report provided by the Budget Committee (BC) (reference (b)).

IBAN report summary and recommendations

3. The IBAN conducted a review of the ACO and NSPA contractor support provided to the International Security Assistance Force (ISAF) by ACO and the NSPA, with the objective of assessing the extent to which these two organisations effectively and efficiently procure and manage this support.

Main findings

4. *NATO has relied on contractor support to operations to meet needs in Afghanistan*
 - 4.1. NATO defines contractor support to operations as deployed support to operations provided by commercial entities, assured for the Commander, and optimised to be the most efficient and effective use of resources. ACO may procure and manage contractor support to operations directly, or task NSPA to manage it on the command's behalf. ACO- and NSPA-managed contractual services and supplies, including contractor support to operations for a wide range of activities, comprised 79 percent of the ISAF budget in 2012.
5. *ACO contracting is operationally responsive, but the command lacks capacity for effective management*
 - 5.1. ACO contracting can be operationally responsive, and the IBAN did not see evidence that operational needs were not met. However, an insufficient number of experienced contracting staff limits ACO's ability to effectively manage and oversee complex contracts. As a result, some of the same risks the IBAN has previously reported on in the context of its special report on the ISAF Fuel BOA remain. The IBAN found a considerable number of weaknesses, including overpayments for the HQ ISAF catering contract estimated at 2.2 million Euro (as at June 2014), for which the IBAN is making specific recommendations. In the IBAN's opinion, ACO-managed support should be

considered appropriate for relatively simple requirements, such as ordering supplies to support psychological operations¹, or for those services that do not entail complex management and oversight activities. In addition, the IBAN sees value in continued command structure management of transportation contracts. The nature of these services requires the involvement of a wider range of staff within the command structure, diminishing risk. For all other services, the IBAN sees the need for direct management by ACO of contract support to operations only for those requirements in which urgency and lack of other options outweighs the risks of limited contract management.

6. NSPA has the capacity to effectively provide contractor support to operations, but policy adjustments could increase efficiency

6.1. In the IBAN's opinion, NSPA provides effective solutions to manage contractor support to operations requiring complex contract management and oversight, such as catering and Air Port of Debarkation services. In addition to delivering the needed services, NSPA demonstrated effective contract management and assurance that the contractors adhere to the terms and conditions of their contracts. In addition, NSPA achieves better procurement outcomes and economies of scale, which to some extent balances NSPA's administrative costs, especially for large-scale procurements. As such, in the IBAN's opinion NSPA should be the preferred provider for delivering complex integrated commercial support solutions for deployed operations. However, as the IBAN recommends, changes to specific policies in the areas of manpower, travel, and individual requirements would improve NSPA's ability to deliver services to ACO more efficiently and in accordance with the NATO principle of "costs lie where they fall".

7. Limitations in the ACO/NSPA customer-provider relationship introduce some financial risk

7.1. Experience in ISAF has shown that in some cases ACO has faced challenges being an "intelligent customer". In particular, ACO has relied on NSPA to define some needs, particularly those related to assurance and supporting management information, with cost implications. In addition, ACO has not fully linked its approval of NSPA manpower to requirements. The approval of NSPA as Contract Integrator and SHAPE's preference for the Agency to manage complex procurements will likely enhance NSPA's role in planning and providing contractor support to operations (CSO) to support NATO exercises and future operations. ACO's logistics and financial communities, among others, have the collective responsibility to determine the right balance among various risks. As the IBAN recommends, this needs to occur through more active definition of the full range of requirements, clearer direction to NSPA, and better monitoring of the results. It also entails taking better advantage of existing governance mechanisms, such as the SHAPE manpower review, to link resources with requirements.

¹ Combined Joint Psychological Operations Task Force (CJPOTF) is an ISAF organisation responsible for achieving operational objectives through the use of various advertising media and the provision of goods, such as radios and winter clothes, calculated to benefit the population's needs.

IBAN overall conclusion and recommendations

8. The examples reviewed by the IBAN illustrate relative strengths and weaknesses associated with the ACO and NSPA contractor support to operations management models. In the IBAN's opinion, ACO-managed contractor support to operations is most appropriate for procurement activities that do not require complex management and oversight. Noting that this does not mean excluding ACO-management of such contracts, but that due note needs to be taken of the need for sufficient, qualified personnel. While NSPA provides good solutions for complex contractor support to operations, it requires an intelligent customer to effectively balance cost and risk. This need will remain as long as the Nations continue to prioritise force generation and keep NSPA as a customer-funded entity.

9. The IBAN makes the following recommendations:

9.1. That Joint Force Command Headquarters Brunssum (JFCBS) and ISAF address weaknesses in JFCBS and ISAF contracts (5 specific recommendations).

9.2. ACO to clarify specific training requirements and post descriptions for ACO Contracting Officer's Technical Representatives.

9.3. Nations to provide qualified contract management personnel to meet NATO force structure commitments, particularly in leadership positions.

9.4. NSPA to request, and Nations to consider, policy changes to help optimise efficiency of NSPA-provided contractor support to operations (3 specific recommendations).

9.5. For future projects, ACO to clearly define requirements for assurance and supporting management information and to direct NSPA accordingly.

9.6. ACO to review and revise Key Performance Indicators to ensure they accurately reflect customer needs for management information.

9.7. ACO to take steps to improve annual review and approval of NSPA manpower requests for SHAPE-funded projects.

10. The IBAN considers it necessary for the entities to develop an action plan for concrete steps to be taken in respect of each of the recommendations and proposes that Nations invite ACO and the NSPA to provide this information on a mutually agreeable schedule.

ACO/JFCBS comments and actions taken

11. SHAPE concurred with the IBAN's recommendations directed towards ACO. SHAPE also expressed some higher-level concerns about how the report characterised cost and risk, the general applicability of the IBAN's conclusions and the wording in some of the IBAN's recommendations.

12. At the 1 October 2014 meeting of the BC, ACO stressed the fact that the Special report by the IBAN on the ISAF Fuel BOA already contained a set of relevant identical

recommendations which have already been addressed by ACO and are under implementation, including an update of the Bi-SC procurement directive².

13. On 5 March 2015, the ACO Financial Controller briefed the Board on their continued follow-up of the IBAN observations; in particular the recommendations to address specific contract weaknesses, improvements made by ACO with regard to contracting activities and ACO interactions with NSPA in theatre.

NSPA comments and actions taken

14. NSPA concurred with all the IBAN's recommendations directed towards NSPA. The NSPA has developed an action plan³ for concrete steps to be taken in respect of each of the IBAN's recommendations.

15. On 5 March 2015, NSPA provided the Board with an update on concrete steps taken in respect of the IBAN recommendations, in particular on the recommendation regarding NSPA individual requirements policy.⁴

RPPB Conclusions

16. The RPPB appreciates this IBAN Special report to Council on the Steps needed to improve ACO & NSPA Management of Contractor Support to Operations. The issues raised in the report regarding contractor support to operations are important to the Alliance.

17. The RPPB recognises that support to operations, in many instances, must be organised and implemented at very short notice and under challenging conditions. In the past, ACO have responded to these tasks to the best of their ability and, while meeting the mission objectives in a timely manner and without up-front costs to Nations, severe shortages in qualified contracting personnel have prevented ACO from effectively managing and overseeing the contracts referred to in the IBAN report. The RPPB notes that these management shortcomings have, in some cases, resulted in overpayments to the contractor.

18. With regard to contracts implemented and managed by the NSPA, the RPPB notes that, according to the IBAN, apart from meeting the operational needs, the agency has managed these more effectively and has been able to achieve economies of scale. However, certain restrictions regarding deployment policies for NATO civilian personnel⁵, NSPA travel restrictions regarding commercial travel for employees and the agencies policy for attributing administrative costs for individual requirements, as laid out in the IBAN report, would need to be addressed to improve the NSPA's ability to deliver services to ACO and Nations more efficiently. This is especially important since establishing the NSPA as a contract integrator and giving it preference to manage complex procurements could lead to an increased use by ACO of the NSPA in providing contractor support to future exercises and operations.

² C-M(2014)0022, BC-D(2014)0251-REV1

³ Reference: G/2014/284, dated 11 November 2014.

⁴ Letter by the Chief of Staff NSPA with reference F/2015/071, dated 3 March 2015.

⁵ C-M(2005)0041

19. The RPPB notes that most of the difficulties ACO experienced in managing large contracts stem from a lack of manpower, both in terms of numbers and skills, in the contracting area. Based on the BC report, the RPPB understands this to be the result of consecutive PE reviews which have resulted in a gradual deterioration in ACO's capability to prepare contracts, to properly evaluate cost proposals and to supervise contract execution. ACO has to rely on Nations filling these positions and is restricted by a PE/CE ceiling, while these restrictions do not apply to NSPA which disposes of fully staffed teams of experienced contracting personnel.

20. While ACO appears to not need additional staff and governance to play its role as an intelligent customer, both in terms of requirement setting and management, they have difficulties in properly exercising this role and thus heavily rely on NSPA's support in the area of Logistics Planning. The RPPB notes that the BC considers this reliance on NSPA to be not without financial risks. It is essential that logistics planning be carried out by ACO rather than the agency, to avoid potential conflicts of interest and to be able to balance cost and risk. ACO needs to fully assume their role as an intelligent customer in all areas. The RPPB also recalls that the NSPA and the NCIA have commissioned a joint study to look into logistics support and governance arrangements between the two agencies.

21. The RPPB notes the IBAN's view that, given ACO's manning problems and the fact that the NSPA disposes of fully manned and highly skilled contracting personnel, the NSPA appears to be more suitable to deliver and manage more complex, integrated commercial support solutions for operations in certain areas such as catering. While both the RPPB and the BC have some difficulty in fully concurring with the IBAN's conclusions in this respect in the absence of a cost/risk analysis, the RPPB notes the IBAN's explanation that they considered the conduct of such an analysis to be beyond the audit scope because it would also require the inclusion of costs to nations for military manpower. The IBAN conclusions were driven by the assumption that the availability of fully manned and highly skilled contracting staff, as is the case for the NSPA, normally reduces the risks in contract management and oversight considerably.

22. The RPPB notes the explanation provided by the IBAN that the NSPA charges a flat 5% fee for administrative costs without tracking the actual level of effort involved in providing the services. The IBAN considers that the 5% fee probably does not cover the entirety of the agency's actual costs and therefore common funding is used to cover the delta, which, in the IBAN's view, violates the principle of "costs lie where they fall"⁶.

23. The RPPB notes that, as invited by the IBAN, NSPA has developed an action plan for concrete steps to be taken in respect of each of the IBAN's recommendations. Regarding ACO, the RPPB notes ACO's continued follow-up of the IBAN recommendations. The RPPB also recalls the recommendations made concerning the ISAF fuel contracts⁷ and notes the actions taken by ACO to improve the acquisition of services and management of contracts for operational support. The RPPB would invite

⁶ Noting that a minimal share of NSPA revenues are from common funding (~15%), and also that NSPA considers the 5% fee sufficient and the level of effort not worth the control mechanism required to balance fees with actual expenditures.

⁷ C-M(2014)0022

both NSPA and ACO to each provide the RPPB with a progress report on actions taken by end June 2015.

24. The RPPB concludes that the subject IBAN Special Report to Council does not contain information which, according to the NATO Policy on Public Disclosure of NATO Information, shall be withheld from public disclosure, and in line with the agreed policy in PO(2015)0052, recommend that Council agree to the public disclosure of the subject IBAN report.

RPPB Recommendations

25. The Resource Policy and Planning Board (RPPB) recommends that Council:
- (a) note the IBAN report IBA-AR(2014)11 along with the present report;
 - (b) endorse the conclusions of the RPPB as outlined in paragraphs 16 through 24;
 - (c) invite ACO to fully assume their role as an intelligent customer in all areas;
 - (d) invite ACO to resolve the issue of overpayments to the HQ ISAF catering contractor no later than one month after Council approval of this report;
 - (e) invite the IBAN to consider undertaking audits of major Resolute Support Mission contracts while these are still active as well as continuing to provide similar type of audits on support provided for future operations;
 - (f) note that the RPPB, with the assistance of the BC, will follow-up by the end of 2015 on the concrete steps taken by ACO and the NSPA in addressing the IBAN's recommendations, including in the context of the RPPB's review of the 2013 IBAN financial statement audits of the two entities;
 - (g) in line with the agreed policy in PO(2015)0052, agree to the public disclosure of the IBAN report IBA-AR(2014)11.

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Overview of ACO and NSPA steps taken in response to the IBAN recommendations⁸

Nr	IBAN recommendation	ACO/NSPA steps taken	Timeline
1	For the HQ ISAF catering services contract, the Board recommends that JFCBS request the firm to clarify the extent to which the price bands applicable to troop contributing Nations excluded the number of meals consumed by contractor personnel. JFCBS should then negotiate price adjustments to reflect the full amount overpaid. The Board further recommends that ACO use all available means to recover the total amount overcharged to the Nations as a result of the incorrect application of the dining facility amortization charge.	Ongoing dispute with Supplier, however overcharged amount has been withheld (2.2 MEUR) from supplier	Meeting supplier March 2015
2	The Board recommends that JFCBS ensure that all parties adhere to the terms and conditions of the ISAF-HQ catering services contract by (1) obtaining the contractor's Quality Control Surveillance Plan, (2) conducting oversight activities to ensure that the contractor adheres to this plan and (3) maintain the appropriate records of the results.	Quality Control surveillance plans obtained (April 2014) – Nomination of a COTR for catering services	Completed
3	The Board recommends that the JFCBS P&C Chief clarify the requirements for the in-theatre management and retention of contractor performance records.	Contract files to be maintained in ACO policy letter 08/10 Contract file maintenance (5 years)	Shipping of documents is ongoing, files to be kept at JFCBS
4	The Board recommends that ISAF take steps to ensure that the services are provided under enforceable contracts in all cases.	Three way matching principle Contingency training course March 2015	Completed

⁸ Responses from NSPA dated 3 March 2015 (reference: F/2015/071) and 11 November 2014 (reference: G/2014/284); response from ACO dated 5 March 2015 (presentation to the RPPB).

5	The Board recommends that ACO clarify the specific training requirements for personnel assigned the COTR role and include the relevant roles and responsibilities in the appropriate post descriptions.	Course developed by ACO based on course provided by Defence Acquisition University – Included in Contingency training course organized by ACO	Completed
6	<ul style="list-style-type: none"> - The Board recommends that the Nations meet their commitments to provide personnel, particularly key leadership, who meet the requirements stated in NATO policy and regulations. - The Board further recommends that the Nations consider restricting bidding on contracting-related posts to those among them which have the procurement career field resident within their force structures. 		
7	<ul style="list-style-type: none"> - The Board recommends NSPA assess National and private sector practices to determine the optimal length of deployment time for personnel primarily responsible for duties in a conflict zone, considering the need for efficiency balanced with the need to continue to attract appropriately qualified and experienced staff. - To optimize the balance between reach-back and forward-deployed staff and save costs to the Nations, the Board further recommends that for future projects NSPA request, and the Nations consider, an exception to the NATO civilian deployment policy for NSPA logistics operations staff with deployability clauses in their 	<p><u>Background</u> Project manning and its current balance between reach-back and forward deployed staff is based on the Military Minimum Requirement (MMR) approved by the MC, RPPB and BC for the project and in accordance with the NAC approved policy for the deployment of civilians.</p> <p><u>Future Operations</u> As a benchmark, NSPA will review other relevant international bodies' personnel regulations. A review of current NATO civilian deployment policy will be conducted and the findings will be assessed. In doing so, NSPA will</p>	<p><u>Actions:</u></p> <ol style="list-style-type: none"> 1. Mid Jan 15 2. End Feb 15 3. End Feb 15 4. End March 15 5. End April 15

	contracts.	<p>review the balance of the type of manpower (such as consultants support) as well as the best way forward to optimize the balance between reach-back and forward deployed staff. The intent will be to reduce deployment rotation where and when possible. The risk is that more reliance on consultants will reduce personnel total knowledge of NSPA internal procedures and policies. A proper balance between full time and consultants employees is important to ensure optimal effectiveness.</p> <p><u>Actions</u></p> <ol style="list-style-type: none"> 1. Obtain details of practice in other NATO bodies 2. Assess practice outside NATO 3. Investigate feasibility and costs of alternative resourcing options 4. Undertake risk assessment 5. Seek NAC approval if policy change recommended 	
8	To save costs to the Nations, the Board recommends NSPA consider aligning its personnel deployment policy for transportation to Afghanistan with NATO Headquarters policy.	Following a careful review during a recent visit to KAIA (Kabul International Airport), using the South Terminal for both his arrival and departure, the General Manager has approved the use of the South Terminal due to the improved security situation and overall efficiency of	Completed

		travel for NSPA. Effective immediately, the standard option is the use of the South Terminal at KAIA for mid-tour (R&R) and end of tour Duty Travel. This terminal may also be used for initial arrival, with a current Afghan Visa. The alternative will only be allowed by leadership approval.	
9	The Board recommends that NSPA review its policy for meeting individual requirements, to include how fees are assessed, to ensure that NATO common funds are not used to pay for National requirements. The Board further recommends that NSPA ensure that it has exhausted all means to include these requirements in existing contracts to minimize additional costs associated with repetitive mobilizations.	The Agency is completing a detailed analysis of relevant data for the years 2010 through 2014, to confirm that the existing policy for meeting ISRs is indeed fair, reasonable and effective. This analysis will be formalized as a report NLT the date indicated.	End Feb 15
10	When tasking NSPA, the ACO logistics, financial and other communities, as appropriate, should ensure that the level of assurance and supporting management information are clearly defined alongside the more typical military requirements. As the contract integrator responsible for providing options, NSPA should present management, monitoring and oversight options in terms of cost and risks. The command structure should then select elements of the management model based on internal assessments of risk and affordability and clearly direct NSPA accordingly.	ACO has been negotiating with NSPA a LSA for Contract Integrator	Final LSA CI draft sent to NSPA on Dec 2014
11	To effectively monitor NSPA's implementation of ACO-directed tasks, the Board recommends that JFCBS and NSPA review and revise, as necessary, the KAIA LSA KPIs to	New MoA has been developed between ACO and NSPA (final approval at NSPA ASB level) – Revision of LSA for KAIA	Completed

	ensure that they accurately reflect the information JFCBS needs to make its management decisions. To economize resources, the Board further recommends that this effort take place alongside other ongoing efforts to develop KPIs, such as for the Contract Integrator LSA, to ensure a consistent approach that can be applied to future arrangements.	(new KPIs included)	
12	<ul style="list-style-type: none"> - The Board recommends that SHAPE approve all NSPA manpower by project, including personnel dedicated to cover the National portion, based on the appropriate mix of indefinite duration, definite duration, and consultant contracts. - The Board further recommends that SHAPE ensure that personnel with expertise in assessing manpower needs, such as the SHAPE personnel management community and the requirement holder's staff, are fully involved in all reviews of NSPA manpower requests. - The Board further recommends that the results of the manpower review fully document the linkage between operational requirements and need for specific NSPA NATO civilian and consultant posts. 	Foreseen – Next meeting scheduled in May 2015 with J1 participation	Completed

**Summary Note for the Council by the International Board of Auditors for NATO
on the Steps Needed to Improve ACO and NSPA Management
of Contractor Support to Operations**

Introduction

In accordance with Article 17 of its Charter, the International Board of Auditors for NATO (Board) is providing this special report to the North Atlantic Council (Council) with the objective of assessing the extent (1) of Allied Command Operations (ACO) and NATO Support Agency (NSPA) contractor support to International Security Assistance Force (ISAF) operations and (2) to which ACO and NSPA effectively and efficiently procure and manage this support. To address these objectives, among other things the Board conducted discussions and performed reviews of project management, contract management, and contract files for 1 Supreme Headquarters Allied Powers Europe (SHAPE), 11 Joint Force Command Headquarters Brunssum (JFCBS), 5 ISAF, and 4 NSPA contracts.

Audit Highlights

NATO has relied on contractor support to operations to meet needs in Afghanistan

NATO defines contractor support to operations as deployed support to operations provided by commercial entities, assured for the Commander, and optimized to be the most efficient and effective use of resources. ACO may procure and manage contractor support to operations directly, or task NSPA to manage it on the command's behalf. ACO- and NSPA-managed contractual services and supplies, including contractor support to operations for a wide range of activities, comprised 79 percent of the ISAF budget in 2012.

ACO contracting is operationally responsive but the command lacks capacity for effective management

ACO contracting can be operationally responsive, and the Board did not see evidence that operational needs were not met. However, an insufficient number of experienced contracting staff limits ACO's ability to effectively manage and oversee complex contracts. The Board found a considerable number of weaknesses, including overpayments, for which the Board is making specific recommendations. In the Board's opinion, ACO-managed support should be considered appropriate for relatively simple requirements, such as ordering supplies to support psychological operations, or for those services that do not entail complex management and oversight activities. In addition, the Board sees value in continued command structure management of transportation contracts. The nature of these services requires the involvement of a wider range of staff within the command structure, diminishing risk. For all other services, the Board sees the need for direct management by ACO of contract support to operations only for those requirements in which urgency and lack of other options outweighs the risks of limited contract management.

NSPA has the capacity to effectively provide contractor support to operations, but policy adjustments could increase efficiency

In the Board's opinion, NSPA provides effective solutions to manage contractor support to operations requiring complex contract management and oversight, such as catering and Air Port of Debarkation services. In addition to delivering the needed services, NSPA demonstrated effective contract management and assurance that the contractors adhere to the terms and conditions of their contracts. In addition, NSPA achieves better procurement outcomes and economies of scale, which to some extent balances NSPA's administrative costs, especially for large-scale procurements. As such, in the Board's opinion NSPA should be the preferred provider for delivering complex integrated commercial support solutions for deployed operations. However, as the Board recommends, changes to specific policies in the areas of manpower, travel, and individual requirements would improve NSPA's ability to deliver services to ACO more efficiently and fairly.

Limitations in the ACO/NSPA customer-provider relationship introduce some financial risk

Experience in ISAF has shown that in some cases ACO has faced challenges being an intelligent customer. In particular, ACO has relied on NSPA to define some needs, particularly those related to assurance and supporting management information, with cost implications. In addition, ACO has not fully linked its approval of NSPA manpower to requirements. The approval of NSPA as Contract Integrator and SHAPE's preference for the Agency to manage complex procurements will likely enhance NSPA's role in planning and providing CSO to support NATO exercises and future operations. ACO's logistics and financial communities, among others, have the collective responsibility to determine the right balance among various risks. As the Board recommends, this needs to occur through more active definition of the full range of requirements, clearer direction to NSPA, and better monitoring of the results. It also entails taking better advantage of existing governance mechanisms, such as the SHAPE manpower review, to link resources with requirements.

Overall conclusion

The examples reviewed by the Board illustrate relative strengths and weaknesses associated with the ACO and NSPA contractor support to operations management models. In the Board's opinion, ACO-managed contractor support to operations is most appropriate for procurement activities that do not require complex management and oversight. While NSPA provides good solutions for complex contractor support to operations, it requires an intelligent customer to effectively balance cost and risk. This need will remain as long as the Nations continue to prioritize force generation and keep NSPA as a customer-funded entity.

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ANNEX 2
C-M(2015)0052
IBA-AR(2014)11

13 June 2014

INTERNATIONAL BOARD OF AUDITORS FOR NATO

SPECIAL REPORT TO COUNCIL

**ON THE STEPS NEEDED TO IMPROVE ACO AND NSPA MANAGEMENT
OF CONTRACTOR SUPPORT TO OPERATIONS**

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AUDIT HIGHLIGHTS**Why the Board did this Audit**

Following the 2012 publication of its report on the management of fuel contracts for ISAF and Troop Contributing Nations, the Nations “invited the IBAN to consider undertaking audits of other major ISAF contracts.” In this report, IBAN has assessed the extent (1) of ACO and NSPA contractor support to ISAF operations and (2) to which ACO and NSPA effectively and efficiently procure and manage this support.

STEPS NEEDED TO IMPROVE ACO AND NSPA MANAGEMENT OF CONTRACTOR SUPPORT TO OPERATIONS**What the Board found**

- Weak ACO contract management resulted in limited assurance that services have been provided in accordance with contract terms and conditions. The Board found overpayments.
- ACO has an insufficient number of experienced contracting personnel and lacks emphasis on contract oversight, limiting the command's ability to effectively manage and oversee all of its contracts.
- NSPA provides good solutions to manage contractor support to operations requiring complex contract management and oversight. NSPA has demonstrated effective contract management and economies of scale.
- The NATO civilian deployment policy, NSPA travel restrictions, and NSPA individual requirement fee-setting policy limit optimization of efficiency for NSPA-provided solutions.
- ACO faces challenges as an intelligent customer. It has over-relied on NSPA to define some requirements, particularly those related to assurance and supporting management information, with cost implications.
- Key Performance Indicators for the Kabul International Airport Logistic Support Agreement are not well defined, resulting in the underutilization by the customer of a costly quality assurance capability.
- ACO has not fully documented the link between increasing NSPA manpower approved for Kabul International Airport Real Life Support and Air Port of Debarkation services and operational needs.

Response to this report

- SHAPE concurred with the Board's recommendations directed towards ACO. SHAPE also expressed some higher-level concerns about how the report characterized cost and risk, the general applicability of the Board's conclusions, and the wording in some of the Board's recommendations. NSPA concurred with all the Board's recommendations directed towards NSPA. Neither SHAPE nor NSPA assigned responsibilities or provided a timeline for implementing the Board's recommendations. Both SHAPE and NSPA provided technical comments. The Board addressed all comments in the report text as appropriate.

What the Board recommends

- Joint Force Command Headquarters Brunssum (JFCBS) and ISAF address weaknesses in JFCBS and ISAF contracts (5 specific recommendations).
- ACO clarify specific training requirements and post descriptions for ACO Contracting Officer's Technical Representatives.
- Nations provide qualified contract management personnel to meet NATO force structure commitments, particularly in leadership positions.
- NSPA request, and Nations consider, policy changes to help optimize efficiency of NSPA-provided contractor support to operations (3 specific recommendations).
- For future projects, ACO clearly define requirements for assurance and supporting management information and direct NSPA accordingly.
- ACO review and revise Key Performance Indicators to ensure they accurately reflect customer needs for management information.
- ACO take steps to improve annual review and approval of NSPA manpower requests for SHAPE-funded projects.

What the Board concludes

- The examples reviewed illustrate relative strengths and weaknesses associated with the ACO and NSPA contractor support to operations management models. In the Board's opinion, ACO-managed contractor support to operations is most appropriate for procurement activities that do not require complex management and oversight. While NSPA provides good solutions for complex contractor support to operations, it requires an intelligent customer to effectively balance cost and risk. This need will remain as long as the Nations continue to prioritize force generation and keep NSPA as a customer-funded entity.

1. OBJECTIVES, SCOPE AND METHODOLOGY

1.1 In accordance with Article 17 of its Charter, the International Board of Auditors for NATO (Board) is providing this special report to the North Atlantic Council (Council) with the objectives of assessing (1) the extent of ACO and NSPA contractor support to ISAF operations and (2) the extent to which ACO and NSPA effectively and efficiently procure and manage this support.

1.2 To answer its objectives the Board reviewed relevant policies, regulations, contracts, and project/programme management documentation and conducted interviews with officials from SHAPE, JFCBS, ISAF, and NSPA. The Board focused on the views of logistics, financial, and programme, and project management officials, and considered the views of ACO and NSPA leadership in writing the final draft. The Board conducted most of its fieldwork between April and October 2013 in Kabul, Afghanistan (ISAF Headquarters and Kabul International Airport—KAIA); Brussels, Belgium; Mons, Belgium; Capellen, Luxembourg; and Brunssum, the Netherlands. Specifically, the Board did the following:

- To determine the extent of ACO and NSPA contracted support to ISAF operations, the Board assessed the 2014 ISAF budget request and SHAPE, JFCBS, ISAF, and NSPA information on contract values for committed common funds and Nation-borne costs.
- To assess the effective and efficient provision of these services by ACO and NSPA, the Board judgementally sampled 1 SHAPE, 11 JFCBS, 5 ISAF, and 4 NSPA contracts. All NSPA contracts analyzed are related to KAIA Air Port of Debarkation (APOD) and Real Life Support (RLS) services. They represent the 21 highest value contracts for support to operations not previously been reviewed in detail by the Board. The contracts covered a wide range of services and, in 2012, represented EUR 210,948,279 in Military Budget commitments and EUR 52,053,237¹ in Nation-borne costs. They are described in more detail in Appendix 2. In addition, the Board included in its report information from the ongoing transition to NSPA-managed fuel contracts in 2014 relevant to the reporting objectives. The Board did not include in its scope contracts for Communications and Information Services (CIS) support and Theatre Capability Statement of Requirement (TCSOR) support for ISAF. CIS support in particular represents a significant additional use of CSO.
- The Board performed contract file reviews to assess the effectiveness of procurement and post-award management, to include monitoring of contractor's performance, of the selected contracts. Based on the Board's prior work and concerns expressed by the Nations, the Board focused its analysis of specific

¹ These included EUR 40,051,095 for Real Life Support (RLS) at KAIA and EUR 12 million for the HQ ISAF catering services contract. Services provided at Kandahar Airfield (KAF) are out of the scope of this audit.

contracts on the effectiveness and efficiency of management actions but also considered feedback on the effectiveness of services provided.

- The Board assessed the resources made available within ACO and NSPA to perform procurement and contract management activities. In particular, the Board examined requirements, fill rates and personnel approval processes for acquisition and contract management functions within ACO, its subcommands and NSPA's Logistics Operations Programme.
- The Board assessed NSPA operational and project-specific administrative costs for the KAIA APOD and RLS services. The Board examined relevant documentation and discussed procedures with NSPA and ACO officials to determine how these costs are determined and reviewed.
- The Board selected catering services as an area in which a closer comparison between the ACO and NSPA management models is possible due to the similarity in services provided. The full comparison is presented in Appendix 3.

1.3 This report follows up on prior Board reviews of the management of NATO Fuel Contracts for ISAF and Troop Contributing Nations (TCNs),² NSPA's RLS and APOD services at Kandahar Airfield (KAF),³ and NATO's deployed logistics support.⁴ This report also responds to National interest. Specifically, following the 2012 publication of its report on the management of ISAF fuel contracts, the Nations "invited the IBAN to consider undertaking audits of other major ISAF contracts."⁵

² IBA-AR(2012)27

³ IBA-AR(2010)16

⁴ IBA-AR(2008)029

⁵ AC/335-N(2012)0128(FINAL)

2. NATO HAS HEAVILY RELIED ON CONTRACTOR SUPPORT TO OPERATIONS TO MEET NEEDS IN AFGHANISTAN

2.1 Background

2.1.1 The NATO command structure has increasingly relied on contractor support to operations (CSO),⁶ to meet ISAF mission objectives set by the Nations. ACO typically employs CSO following the identification, validation, endorsement and funding of a requirement through NATO urgent requirement processes. To manage CSO, the NATO Command Structure relies on the force generation process.⁷ Peacetime or Crisis Establishment (PE or CE) military and civilian personnel in the Financial Controller and Logistics directorates, among others, are responsible for managing various aspects of CSO. Costs to NATO common-funded budgets include the contracted costs of the services themselves and overheads associated with civilian and military manpower. Nations pay the costs of providing their military personnel to fill PE and CE positions out of National budgets.

2.1.2 Force generation is always the preferred option to obtain support, including CSO management, for military operations. However, NATO policy permits the use of outsourcing⁸ of capabilities to support military operations if (1) other capabilities are unavailable and (2) it is provided in accordance with a fully-costed and ACO-endorsed business case that includes comparisons with alternative methods of meeting the requirement.⁹ In this context, outsourcing may include the services of private firms or the NATO Agencies such as NSPA.¹⁰ Recommendations for outsourcing intended to

⁶ Contractor support to operations enables competent commercial entities to provide a portion of deployed support, so that such support is assured for the Commander and optimizes the most efficient and effective use of resources. Contracting is the act of purchasing, renting, leasing, or otherwise obtaining supplies or services from commercial or governmental sources through a legally binding contract. Contracting includes the description of supplies and services required the selection and solicitation of sources, preparation and award of contracts, and all phases of contract management. See EAPC(SNLC)D(2010)0005.

⁷ Force generation is the procedure for staffing an operation or mission. It ensures that Alliance operations or missions have the manpower and materials required to achieve set objectives.

⁸ Outsourcing is the process of commercially contracting required manpower, assets, services and/or capabilities as an alternative for own NATO and national, mainly military, means and capabilities. See SRB-WP(2003)2, FINAL (INV).

⁹ See Allied Joint Publication 4.9, Modes of Multinational Logistic Support, 0507 1.c. This has been enshrined most recently by PO(2013)0056, *Revised Funding Arrangements for Non-Article 5 NATO-Led Operations and Missions* C-M(2007)0004. RPPB guidance on outsourcing is in AC/335-N(2010)0037.

¹⁰ The NATO Support Organization Charter defines the NSPA mission “to provide responsive, effective and cost-efficient logistics, operational and systems support and services to the Allies, NATO Military Authorities and partner nations, individually and collectively, in time of peace, crisis and war, and where required, to maximise the ability and flexibility of their armed forces, contingents, and other relevant organizations, within the guidance provided by Council, to execute their core missions.” The NATO Logistics Handbook states that the NSPA is “NATO’s principal logistics support management agency” and that procurement is one of its main functions. NATO’s Principles and Policies for Logistics state that the procurement function for supplies and services required by the NATO force “may be carried out by nations and/or the NATO Commander, and possibly includes the use of NAMSA services” (MC 319/2). Allied joint logistics doctrine states that “in establishing the contracting

cover shortfalls in Force Generation must be agreed by the Military Committee (MC) and Resource Policy and Planning Board (RPPB) and endorsed by the Council.¹¹

2.1.3 As a customer-funded agency, NSPA provides its services on a no-profit, no-loss basis. Prior to implementing a project, NSPA typically requires common-funded pre-financing. Unlike ACO's direct management of CSO, which relies on military personnel provided by the Nations, NATO and the Nations pay all of NSPA's management costs in addition to the costs of the contracted services themselves. All programme costs can be apportioned to common funding and Nation-borne costs depending on agreed sharing formulas. Logistics Support Agreements (LSAs) agreed by SHAPE, NSPA and the Nations establish terms, conditions, and deliverables for the approved programmes.¹² For services procured on behalf of ACO, Nations must provide their approval for the command to bear all risk, including financial liability.

2.1.4 ACO has managed a wide range of CSO for ISAF, both through the force generation process and through NSPA. Key capabilities and services managed directly from within the ACO command structure include fuel, intra-theatre rotary wing (helicopter) and strategic (fixed wing) airlift, catering, internet provision and most psychological operations support. These are managed in a "reach back" capacity by either JFCBS or SHAPE.¹³ For these services some responsibilities, such as day-to-day oversight of contractor performance, are delegated to personnel deployed to ISAF. The remaining contracts for operations, typically of lower value, are wholly executed in theatre by ISAF.

2.1.5 On behalf of ACO, NSPA provides APOD and RLS services¹⁴ at the Kandahar Air Field (KAF) and KAIA (Kabul International Airport). The Board previously reviewed services provided at KAF.¹⁵ In the current report, the Board focuses on NSPA-managed services provided at KAIA.

2.1.6 In April 2009 the MC and RPPB approved NSPA as the main service provider at KAIA, in accordance with NATO policy.¹⁶ The approval followed an ACO assessment of 3 options for providing these functions at newly built facilities on the north side of the

organisation, consideration should be given to utilising the technical expertise available (on a reimbursable basis) from NAMSA." (AJP-4(A)).

¹¹ PO(2013)0056

¹² The Bi-Strategic Command Procurement directive states that Strategic Commands can engage NATO agencies for procurement under a Memorandum of Agreement that sets out specific financial arrangements (Bi-SC Directive 60-70, 2-21).

¹³ The reach back arrangements for ISAF were established under the ISAF Operations Plan (OPLAN), which provides the provisions to use the JFCBS Financial Controller for reach back support to ISAF when it is practical and prudent to do so. The command and control arrangements and responsibilities for out-of-theatre support are stated in the ISAF OPLAN 10302 Rev 2, Reference L.

¹⁴ APOD services include the provision of fuel and materials, and the operation and maintenance of closed circuit television and airfield equipment, among other things. RLS services include catering and laundry services in KAIA, and also utilities, water and waste treatment contracts in KAF.

¹⁵ IBA-AR(2010)16.

¹⁶ PO(2005)0098

airfield. Besides NSPA, options included the status quo¹⁷ and a JFCBS-managed integrated solution. The MC endorsed the SHAPE recommendation for NSPA to manage an integrated solution, concluding that this option would provide the least risk to meeting the Minimum Military Requirement. Arguments in favour of the NSPA option included no reliance on force generation, which had proven problematic in providing sufficient numbers of personnel at KAIA. In addition, for the National Military Authorities NSPA's work at KAF had demonstrated that the Agency could effectively deliver a tailored capability in the field and take full responsibility for contract management and oversight.

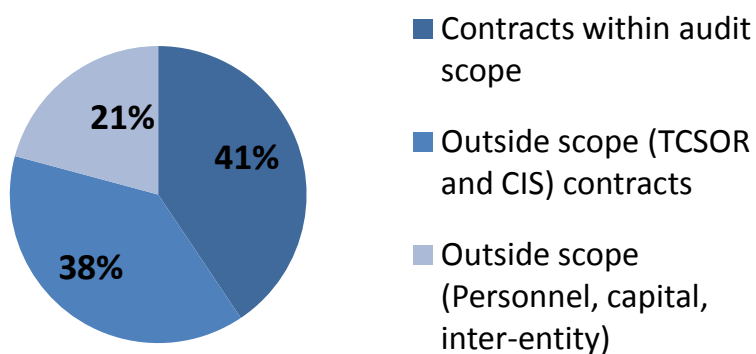
2.2 NATO extensively relies on contractor support to ISAF operations

2.2.1 The extent to which NATO and the ISAF TCNs rely on CSO for operations in Afghanistan is evident in the ISAF budget. The total common-funded ISAF budget for 2012 was EUR 519,463,918 in commitments. Out of that, EUR 411,363,175, a majority at 79 percent, represents contractual supplies and services. Figure 1 presents the common-funded proportion of the contracts within the scope of this review relative to other contractual supplies and services, including TCSOR and CIS contracts, as well as expenses not associated with contractual supplies and services such as personnel, capital, and inter-entity costs. Figure 2 shows the proportional value of the contracts, including Nation-borne costs, within the Board's audit scope directly managed by ACO versus those managed by NSPA¹⁸ on behalf of the command.

¹⁷ Services at the previous location at KAIA (on the southern side) were provided through a relatively uncoordinated mix of contractor and military personnel-managed services.

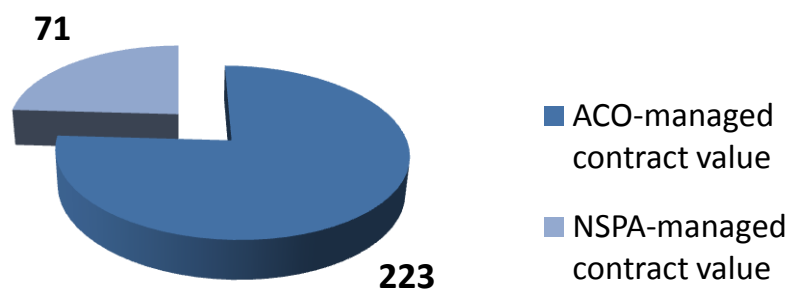
¹⁸ KAIA APOD and RLS services.

Figure 1: ISAF common funding commitments, 2012



Source: IBAN assessment of ACO data

Figure 2: ACO-managed and NSPA-managed CSO within audit scope, EUR, millions, 2012



Source: IBAN assessment of ACO data

3. ACO CONTRACTOR SUPPORT TO OPERATIONS IS RESPONSIVE BUT THE COMMAND LACKS CAPACITY FOR EFFECTIVE MANAGEMENT

3.1 ACO-managed contractor support to operations is responsive

3.1.1 The Board's audit work did not reveal any evidence that ACO-managed CSO did not meet mission objectives. For example, the contracts evaluated by the Board appear to have fed the required number of personnel, moved the required amount of cargo, and put in place the required advertising to support psychological operations, among other things. For the SHAPE-managed strategic airlift contract¹⁹, a National customer was particularly satisfied with the cost and level of service received. In the Board's opinion, ACO is particularly well-suited to manage transportation contracts because the management and oversight of the services involve a wider range of personnel, such as operations personnel, within the command structure.

3.1.2 By relying on the force generation process to manage CSO, ACO provides its commanders operational responsiveness. With no common funded pre-financing and no personnel commitment from the Nations other than those provided through regular force generation, ACO-managed CSO allows customers to receive timely services with no upfront costs. For example, in the absence of a role-specialist or lead Nation the ISAF fuel contracts demonstrated the NATO command structure's ability to operate independently from the constraints of individual Nations while also providing the support necessary for the Nations to collectively execute a NATO-tasks mission.²⁰ However, as the Board reported in 2012 and continues to report in this review such responsiveness comes at the cost of financial risk incurred through ACO management limitations.

3.1.3 Using NSPA to manage CSO on behalf of ACO may take more time to plan and increases uncertainty by involving the Nations to a greater extent. Because the Nations value force generation, multiple levels of assessment, approval, and endorsement are needed for solutions provided through any other means, including NSPA. In the example of KAIA APOD and RLS services, after SHAPE endorsed the JFCBS Chief of Staff's recommendation to use NSPA, obtaining approval by the MC, Budget Committee, and RPPB took almost 5 months. Working together, ACO and NSPA minimized the impact of the delay by putting interim solutions in place. The Board also observed that concerns about financial liability delayed National approval of the LSA governing post-ISAF fuel provision, reducing the time NSPA said it needed to conduct an effective competition and control costs.

3.1.4 ACO-managed contracting can be relatively responsive on other ways. The JFCBS P&C Standard Operating Procedures allow 15 weeks to award a typical international competitively bid contract, recognizing that the time may increase with

¹⁹ Multi Modal Cargo Transportation Services, IFIB-ACO-SH-09-52.

²⁰ Michael J. Evans and Stephen W. Masternak, *The Silent Revolution Within NATO Logistics: A Study in Afghanistan Fuel and Future Applications*, December 2012, retrieved at <http://www.dtic.mil/dtic/tr/fulltext/u2/a574221.pdf>, 17 February 2014.

particularly complex contracts. On the other hand, NSPA documentation shows that the Agency allows 30 weeks to complete an internationally competitively bid contract award. Procuring multiple services simultaneously, such as APOD and RLS, adds more time. In comments on a draft of this report NSPA stated that it has the flexibility to match the contractual lead times with the urgency or complexity of the requirements as determined by the customer. Nevertheless, the use of NSPA for CSO will always require National approval under current NATO rules. According to ISAF officials, even under the relatively short time frames allowed by its procedures, obtaining sufficient warning from the commander on required contracted services is one of the biggest challenges in an operational environment. As a result, the greater time necessary to put NSPA-managed services on contract may limit commanders' flexibility by increasing the lead time necessary for planning.

3.2 Management limitations in JFCBS and ISAF contractor support to operations are evident

3.2.1 Effective contract management is not limited to achieving the desired operational outcome or maximizing flexibility for the commander. NATO pays for services to be provided in accordance with certain standards and within agreed-upon prices. For this reason, contracts with suppliers include a set of terms and conditions the contractors are supposed to adhere to. In addition, those in charge of managing the contract are supposed to check the commercial suppliers' performance to ensure adherence with these terms and conditions. The extent to which the supplier and customer perform the relevant tasks associated with these roles and responsibilities can also be seen as a measure of effectiveness. In the Board's opinion, for some types of contracts ACO has not demonstrated the capacity to perform effective contract management, oversight and due diligence.

3.2.2 The Board found weaknesses in post-award management in 8 out of the 17, or 47 percent, of the ACO contracts analyzed. All weaknesses were found in the JFCBS and ISAF contracts assessed. ACO Internal Audit identified some of these weaknesses in a 2012 report.²¹ However, JFCBS did not take action to fully address the findings until October 2013, when the Board provided JFCBS the financial impact of some of those findings and the methodology behind its financial estimates. As of February 2014, JFCBS was in contact with the relevant contractors, but the issues were not yet resolved. Contract management limitations found by the Board include:

- Non-compliance with roles and responsibilities stated in Bi-SC Directive 60-70, including limited follow-up action taken in response to prior audit findings related to incorrect charging, resulting in overpayments (HQ ISAF catering).
- Very little information on contractor performance, limiting the extent to which JFCBS can provide assurance that its contractors adhere to the terms and

²¹ Audit and inspection of ISAF related contracts put in place by JFC HQ Brunssum (07.05.03.01(17)/SPSODAAUI/CBM/2012).

conditions of the contracts (HQ ISAF catering, psychological operations support acquisitions and services).

- Lack of opportune action by the contracting officer (CO), resulting in the payment of higher prices for services than necessary (HQ ISAF and ISAF Joint Command (IJC) internet services contract).
- Instances of non-compliance with rules and regulations with limited financial risk, such as lack of timely contract renewals and issuance of deviation (ISAF mobile phone and waste management services).
- Limited implementation of Enterprise Risk Management.

HQ ISAF catering

3.2.3 JFCBS manages a contract to provide catering services to HQ ISAF.²² Expenditures in 2012 amounted to approximately EUR 12 million, almost entirely Nation-borne costs since food expenses are a National responsibility. For this contract, the Board confirmed weaknesses in the bid evaluation process first identified by ACO Internal Audit.²³ These examples limit assurance that JFCBS awarded the contract in accordance with applicable regulations,²⁴ general principles and best practices. In the Board's opinion, the extent to which JFCBS will take corrective action in these areas will be determined by future procurements.

- JFCBS selected the winning bid based on erroneous information. Specifically, the bid evaluation criteria were based on the maximum camp population (2,000 people) rather than known consumption figures. When the request for proposals and Statement of Work (SOW) were written, JFCBS had information about historical average headcounts. These were far lower: 750 breakfasts, 1,200 lunches, 1,250 dinners, and 220 midnight meals. These numbers would have been well-known to the winning bidder since it was the incumbent contractor. This firm's proposal stated a daily cost per person of EUR 24.36 per meal given a 2,000-person meal consumption rate for all 4 meals offered. However, if the known historical data had been used to evaluate the bids, the daily cost of the winning bid would have been EUR 30.13, which is 24 percent higher. Had actual consumption figures been used as the basis for evaluation, the outcome of the competition may have been different.
- The prices presented by the winning bid may not have accurately reflected actual prices. For example, the initial price quoted by the winning bid for bottled water was lower than what JFCBS had been paying the same contractor for the same commodity. Eleven months later a decision was made to modify the contract to source local bottled water, as a result of the application of the

²² BOA-ACO-BRU-08-89

²³ 07.05.03.01(17)/SPSODAAUI/CBM/2012

²⁴ Bi-SC Directive 60-70 Section 3-2

Afghan First Policy. That implied a significant price increase, which JFCBS approved with no supporting documentation or analysis. The ACO Internal Audit Office estimated the impact of this increase to be EUR 217,571 as of May 2012.

3.2.4 In addition, the Board found that JFCBS has not taken timely contract management actions in response to some key findings in the 2012 ACO internal audit. According to the contract, the price per meal decreases as the number of meals served increases. ACO internal audit found that the contractor did not consider transient personnel and contractor staff in determining the meal prices to invoice. In addition, NATO lacks a reliable means to verify the numbers of meals served provided by the supplier. As a result, NATO may be paying a higher rate for catering services than it should. ACO's comments to this report include a document where the contractor recognizes that between April 2009 and June 2012 calculations were made incorrectly. The contractor further states that since July 2012 all visitor meals have been included in the meal rate calculations. The contractor acknowledges overpayments amounting to EUR 129,506, which it states will be refunded. However, neither ACO nor the Board can independently validate the whether this figure is correct. For example, the document provided by the contractor does not mention meals consumed by contractor personnel.

3.2.5 Further, the contract included an extra charge per meal to amortize the cost of the construction of a new dining facility. In its examination of the contract file the extra amount to be applied was not clearly stated, and the Board did not find a corresponding adjustment in meal prices after amortization should have been complete in October 2011 in accordance with the terms of the contract. In addition, JFCBS was unable to provide the Board evidence of negotiation or agreement with the contractor that would explain an offset due to other costs. Overpayments by NATO and TCNs amounted to EUR 92,079²⁵ for the month of May 2012. At the time audit fieldwork was complete, these payments may have occurred for as many as 24 months. Taking the May 2013 HQ ISAF headcount as an average, the Board estimates that these costs amount to approximately EUR 2.2 million as of October 2013. The contractor has acknowledged these overcharges, but does not intend to refund them, since it considers that ACO contracting officers agreed and accepted the prices applied and charged. However, the extra charge will not be applied in 2014 following JFCBS negotiations with the firm.

²⁵ The Board multiplied the EUR 0.81 extra charge by the number of meals served in May 2012 (113,678), deducting midnight meals (extra charge not applied).

Recommendation 1:

3.2.6 For the HQ ISAF catering services contract, the Board recommends that JFCBS request the firm to clarify the extent to which the price bands applicable to troop contributing Nations excluded the number of meals consumed by contractor personnel. JFCBS should then negotiate price adjustments to reflect the full amount overpaid. The Board further recommends that ACO use all available means to recover the total amount overcharged to the Nations as a result of the incorrect application of the dining facility amortization charge.

3.2.7 The Board also found that limited records are available on the contractor's performance. The contract required the supplier to produce a Quality Control Surveillance Plan, against which contract oversight personnel were supposed to evaluate contractor performance. JFCB officials were unable to provide the Board with this plan or evidence that surveillance had been conducted. Rather, documents provided to the Board as evidence of contract oversight include the minutes from monthly meetings held with the user (National representatives on base). These contained details on how the user perceived the services provided. In this case, besides putting the supplier in a position of non-compliance with the terms and conditions of the contract, the lack of records exacerbates challenges associated with the ISAF operational environment, which is characterized by the rapid rotation of often inexperienced military personnel with short or non-existent turnover periods.

Recommendation 2:

3.2.8 The Board recommends that JFCBS ensure that all parties adhere to the terms and conditions of the ISAF-HQ catering services contract by (1) obtaining the contractor's Quality Control Surveillance Plan, (2) conducting oversight activities to ensure that the contractor adheres to this plan and (3) maintain the appropriate records of the results.

HQ ISAF and ISAF Joint Command internet services

3.2.9 For the HQ ISAF and IJC internet services contract,²⁶ JFCBS maintains contract authority, whilst oversight is delegated to theatre. Prior to the Board's review, the in-theatre COTR told the JFCBS CO that market prices of internet services had decreased. The contract includes a "most favourable customer" clause, under which the supplier should have charged NATO the lowest rate available. When this did not occur, the CO, no longer working at NATO, did not modify the contract. The COTR agreed with the supplier to keep prices constant, but at a higher level of service provision. While this left NATO better off than the alternative of no action, the steps taken to address decreasing cost of bandwidth violates the value for money principle espoused in Bi-SC Directive 60-70. The total value of this contract amounted to EUR 690,000 in 2012.

²⁶ ACO-BRU-11-47

Psychological operations support

3.2.10 Combined Joint Psychological Operations Task Force (CJPOTF) is an ISAF organization responsible for achieving operational objectives through the use of various advertising media and the provision of goods, such as radios and winter clothes, calculated to benefit the population's needs. CJPOTF comprises the majority of ISAF funds committed to contractual supplies and services. Depending on the services provided, contract authority resides with either HQ ISAF or JFCBS, and some administrative functions, including contract oversight, have been delegated to the CJPOTF budget section in theatre.

3.2.11 In 4 out of the 5 CJPOTF contracts the Board analyzed, (advertising services, acquisition of kitchen sets, winter clothes, school material, and radio receivers), with an approximate accumulated value of EUR 5.4 million, evidence of contract oversight was very limited. Although the contracts had a designated COTR (an International Civilian Consultant), the position was vacant for at least 6 months in 2013. As a result, contract monitoring was limited to warehouse checks of the quantity and timeliness of the products delivered. The Board also found that the COTR had improved some negative performance ratings written by other officials without documented justification, and in general maintained very limited records. As of September 2013, CJPOTF was in the process of recruiting an International Civilian Consultant for the position. Unless the CO clarifies record-keeping requirements for this contract, future post-holders may be less able to improve their monitoring of contractor performance.

Recommendation 3:

3.2.12 The Board recommends that the JFCBS P&C Chief clarify the requirements for the in-theatre management and retention of contractor performance records.

ISAF contracts for waste management and mobile phone services

3.2.13 In addition to its findings on ISAF contract compliance as reported in the audit of the 2012 ACO accounts,²⁷ the Board found lack of compliance with rules and regulations in 2 contracts out of the 5 sampled at ISAF. First, for a contract for refuse and waste water collection worth EUR 250,000 per year,²⁸ a purchase order continuing services past the contract expiration date (to December 2013) did not have a supporting contract modification or deviation letter. Second, for a contract providing mobile phone service worth up to approximately EUR 117,000²⁹, the option to extend the contract from 1 January until 31 December 2013 was not exercised until April 2013. As a result of these administrative oversights, each of the respective services was provided during at least some portions of 2013 without the contractual basis required by Bi-SC directive 60-70. In the Board's opinion, even though the financial risk resulting from these

²⁷ IBA-AR(2013)32

²⁸ ISAF-11-B-0001

²⁹ ISAF-12-D-0003

instances of non-compliance is minimal, the potential implications of services being provided in the absence of an enforceable contract should not be underestimated.

Recommendation 4:

3.2.14 The Board recommends that ISAF take steps to ensure that the services are provided under enforceable contracts in all cases.

Challenges implementing risk management

3.2.15 In August 2011 the SHAPE Chief of Staff tasked the ACO and JFCBS Financial Controllers to support the ISAF Financial Controller to implement risk management at ISAF with a focus on the in-theatre acquisition processes. The ACO Financial Controller promised the Nations that this capability would be put in place to improve management and address some of the long-standing audit findings on procurement weaknesses at ISAF. Completed in December 2012, project deliverables included, among other things, a risk register, a monitoring tool, and several risk management worksheets. As of June 2013, the ISAF Financial Controller had prioritized developing a questionnaire related to contract file documentation, but had not taken this project further due to lack of personnel. As a result, full implementation of this project has not been possible.

3.3 ACO lacks sufficient qualified contract management personnel

3.3.1 The lack of trained and experienced contract management personnel at the ACO subcommand level is the main factor contributing to the limitations found by the Board. NATO policy on CSO identifies sufficient numbers of NATO contract management staff as essential. According to this policy, these personnel must be led by professionally qualified managers, all adequately trained to apply their skills in the unique NATO context and available for deployment to the operational theatre. The policy lists a wide range of activities contracting staff need to be able to effectively perform.³⁰ Similarly, Bi-SC Directive 60-70, reinforced by the relevant post descriptions, requires personnel assigned contracting functions to possess relevant experience and training.

3.3.2 Risks to effective contract management within the NATO command structure are greatest in the ACO Joint Force Commands because the responsibility for contract execution resides at this level.³¹ Under the Bi-SC Procurement Directive (Bi-SC 60-70), the Chiefs of the P&C branches of the Financial Controllers' offices are responsible for all procurement actions taken by their headquarters. Contracting Officers (COs) have

³⁰ Functions include the maintenance of supplier databases and past performance information, creation and issuance of requests for proposals, assessment of responses and evaluation of bids, contract administration, identification of new requirements, negotiation of contract modifications, contractor performance evaluation and quality assurance, assessment of penalties for non-performance, and certification of payments for service delivery.

³¹ Bi-SC 60-70 and ISAF Operations Plan Annex FF.

the exclusive responsibility for the procurement of goods and services on behalf of NATO. For ISAF, these personnel have typically been military personnel provided by the Nations. Together the responsibilities of the Chief, P&C and CO include safeguarding the interests of ACO and correcting deficiencies. For ISAF operations, contract execution functions have been split mainly between the ISAF and JFCBS Financial controller's offices. The JFCBS Financial Controller's office has managed contracts above the threshold for international competition and ISAF the rest.

3.3.3 The Board found that contracting functions at JFCBS and ISAF have not been sufficiently resourced. As of September 2013, about 71 percent of JFCBS P&C contracting positions were filled, not including buyers and consultants. ISAF P&C stood at 88 percent in October 2013. Due to vacant posts at ISAF, as of May 2013 COs at ISAF were responsible for all aspects of procurement process, including buying, contract management and contract oversight, limiting segregation of duties. Staff shortages have also limited the ability of contracting personnel to focus on things other than the essential task of ensuring needed services are put on contract, with particular risk taken in the area of compliance. In addition, as the Board and others have long reported, high rotational rates hinder continuity.

3.3.4 Key leadership posts are among the most significant personnel gaps experienced at JFCBS and ISAF. For example, at ISAF in May 2013 the 3 procurement-related vacant posts included the Theatre Head of Contracts (THOC). The THOC position remained unfilled from December 2012 through the end of June 2013. In addition, in summer 2013 JFCBS accepted the temporary reassignment of the JFCBS P&C Branch Head, requested by the Nation who filled the post. This reassignment hindered continuity because it occurred during the midst of a major staff rotation, which left a 2-month gap between the incoming and outgoing personnel. In addition, it occurred during a time of significant branch activity. This limited the effective exercise of control within the branch, including follow-up on prior audit findings as Bi-SC 60-70 requires.

3.3.5 According to all ACO officials with whom the Board spoke, experience and willingness of personnel are more important to achieving effective contract management outcomes than purely numbers of personnel. The Board observed that 2 out of the 3 COs responsible for managing ISAF contracts at JFCBS in April 2013 had limited contracting experience prior to their NATO assignment. As such, they did not meet the requirements for their posts. The Board observed that this trend has continued; military officers with experience in other areas have been assigned to JFCBS CO positions. Overall, the lack of experienced contract personnel has combined with rotational policies to hinder effective management of CSO at JFCBS and ISAF since the beginning of operations in Afghanistan.³²

³² Lack of compliance with rules and regulations has contributed to qualified opinions on the annual financial statements for ACO since 2009.

3.3.6 Contracting Officer's Technical Representatives (COTRs), appointed by COs, are also supposed to have relevant knowledge, experience, and training.³³ However, the Board found that some of the COTRs did not know they were a COTR and lacked experience working with contracts. In addition, training requirements were not clear. Further, post descriptions for the pool of personnel out of whom the CO can select COTRs did not clearly specify roles and responsibilities for these personnel. Especially in theatre, these personnel rotate on a regular basis, making the lack of continuity particularly acute. According to ACO officials, the extent to which the incoming personnel understand what they are supposed to do depends on the availability and willingness of the outgoing personnel. Without ensuring clear job descriptions and training requirements, ACO may be less able to effectively oversee CSO.

Recommendation 5:

3.3.7 The Board recommends that ACO clarify the specific training requirements for personnel assigned the COTR role and include the relevant roles and responsibilities in the appropriate post descriptions.

3.3.8 Recent PE changes have contributed to the personnel challenges at JFCBS and ISAF. Changes to the PE have resulted in fewer personnel overall in JFCBS and ISAF P&C sections available to conduct contract management and oversight. For example, the most recent PE change eliminated civilian CO positions at JFCBS. In addition, the pool of available military personnel in the JFCBS logistics directorate who could perform day-to-day contract oversight functions has diminished. At the same time, requirements have increased over the years, as the Board found in its 2012 review of the ISAF fuel contracts.

3.3.9 Specifically, as ACO's dependence on military personnel increased, the Nations have been unable to provide some of these personnel with the required qualifications and experience. For example, according to ACO officials not all Nations, including some Nations that provide personnel to fill contracting positions, include contracting expertise among the career fields for their armed forces personnel. In addition, some Nations that retain this career field may be reducing the numbers of these personnel, limiting these Nations' ability to provide qualified personnel to NATO. These challenges extend beyond contracting to other fields, as the Board recently reported.³⁴

3.3.10 ACO has taken steps to alleviate the impact of manning shortfalls at ISAF. For example, the command authorized the deployment of JFCBS personnel in short-term assignments to mitigate the impact of frequent rotations in deployed positions. Similarly, ACO has proposed that some key posts at ISAF will be ACO allocated posts. This could leverage the greater level of experience within the command structure –

³³ COTRs, also known as Contracting Officer's Representatives, are qualified individuals, generally appointed by the technical/receiving organization and authorized in writing by the CO to service as their authorized representatives, and to perform specific technical or administrative functions until their appointment is terminated by the CO. See Bi-SC 60-70 1-1 o.

³⁴ IBA-AR(2013)31

where, presumably, military personnel will have gained some experience. In the Board's view this may ameliorate the situation at ISAF but could also have negative effects. For example, deploying JFCBS personnel leaves limited reach back capability since the deployed positions are not backfilled, increasing risk to segregation of duties and quality control. Without further process changes, such as limiting contracting positions to Nations with contracting expertise resident in their force structure, ACO will be less able to mitigate the effect of personnel who do not meet the post requirements.

Recommendation 6:

3.3.11 The Board recommends that the Nations meet their commitments to provide personnel, particularly key leadership, who meet the requirements stated in NATO policy and regulations.

3.3.12 The Board further recommends that the Nations consider restricting bidding on contracting-related posts to those among them which have the procurement career field resident within their force structures.

3.4 Conclusion on ACO management of contractor support to operations

3.4.1 ACO CSO can be responsive, and the Board did not see evidence that operational needs were not met. However, an insufficient number of experienced contracting staff limits ACO's ability to effectively manage and oversee some complex CSO. The Board found a considerable number of weaknesses, including overpayments, for which it is making specific recommendations. In the Board's opinion, ACO-managed support should be considered appropriate for relatively simple requirements for CSO, such as ordering supplies to support psychological operations, or for those services that do not entail complex management and oversight activities. In addition, the Board sees value in continued command structure management of transportation contracts. The nature of these services requires the involvement of a wider range of staff within the command structure, diminishing risk. For all other services, the Board sees the need for direct management by ACO of contract support to operations only for those requirements in which urgency and lack of other options outweighs the risks of limited contract management.

4. NSPA EFFECTIVELY PROVIDES CONTRACTOR SUPPORT, BUT POLICY CHANGES COULD INCREASE EFFICIENCY

4.1 NSPA has the capacity to provide effective contractor support, management and oversight

4.1.1 The Board did not see evidence that the NSPA-managed solutions did not meet needs in theatre. Like the JFCBS examples reviewed by the Board, initial challenges were overcome, particularly with catering services. According to data provided by NSPA to JFCBS, gaps identified between what the contractor committed to provide and what has actually been provided have not risen to the level of affecting operations. In addition, reported instances of supplier non-conformance with the Statements of Work have decreased for APOD and RLS services at KAIA. Representatives from NSPA and the JFCBS meet monthly in a Working Group to discuss and resolve issues.

4.1.2 For the examples reviewed NSPA is also effective in its procurement and management of CSO. As the contract integrator for KAIA, NSPA performs all activities associated with the procurement, contract management and acceptance of APOD and RLS services on behalf of the customer, JFCBS. The Board found that the APOD and RLS contracts were competed in accordance with NSPA Procurement Directives and Regulations, which are suitable to meet the operational requirements of the project. NSPA contracting personnel evaluated all bids according to established criteria and produced detailed Statements of Work, contracts and supplemental agreements.

4.1.3 In addition, NSPA effectively conducted contract management and monitoring of contractor performance both in Afghanistan and through reach back capacity at NSPA Headquarters in Capellen. For example, NSPA maintains extensive records of the performance of its contractor responsible for providing catering services at KAIA. It did so both for the period during which it provided its own quality assurance and during the period during when it outsourced this activity. The Board found that NSPA has closely monitored contract performance, noted deficiencies and corrected them. As a result, NSPA provides a sufficient level of assurance that its suppliers are meeting the terms and conditions of their contracts with NATO.

4.1.4 Further, NSPA appears sufficiently able to deal with changes in requirements that impact service provision. Most notably, NSPA successfully incorporated new requirements at KAIA associated with the addition of a 3-star command (IJC) into its request for bids at the last minute without causing further delays to its required timeframe. The Board did not hear complaints that NSPA was slow to respond to changing or new requirements from the customer. In addition, JFCBS and NSPA put in place a process to identify and validate gaps between needs on the ground and current contractual requirements. Minutes from regular working group meetings with JFCBS and NSPA representatives illustrate regular follow-up on these issues.

4.1.5 The main contributing factor to NSPA's effective contract management is its flexibility to hire the number and type of personnel needed. In particular, NSPA is not

subject to the manpower ceilings inherent to the PE and CE, and thus is more flexible in increasing the number of personnel commensurate with changes in the level of effort needed. In addition, NSPA has more stringent requirements than ACO for skills and prior experience of the individuals hired for contract management positions. Because it can conduct its own hiring, NSPA does not have to rely on the Nations to provide the personnel as ACO does. NSPA also allots time for all staff to receive extensive training, whereas ACO COs currently take online training and often must acquire knowledge of contracting and NATO procedures during the course of their duties.

4.2 NSPA corrected deficiencies identified by the Board's prior work

4.2.1 Steps taken by NSPA to address recommendations raised by the Board in its prior review of NSPA services provided at KAF³⁵ have largely addressed the issues found by the Board during that audit. The conclusions raised in that report were the following: *1) Statements of Work did not provide sufficient detail on services and items required; 2) Monitoring and management of contractors' performance needs improvement; 3) Quantity and quality of deliverables do not always satisfy current requirements; 4) Stakeholders identify weaknesses in RLS APOD support but consider that having NAMSAs as Logistic Services Integrator is a good solution.* Because the services provided at KAF are similar to those provided at KAIA, the Board evaluated its findings at KAIA against the prior report's conclusion to ensure that they have not occurred at KAIA. The Board found no exceptions.

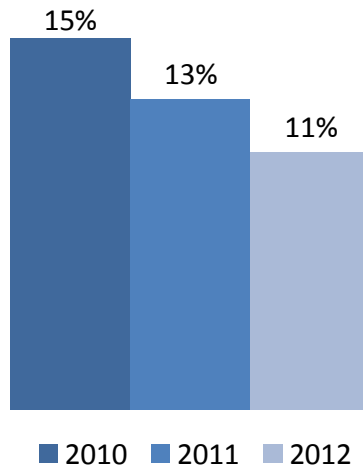
4.3 Economies of scale and advantageous procurement outcomes are apparent

4.3.1 The Board observed that NSPA achieves economies of scale in its project administration. In the Board's opinion, when coupled with effective contract management, this is one indication of efficiency. Overall, NSPA's actual costs to manage the KAIA project, as charged to NATO and the Nations, increased at a lower rate than operational costs. Administrative costs increased from EUR 4.7 million in 2010 to EUR 6.7 million in 2012, while operational costs more than doubled.³⁶ As a result, as shown in Figure 3, the administrative portion of overall costs for KAIA APOD and RLS services was 4 percentage points lower in 2012 than in 2010.

³⁵ IBA-AR(2010)16

³⁶ Services commenced on 1 May 2010, but NSPA administrative costs covered services provided the entire year, to include preparations such as conducting procurement actions and managing contractor mobilization.

Figure 3: NSPA actual administrative costs of managing KAIA APOD and RLS services, as a percentage of operational costs



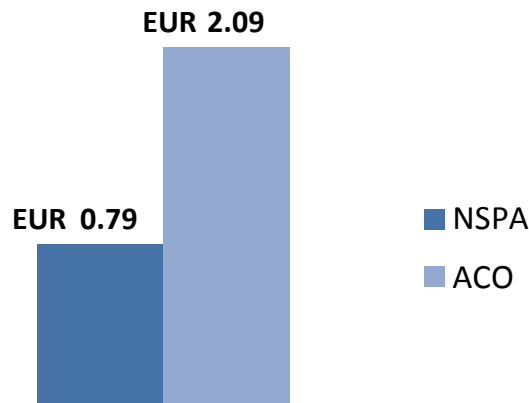
Source: IBAN assessment of NSPA data

4.3.2 To look in more detail at factors contributing to efficiency, the Board compared key aspects of the NSPA-managed catering services contract with ACO's internally-managed catering services contract for HQ ISAF. The NSPA-managed catering services contract serves a greater number of personnel at a lower price than ACO's contract allows, which is an indication of economies of scale. Specifically, the HQ ISAF supplier charges approximately EUR 28 per person per day for 4 meals (including the midnight meal) while the KAIA catering services supplier charges approximately EUR 24 for the same. In addition, the KAIA supplier serves these meals at two dining facilities, versus one at HQ ISAF. Appendix 3 provides more details about the price of NSPA services compared to ACO services, as well as other points of comparison.

4.3.3 NSPA also achieved a procurement result more advantageous to NATO and the Nations when faced with the closure of the Afghanistan border with Pakistan between November 2011 and July 2012. To ensure the continued provision of food items in this time frame, in May 2012 both JFCBS and NSPA modified their respective contracts. For HQ ISAF, the contractor proposed and used the land-based Northern Distribution Network, charging an estimated total extra cost of EUR 633,055.³⁷ JFCBS accepted the contractor's terms without negotiation or supporting documentation after the contractor had already begun using the route. For its catering services contract at KAIA, NSPA bought eight flights ahead of time directly through the supplier. The total extra cost was EUR 493,831. As shown by Figure 4, this equates to less than half the cost charged to ACO on a per-customer, per day basis.

³⁷ Calculations based on the extra charge applied to the daily meals from April 2012 to December 2012. The Board extrapolated actual consumption data from May 2012, when the daily average camp population was 1,122. For the NSPA-managed contract, using the same methodology, the additional costs were EUR 0.79 per customer per day.

Figure 4: Extra food delivery costs associated with the closure of the Afghan border with Pakistan, average cost per customer per day



Source: IBAN assessment of ACO and NSPA data

4.4 NATO and NSPA policies limit optimisation of NSPA efficiency

4.4.1 The Board assessed NSPA inputs, reflected by administrative costs, relative to outputs, considered both in terms of contract management and ultimate operational outcomes. The Board examined in greatest detail the direct costs of the KAIA project, because these are within the customer's control according to the LSA and thus may be targets for efficiency. These costs, including mainly personnel, travel, and consultancy services, amounted to about EUR 5 million in 2012, or three-quarters of total administrative costs. Other administrative costs are subject to NSPA-specific governance activities and are outside the scope of this review.³⁸ Appendix 5 lists 2012 NSPA administrative costs for KAIA APOD and RLS services in more detail. The Board identified factors that limit efficiency in the two largest administrative cost categories for NSPA-managed services at KAIA: manpower and travel.

NATO civilian deployment policy

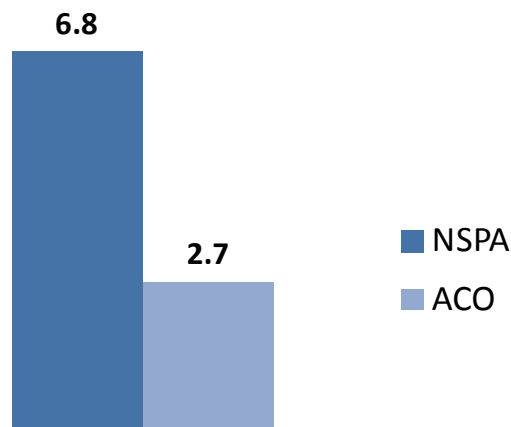
4.4.2 NSPA's personnel costs amounted to approximately EUR 3.1 million in 2012 for KAIA APOD and RLS services, which, at nearly 50 percent, was the largest category among administrative costs. NSPA adheres to NATO policy that prevents any NATO civilian from deploying for more than 6 months in an 18-month period.³⁹ As a result, NSPA must hire three people to fill a single post that requires full coverage in Afghanistan by NATO civilians. NSPA mitigates the effect of this policy by using

³⁸ The remaining costs consist of specific indirect costs and overheads. For example, in 2012 NSPA charged approximately EUR 900,000 in specific indirect costs to the KAIA project. These costs were mainly comprised of IT services, finance, and general procurement support. NSPA plans to reduce overhead costs as part of its initiatives to meet the savings targets set by the Nations for Agencies Reform.

³⁹ C-M(2005)0041

personnel to perform reach back⁴⁰ functions, specifically, procurement and contracting activities for the different projects of the Logistics Support to Operations Programme. Nevertheless, as shown in Figure 5, due primarily to this policy the Nations must pay for over twice the number of NSPA catering procurement and oversight personnel than JFCBS requires to manage similar services.⁴¹ The policy also affects NSPA management personnel, for whom the Agency charged NATO and the Nations nearly 15 man-years for KAIA APOD and RLS services provided at KAIA in 2012. In the Board's opinion, the NATO civilian deployment policy approved by the Nations hinders NSPA's ability to optimize the balance between forward-deployed and reach back positions. Because NSPA hires project personnel specifically to deploy to Afghanistan, additional flexibility in this policy would allow for gains in efficiency for future projects.

Figure 5: Impact of NATO civilian deployment policy on the number of personnel required to oversee similar services



Source: IBAN analysis of ACO and NSPA data

⁴⁰ Reach back refers to a situation where resources, capabilities and expertise are not forward deployed, with the main function of supporting the capabilities in theatre. In the case of NSPA, they are located in the Agency Headquarters in Capellen, Luxembourg.

⁴¹ The actual level of effort by ACO to oversee its catering services contract in 2012 was lower than the Board's estimated 2.7 man-years required because the position went unfilled for some time, which, according to JFCBS and ISAF officials, is typical. Because it depends on the Nations to fill its posts, ACO cannot enforce a requirement to fill all contract oversight positions at all times. In addition, the Board's estimate for the ACO level of effort assumes that the ACO COTR spent 70 percent of his time on the catering services contract, based on discussions with two individuals who have held this post. In May 2013 the primary responsibility of the post was to account for all NATO-funded equipment at HQ ISAF, which decreased the time available for the COTR to oversee the catering services contract.

Recommendation 7:

4.4.3 The Board recommends NSPA assess National and private sector practices to determine the optimal length of deployment time for personnel primarily responsible for duties in a conflict zone, considering the need for efficiency balanced with the need to continue to attract appropriately qualified and experienced staff.

4.4.4 To optimize the balance between reach-back and forward-deployed staff and save costs to the Nations, the Board further recommends that for future projects NSPA request, and the Nations consider, an exception to the NATO civilian deployment policy for NSPA logistics operations staff with deployability clauses in their contracts.

NSPA civilian deployment policy

4.4.5 At approximately EUR 1 million in 2012, travel costs comprise the second-largest category of administrative costs for KAIA APOD and RLS services. These costs are necessary because NSPA officials must continuously travel in and out of Afghanistan to manage and oversee the project. In addition, NATO civilians receive per diem while in-country. Within his rights as a Head of NATO Body, the NSPA General Manager required that NSPA personnel use chartered airlift services direct to the military side of KAIA, which entails a connecting flight from Europe and an overnight stay, usually in Dubai.

4.4.6 According to NSPA officials, the decision to prohibit the use of commercial travel to Afghanistan was made for security reasons. However, the NATO Office of Security has authorized NATO personnel to use civilian airlines to Kabul, avoiding the overnight stay and the higher costs of the chartered flights. For travel in and out of Afghanistan, the total cost for the NSPA arrangement is at least double the typical non-NSPA NATO civilian's travel costs, according to NSPA officials. Without considering lifting its restriction, NSPA will miss an opportunity to save costs to the Nations.

Recommendation 8:

4.4.7 To save costs to the Nations, the Board recommends NSPA consider aligning its personnel deployment policy for transportation to Afghanistan with NATO Headquarters policy.

NSPA individual requirements policy

4.4.8 Among other factors, a higher level of individual requirements⁴² have contributed to the overall doubling of operational costs for KAIA APOD and RLS services. The number of individual requirements originating from NATO bodies (KAIA and IJC) has decreased over the life of the project, which the 2014 ISAF budget attributes at least in part to the addition of minor engineering and works teams. Meanwhile, the value of individual requests funded by the Nations has increased to EUR 4.87 million in 2012, representing 99 percent of all individual requests. These individual requirements can be relatively more costly due to the need to separately mobilize contractor resources, depending on the scope of the request. For individual requirements, NSPA charges customers a flat rate of 5 percent of the operational costs, which reduces the overall administrative charges to the project by the amount collected.

4.4.9 NSPA administrative costs for the project are likely to increase by over 28 percent between 2010 and 2014.⁴³ In particular, NSPA staff told the Board that individual requests represent a significant and growing effort. However, the real and proportional level of funds provided separately by the Nations to cover administrative costs of the individual requests has remained relatively unchanged at about EUR 130,000 in 2012, which represented 63 percent of the overall revenue. As a result, it is not clear to the Board whether the revenue from individual requests fully covers the effort needed to fulfil them. In the Board's opinion the Military Budget may be funding a portion of the Nations' share of administrative costs NSPA consumes to manage the individual requests. Without reviewing its administrative cost allocation for individual requirements, NSPA may be less able to equitably charge for its services.

Recommendation 9:

4.4.10 The Board recommends that NSPA review its policy for meeting individual requirements, to include how fees are assessed, to ensure that NATO common funds are not used to pay for National requirements. The Board further recommends that NSPA ensure that it has exhausted all means to include these requirements in existing contracts to minimize additional costs associated with repetitive mobilizations.

⁴² At KAIA, individual requirements include requests for services generated in-theatre by Nations or NATO bodies when such requirements have not been previously identified and covered by existing agreements. These requirements can be either in or out of the scope of existing contracts. Individual requirements also include meal card replacements, laundry bag replacements, and a separate contract for managing the operations and maintenance of a Role 3 hospital. Operational and administrative costs for the Role 3 hospital are borne by France. In 2011 and 2012 these costs amounted to approximately 50 percent of the total individual requirements.

⁴³ To obtain as accurate a percentage figure as possible, the Board adjusted figures provided by NSPA to (1) increase the amount of admin costs in 2010 by 25 percent to account for months services were not provided, which reduces the apparent level of increase to a more accurate level, and (2) reducing NSPA's projections for 2013 and 2014 by the proportional average differences in forecasted vs. actual costs in 2010, 2011, and 2012.

4.5 Conclusion on NSPA management of contractor support to operations

4.5.1 In the Board's opinion, NSPA provides effective solutions to manage contractor support to operations requiring complex contract management and oversight, such as catering and Air Port of Debarkation services. In addition to delivering the needed services, NSPA demonstrated effective contract management and assurance that the contractors adhere to the terms and conditions of their contracts. In addition, NSPA achieves better procurement outcomes and economies of scale, which to some extent balances NSPA's administrative costs, especially for large-scale procurements. As such, the Board affirms the SHAPE view that NSPA should be the preferred provider for delivering complex integrated commercial support solutions for deployed operations. However, as the Board recommends, changes to specific policies in the areas of manpower, travel, and individual requirements would improve NSPA's ability to deliver services to ACO more efficiently and fairly.

5. LIMITATIONS IN THE ACO/NSPA CUSTOMER-PROVIDER RELATIONSHIP ADD SOME FINANCIAL RISK FOR THE NATIONS

5.1 Reliance by ACO on NSPA to define some operational requirements increases financial risk

5.1.1 NSPA effectively provides CSO solutions, but some aspects of its relationship with the customer illustrate an imbalance that, if not addressed, increases financial risk to the Nations. NATO doctrine and other sources, such as LSAs, envision a separation of duties between the command structure and entities responsible for providing services to or on behalf of the command structure. Specifically, requirements definition, such as those which can be met with CSO, is a command structure responsibility.⁴⁴ In addition, according to emerging doctrine that will guide the future provision of CSO within ACO,⁴⁵ SHAPE will act in its capacity as the 'Intelligent Customer' through its responsibilities to determine and define relevant ACO logistic requirements and determine how the selected solutions is/are to be executed. Further, SHAPE is to take advantage of NSPA contracting personnel embedded in the command structure, without becoming overly dependent on these personnel.⁴⁶

5.1.2 The risk of over-dependence on NSPA for defining requirements is primarily financial in nature. As the Nations expressed in a 2010 report by financial experts, the NATO agencies largely contribute to the definition of military requirements while at the same time participate in the acquisition or implementation of projects in the framework of a customer funded regime, which could lead to Agencies anticipating and potentially fostering demand.⁴⁷ The Board found that for ISAF, ACO has faced difficulty defining its requirements for CSO, particularly in the areas of assurance and supporting management information. As a result, NSPA has taken a more active role in the operational planning process than allowed for under existing and emerging doctrine. Specifically, it has developed its CSO solutions based more on its own assessment of the acceptable level of assurance than ACO or the Nations.' The Board found several examples illustrating how the overreliance on NSPA in this area may result in confusion over requirements, higher costs and lack of full utilization of costly oversight capabilities.

5.1.3 For example, in June 2012 JFCBS tasked NSPA with providing 4 COTRs at various locations in ISAF to conduct contract oversight of the JFCBS-managed fuel contracts. However, NSPA declined the tasking, citing disagreement with the requirement on grounds that it would result in "ineffective" monitoring. Instead, NSPA

⁴⁴ AJP 4.9

⁴⁵ As stated in its requirements for a "logistics contract integrator capability," ACO requires the capability to access timely advice for the planning of commercial logistics support operation and solutions, including medical and engineering requirements, in support of the preparation, planning and conduct of NATO operations and exercises. In addition, this capability will implement and manage contractor support to operations and exercises. The contract integrator comprises staff at NSPA and embedded NSPA staff in ACO. See SHAPE Statement of Requirement, Logistics Contract Integrator Capability, Enclosure 2 to 58/SHSLLP/12-281846.

⁴⁶ Enclosure 2 to 58/SHSLLP/12-281846

⁴⁷ SG(2010)0376

recommended considering its own solution for oversight. JFCBS had to resubmit the request 2 more times over the course of 10 months until NSPA agreed to provide the personnel. As a result, the deployment of the oversight personnel promised to the Nations was delayed 6 months, to July 2013. The compressed procurement schedule increased cost risk by reducing the time available to solicit and evaluate bids. It also limited the ability of JFCBS P&C officials to assess the costs of the NSPA-procured solution, which at over EUR 2 million they viewed as high.⁴⁸

5.1.4 In addition, following the Nations' endorsement, SHAPE tasked NSPA to develop a concept that mitigated the risks revealed by recent NATO audits, including the Board's 2012 report.⁴⁹ According to the NSPA General Manager, he instructed his personnel to consider not just the NATO audits, but all other related audits, in refining a fuel delivery concept that minimizes risk. SHAPE logistics officials endorsed the NSPA-written draft Statement of Requirement based on the Board's findings. However, key elements of the concept, such as verification by NSPA of the quantities of fuel claimed for importation into theatre with the actual quantities delivered to NATO, are not related to the Board's findings. They are also not components of JFCBS' existing fuel distribution concept, which is viewed as an operational success. Thus, NSPA's assessment of acceptable risk drove key management and oversight requirements, which may reduce risk but will also have cost implications.⁵⁰

5.1.5 Further, NSPA contracted with a private firm to provide independent quality assurance (part of a "Quality Management System" – QMS) for all KAIA APOD and RLS services managed by NSPA and its contractors. SHAPE expected QMS to provide ACO the capability to independently monitor NSPA to ensure that the Agency effectively and efficiently meets the minimum military requirement. NSPA uses the QMS to support its Technical Officers with compliance audits. NSPA provides the results of these audits to JFCBS as called for in Key Performance Indicators (KPIs) spelled out in the LSA. However, JFCBS has not refined the KPIs as originally intended. As a result, QMS does not provide the customer useful management information on NSPA's performance, according to JFCBS officials. This contributes to the underutilization of a capability for which the Nations pay approximately EUR 1 million per year for KAIA.⁵¹

5.1.6 According to senior SHAPE logistics officials and senior NSPA officials, NSPA should be trusted, since as a NATO entity its interests are in line with SHAPE's. In addition, NSPA has expertise and continuity not resident in the NATO command structure. Further, senior NSPA officials cite the emerging Contract Integrator doctrine as evidence that the Nations have accepted greater integration of NSPA into the

⁴⁸ The cost for all services, minus options, was quoted by NSPA at EUR 1.8 million to provide 4 fuel Subject Matter Experts in Afghanistan for one year. NSPA also estimated administrative costs of EUR 154,000, including 0.57 man-years of effort amounting to EUR 62,260 and EUR 40,000 in travel costs.

⁴⁹ IBA-AR(2012)27.

⁵⁰ The extent of these are not yet known, since the contract(s) have not been awarded, nor has NSPA's management model been finalized.

⁵¹ A similar capability is in place at KAF.

operational planning process.⁵² According to senior SHAPE logistics officials, the responsibilities of the requirement holder to independently define requirements—that may or may not be met with contracted support—extend only as far as identifying typical military requirements such as quantities, location, and timing. For fuel provision in post-2014 Afghanistan, these types of requirements are still uncertain.

5.1.7 In the Board's opinion, trusting NSPA to deliver the most cost-effective solution is not in line with ACO's role as an intelligent customer. Assessments of financial risk, such as those illustrated through audit observations, against the cost of mitigating measures are among the responsibilities of an intelligent customer, not the provider. Similarly, the customer must clearly define management information requirements, especially when such information is intended specifically to minimize financial risk. Ultimately, ACO bears all costs and risks of NSPA activities, and should therefore remain the sole entity to decide the appropriate balance, even if NSPA (or the Board, as the result of a subsequent audit) disagrees.

5.1.8 ACO and NSPA officials cited several contributing factors that hinder the command's ability to act as an intelligent customer. NSPA officials told the Board that had the agency not defined some management requirements, the fuel requirement-setting process would have stalled due to lack of action by ACO, jeopardizing the timely provision of services critical to military operations. In addition, JFCBS officials cited insufficient numbers of personnel for the failure to refine the KAIA KPIs to best take advantage of the QMS. Further, the SHAPE Agency management cell lacked the required number of post-holders at the time of the Board's audit. Finally, ACO did not have dedicated cost assessment personnel until recently.⁵³ Cost assessment is a key element recommended in 2010 by the National financial experts to mitigate the risk of overreliance on the NATO agencies. As a result, ACO cannot independently assess NSPA's project cost estimates beyond their affordability, which is the most basic of responsibilities as a customer.

5.1.9 In the Board's opinion, in the absence of a compelling business case the challenges faced by ACO in acting as an intelligent customer will not be solved with additional capabilities. In addition, more governance is not necessary. Rather, existing governance arrangements give ample opportunity for ACO personnel to provide input. In many cases the Nations send capable, experienced subject matter experts to fill posts in the command structure. Following their recent NATO rotations, at least two of these personnel have gone on to key management positions at NSPA. Command structure personnel must be entrusted with defining all elements of requirements for

⁵² The Contract Integrator business case, endorsed by SHAPE and the Nations, allows for NSPA assistance in requirement-setting to ensure commercial relevance. See Enclosure 2 to 58/SHSLLP/12-281846.

⁵³ This shortfall also affects ACO's assessments of operational cost estimates by NSPA. The latest SHAPE PE authorized a Cost Analysis team within the Financial Controller's Office of Acquisition Management, consisting of two positions. The PE authorized the positions at a lower level than requested by SHAPE. SHAPE is currently developing the Terms of Reference. Using this team, SHAPE intends to construct a costing methodology to validate the full costs of acquisition and life cycle maintenance costs. The team is currently completing its first project.

contractor support to operations, including the specific level of assurance and supporting management information needed. Unless the logistics, financial and other communities, as appropriate, treat the full range of requirements definition as a collective responsibility, they will be unable to effectively maintain the distinction between customer and provider, which increases financial risk.

Recommendation 10:

5.1.10 When tasking NSPA, the ACO logistics, financial and other communities, as appropriate, should ensure that the level of assurance and supporting management information are clearly defined alongside the more typical military requirements. As the contract integrator responsible for providing options, NSPA should present management, monitoring and oversight options in terms of cost and risks. The command structure should then select elements of the management model based on internal assessments of risk and affordability and clearly direct NSPA accordingly.

Recommendation 11:

5.1.11 To effectively monitor NSPA's implementation of ACO-directed tasks, the Board recommends that JFCBS and NSPA review and revise, as necessary, the KAIA LSA KPIs to ensure that they accurately reflect the information JFCBS needs to make its management decisions. To economize resources, the Board further recommends that this effort take place alongside other ongoing efforts to develop KPIs, such as for the Contract Integrator LSA, to ensure a consistent approach that can be applied to future arrangements.

5.2 ACO reviews of NSPA manpower have not fully documented the link between NSPA requests and operational requirements

5.2.1 Exercising robust review of NSPA proposals to meet military requirements for CSO is another key responsibility of the intelligent customer in which the Board found shortfalls. SHAPE initially approves the manpower needs for military budget-funded NSPA programmes and projects. During the KAIA project authorization stage SHAPE screened the approximately 23 NATO civilian positions initially requested by NSPA and approved them as the minimum needed to ensure implementation of the project. During discussions with the Board, JFCBS officials raised questions about the grades of some of these staff, but the Board did not see documentation that JFCBS had officially requested justification from NSPA in this area. In addition, the Board did not see evidence that during the review process JFCBS, SHAPE and NSPA considered the most appropriate contract type or whether some positions could be filled with consultants. Ensuring the appropriate level and mix of manpower is important because after NATO personnel are hired, NSPA has limited flexibility to reduce such staff due to NATO manpower policies. One of the greatest challenges NSPA currently faces, particularly in the area of support to operations, is right-sizing its staff as the tempo of operations in Afghanistan decreases. As holders of all liability, the Nations, through

SHAPE, will need to pay Loss of Job Indemnity to personnel that NSPA is unable to assign to other projects.

5.2.2 During project implementation, SHAPE conducts annual reviews in conjunction with NSPA to keep manpower levels in line with programme needs. This is a key step in a rigorous review process that begins and ends within NSPA. Subsequent to initial KAIA project approval, SHAPE approved a further 11 man-years in response to NSPA requests. 2 of these posts are associated with increased RLS requirements, which can be traced to a larger camp population than expected at project approval. 2 more cover functions that initially were expected to be performed by personnel assigned to the KAF project – a “synergy” which factored prominently in NSPA’s case to the Nations for project approval.⁵⁴ The Board was unable to obtain documentation justifying 7 of the 11 additional man-years approved by SHAPE since project approval. The Board also found that the manpower reviews do not cover consultant personnel, and SHAPE does not approve effort charged on behalf of the Nations. At KAIA, unlike KAF, NATO is the sole stakeholder and thus the Nations have entrusted review and oversight functions to ACO.

5.2.3 According to SHAPE officials, the SHAPE Financial Controller’s office budget section assumed the responsibility to approve all manpower for military budget-funded NSPA programmes from the SHAPE personnel office. As a result, decisions on NSPA manpower are made based primarily on considerations of affordability. In the Board’s opinion, the manpower approval process should focus on the minimum personnel needed to meet operational requirements. However, with the exception of the 4 posts cited above, clear linkages between NSPA requests and increased operational requirements have not been documented. In addition, requirement holder (JFCBS) personnel have only been involved in the manpower review since 2012, limiting available subject matter expertise on the customer’s side during the period of greatest requirement growth. Unless ACO ensures the involvement of personnel with the right expertise, such as the SHAPE personnel community, during reviews of NSPA manpower requests and gives greater consideration to the appropriate balance in NATO/consultant personnel, grade and contract type, its ability to ensure that NSPA staffing meets operational requirements will remain limited.

⁵⁴ The functions to be performed by these individuals (billing, invoice control and budget reporting) are similar to functions performed by the project’s dedicated finance staff and services charged to the Nations as indirect costs of NSPA central financial staff.

Recommendation 12:

5.2.4 The Board recommends that SHAPE approve all NSPA manpower by project, including personnel dedicated to cover the National portion, based on the appropriate mix of indefinite duration, definite duration, and consultant contracts.

5.2.5 The Board further recommends that SHAPE ensure that personnel with expertise in assessing manpower needs, such as the SHAPE personnel management community and the requirement holder's staff, are fully involved in all reviews of NSPA manpower requests.

5.2.6 The Board further recommends that the results of the manpower review fully document the linkage between operational requirements and need for specific NSPA NATO civilian and consultant posts.

5.3 Conclusion on the ACO/NSPA relationship

5.3.1 Experience in ISAF has shown that in some cases ACO has faced challenges being an intelligent customer. In particular, ACO has relied on NSPA to define some needs, particularly those related to assurance and supporting management information, with cost implications. In addition, ACO has not fully linked its approval of NSPA manpower to requirements. The approval of NSPA as Contract Integrator and SHAPE's preference for the Agency to manage complex procurements will likely enhance NSPA's role in planning and providing CSO to support NATO exercises and future operations. ACO's logistics and financial communities, among others, have the collective responsibility to determine the right balance among various risks. As the Board recommends, this needs to occur through more active definition of the full range of requirements, clearer direction to NSPA, and better monitoring of the results. It also entails taking better advantage of existing governance mechanisms, such as the SHAPE manpower review, to link resources with requirements.

6. OVERALL CONCLUSION

6.1 ACO internally-managed contract support has allowed the commander to meet NATO mission objectives with no up-front costs to the Nations. However, an insufficient number of experienced personnel limits ACO's ability to effectively manage and oversee all of its contracts for operational support. As a result, some of the same risks the Board has previously reported on remain. These include overpayments, which for the HQ ISAF catering contract JFCBS began to address only after two audits had been completed. ACO continues to be unable to ensure that all of its suppliers have provided services in accordance with the terms and conditions of their contracts, and faces challenges managing risk. Unless the Nations address the chronic shortages of qualified contracting staff within the command structure and, with SHAPE's assistance, focus on the highest priority needs such as leadership, the Board sees little chance of lowering the risks associated with limited contract management capacity.

6.2 In the Board's opinion, ACO-managed support should be considered appropriate only under certain conditions. For example, smaller scale requirements like those managed by ISAF, services that do not entail complex management and oversight, and services for which oversight naturally involves a wide range of logistics and operational staff in addition to procurement staff are conducive to ACO management. For all other types of services, direct management by ACO of CSO should occur only for those requirements in which urgency and lack of other options would outweigh the risks of limited contract management.

6.3 Beyond meeting operational needs, NSPA provides the Nations a higher level of assurance that the contractors adhere to the terms and conditions of their contracts. It also achieves economies of scale and better procurement outcomes. Contributing factors to NSPA's effective management of CSO include fully-staffed teams of experienced contract management professionals. The Board affirms the SHAPE view that NSPA should be the preferred provider for delivering complex integrated commercial support solutions for deployed operations, such as catering and APOD services. However, obtaining an exception to NATO civilian deployment policy, lifting NSPA travel restrictions, and reviewing NSPA's policy for allocating administrative costs for individual requirements would improve the Agency's ability to deliver services to ACO and the Nations more efficiently.

6.4 Nations' approval of NSPA as Contract Integrator and preference for the Agency to manage complex procurements will likely increase ACO's use of NSPA to plan and provide CSO to support NATO exercises and future operations. NSPA will also be involved in other types of contractual arrangements, such as agreements made in advance with private firms to deliver services at the early stages of an operation. All of these services will require careful attention to tasking and requirements management by the command structure. Experience in ISAF has shown that in some cases, particularly with requirements related to assurance and supporting management information, ACO has been unable to fully act as an intelligent customer. Unless ACO takes steps to ensure its own staff collectively utilize existing governance structures and

means of control to independently determine the appropriate balance among various operational and financial risks, it will continue to face challenges.

6.5 ACO and NSPA have managed a wide range of important contracted services to support ISAF operations under often challenging conditions. These services have increased to the point at which they comprise a majority of the ISAF common-funded budget, and are likely to continue to be a major component of NATO operations in the future. The examples reviewed by the Board illustrate relative strengths and weaknesses associated with the ACO and NSPA contractor support to operations management models. In the Board's opinion, ACO-managed contractor support to operations is most appropriate for procurement activities that do not require complex management and oversight. While NSPA provides effective solutions for complex contractor support to operations, it requires an intelligent customer to effectively balance cost and risk. This need will remain as long as the Nations continue to prioritize force generation and keep NSPA as a customer-funded entity.

7. SUMMARY OF RECOMMENDATIONS

Recommendation 1:

3.2.6 For the HQ ISAF catering services contract, the Board recommends that JFCBS request the firm to clarify the extent to which the price bands applicable to troop contributing Nations excluded the number of meals consumed by contractor personnel. JFCBS should then negotiate price adjustments to reflect the full amount overpaid. The Board further recommends that ACO use all available means to recover the total amount overcharged to the Nations as a result of the incorrect application of the dining facility amortization charge.

Recommendation 2:

3.2.8 The Board recommends that JFCBS ensure that all parties adhere to the terms and conditions of the ISAF-HQ catering services contract by (1) obtaining the contractor's Quality Control Surveillance Plan, (2) conducting oversight activities to ensure that the contractor adheres to this plan and (3) maintain the appropriate records of the results.

Recommendation 3:

3.2.12 The Board recommends that the JFCBS P&C Chief clarify the requirements for the in-theatre management and retention of contractor performance records.

Recommendation 4:

3.2.14 The Board recommends that ISAF take steps to ensure that the services are provided under enforceable contracts in all cases.

Recommendation 5:

3.3.7 The Board recommends that ACO clarify the specific training requirements for personnel assigned the COTR role and include the relevant roles and responsibilities in the appropriate post descriptions.

Recommendation 6:

3.3.11 The Board recommends that the Nations meet their commitments to provide personnel, particularly key leadership, who meet the requirements stated in NATO policy and regulations.

3.3.12 The Board further recommends that the Nations consider restricting bidding on contracting-related posts to those among them which have the procurement career field resident within their force structures.

Recommendation 7:

4.4.3 The Board recommends NSPA assess National and private sector practices to determine the optimal length of deployment time for personnel primarily responsible for duties in a conflict zone, considering the need for efficiency balanced with the need to continue to attract appropriately qualified and experienced staff.

4.4.4 To optimize the balance between reach-back and forward-deployed staff and save costs to the Nations, the Board further recommends that for future projects NSPA request, and the Nations consider, an exception to the NATO civilian deployment policy for NSPA logistics operations staff with deployability clauses in their contracts.

Recommendation 8:

4.4.7 To save costs to the Nations, the Board recommends NSPA consider aligning its personnel deployment policy for transportation to Afghanistan with NATO Headquarters policy.

Recommendation 9:

4.4.10 The Board recommends that NSPA review its policy for meeting individual requirements, to include how fees are assessed, to ensure that NATO common funds are not used to pay for National requirements. The Board further recommends that NSPA ensure that it has exhausted all means to include these requirements in existing contracts to minimize additional costs associated with repetitive mobilizations.

Recommendation 10:

5.1.10 When tasking NSPA, the ACO logistics, financial and other communities, as appropriate, should ensure that the level of assurance and supporting management information are clearly defined alongside the more typical military requirements. As the contract integrator responsible for providing options, NSPA should present management, monitoring and oversight options in terms of cost and risks. The command structure should then select elements of the management model based on internal assessments of risk and affordability and clearly direct NSPA accordingly.

Recommendation 11:

5.1.11 To effectively monitor NSPA's implementation of ACO-directed tasks, the Board recommends that JFCBS and NSPA review and revise, as necessary, the KAIA LSA KPIs to ensure that they accurately reflect the information JFCBS needs to make its management decisions. To economize resources, the Board further recommends that this effort take place alongside other ongoing efforts to develop KPIs, such as for the Contract Integrator LSA, to ensure a consistent approach that can be applied to future arrangements.

Recommendation 12:

5.2.4 The Board recommends that SHAPE approve all NSPA manpower by project, including personnel dedicated to cover the National portion, based on the appropriate mix of indefinite duration, definite duration, and consultant contracts.

5.2.5 The Board further recommends that SHAPE ensure that personnel with expertise in assessing manpower needs, such as the SHAPE personnel management community and the requirement holder's staff, are fully involved in all reviews of NSPA manpower requests.

5.2.6 The Board further recommends that the results of the manpower review fully document the linkage between operational requirements and need for specific NSPA NATO civilian and consultant posts.

8. COMMENTS RECEIVED AND THE BOARD'S POSITION

8.1 Based on a draft of this report, the Board received written factual and formal comments from ACO and NSPA. These comments are reproduced in Appendix 6. ACO appreciated the Board's work, welcomed the recommendations made and concurred with all but one. NSPA concurred with all recommendations directed towards NSPA, stating that the Board's report will contribute towards the Agency's goal of meeting current and future requirements in the most effective and cost efficient manner. The Board made changes to the report text to incorporate factual comments received, as appropriate and some limited changes to clarify the findings.

8.2 ACO comments

8.2.1 In its formal comments, ACO raised three concerns. First, it stated that in its draft report the Board changes focus from what was initially indicated during a briefing. Much of the benchmarking comparison initially included, showing a cost versus risk analysis, had been removed. ACO considered this unfortunate because that information would have supported discussions about the necessary manpower to ensure that subordinate commands have the necessary manpower to discharge their duties and to enable ACO to act as an intelligent customer. The Board notes that it is standard practice after finishing the fieldwork to conduct "exit" briefings to obtain validation and reactions to the Board's findings and potential recommendations from key personnel at JFCBS, SHAPE, and NSPA. As briefed, the report draft was subject to change based on these reactions, which differed widely. As a result, the initial findings were, for the most part, included in the final report but in some cases have been introduced in a different context. In the final report, the Board included the "benchmarking data" referred to in the SHAPE comments in Section 4.4. This section discusses NSPA administration costs, significant drivers, and opportunities for greater efficiency. Apart from that the Board believes that the findings reported in paragraphs 3.3 and 4.1 give sufficient basis for discussions on the necessary manpower.

8.2.2 In its second major point, ACO expressed concern that, notwithstanding the acknowledged errors made by some contracting personnel in support of ISAF, the Board's general conclusions do not necessarily reflect the status of contracting across the command and in all operations. The Board did not intend for its conclusions to reflect on ACO's contracting as a whole. The findings and conclusions specifically related to CSO in support of ISAF as stated in the audit scope. Based on these findings, which represent longstanding shortfalls well-known to the command, the Board maintains its position that, as currently manned, ACO and JFCBS lack the capacity to effectively manage internally procured complex CSO.

8.2.3 Third, ACO stated in its general comments a concern about the Board's inconsistency in the manner with which the Board recommends that audited entities undertake any corrective action. The Board believes that the two situations cited as examples by SHAPE are different. For the case in which the Board recommended pursuing recovery of funds (HQ ISAF catering services), the evidence indicated net

payments by NATO and the Nations in excess of what the contract allowed. For the case in which the Board recommended further examination and corrective action (NSPA administrative costs for Individual Service Requests), evidence did not indicate a net overpayment of NATO or National funds to any supplier. Rather, the evidence suggested that some NSPA administrative costs may not have been distributed in accordance with the principle of costs lie where they fall. NSPA has not been required to track the relative level of effort to meet each individual requirement. Thus, the Board concluded that estimating a specific amount of administrative costs associated with non-NATO individual requirements for KAIA RLS and APOD services was not possible.

8.2.4 ACO did not concur with a draft recommendation concerning the intra-theatre airlift services contract (IFIP ACO-BRU-09-56). The Board originally recommended that this contract specify the conditions under which Nations can individually task contracted helicopters made available for NATO use, including the corresponding prorata formula to charge those costs directly to the Nations. According to ACO's comments, the contractor is operating assets only for NATO taskings, and thus all associated costs must be paid using common funds. Due to confusion in theatre the audit team was unable to meet directly with the operational personnel overseeing the contractor's taskings. As a result, the initial findings relied on testimonial evidence from others less directly involved. In light of the ACO position and in the absence of further documentation the Board has struck its findings and recommendation on this contract from the final report.

8.2.5 Based on factual comments provided by SHAPE and JFCBS, the Board updated some financial figures in the report. In response to a JFCBS query, the HQ ISAF catering services contractor acknowledged the overcharge for amortization of dining facility construction as stated in paragraph 3.2.5. However, according to the firm, the prices charged are contractually valid because the JFCBS contracting officer agreed to them. JFCBS did not independently validate the contractor's figure, which was provided to the Board after the audit work had completed. Nevertheless, the Board accepted it and amended its initial estimate of overpayments from EUR 2.5 to EUR 2.2 million. The contractor's response to the JFCBS inquiry dated February 2014 makes clear that the incorrect charge continued to be applied after the Board's fieldwork concluded, meaning the full amount overcharged is higher. In the Board's position, it should be ACO's—not the contractor's—responsibility to provide the correct amount of any overcharges.

8.2.6 In the final report, the Board also did not include its initial estimate of potential overpayments (EUR 1.6 million for 2012-2013) associated with incomplete inclusion of HQ ISAF dining facility customers in meal price calculations. Like the above-discussed case, the Board accepted the non-validated contractor calculation of EUR 129,506 overcharged due to visitors not being included. However, as the Board notes in the report text, the contractor did not fully respond to JFCBS's request to address whether contractor personnel had been correctly factored into the meal price calculations.

8.3 NSPA comments

8.3.1 NSPA's formal comments acknowledged the importance of leveraging lessons learned from operations in Afghanistan in order to effectively plan for support of future NATO training, exercises and operations. In its factual comments, NSPA provided additional information regarding the process of meeting ACO requirements for CSO management. In particular, NSPA highlighted differences of opinion between JFCBS and NSPA in regards to the provision of 4 COTRs to support oversight of the current ISAF fuel contract. In addition, NSPA stated that the contracted independent quality assurance capability (part of the NSPA's Quality Management System) was never envisioned to provide oversight on NSPA. In the Board's opinion, these responses illustrate different understandings between customer and provider, which can be mitigated by clarifying these types of requirements at the outset, as the report recommends. This clearly requires additional work by ACO as the customer and support by NSPA as the provider.

8.4 Conclusion on the comments received and Board position

8.4.1 The Board welcomes ACO and NSPA's acceptance of its recommendations. Concurrence with the findings and conclusions in this report is an important starting point. It is the Board's position that the next steps for the entities should be to develop an action plan, or to otherwise document a timeline for concrete steps to be taken in each of the recommendation areas, and to assign responsibility for ensuring the specified actions will be completed. The Board invites the Nations to request ACO and NSPA provide this information on a mutually agreeable schedule.

LIST OF ABBREVIATIONS

Board	International Board of Auditors for NATO
ACO	Allied Command Operations
APOD	Air Port of Debarkation
CE	Crisis Establishment
CIS	Communications and Information Systems
CJPOTF	Combined Joint Psychological Operations Task Force
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
Council	North Atlantic Council
IJC	ISAF Joint Command
ILS	Integrated Life Support
ISAF	International Security Assistance Force
JFCBS	Joint Forces Command Headquarters Brunssum
KAF	Kandahar Airfield
KAIA	Kabul International Airport
KPI	Key Performance Indicators
LSA	Logistics Support Agreement
MC	Military Committee
NSPA	NATO Support Agency
P&C	Purchasing and Contracting
PE	Peacetime Establishment

QMS	Quality Management System
RLS	Real Life Support
RPPB	Resource Policy and Planning Board
SHAPE	Supreme Headquarters Allied Powers Europe
SOW	Statement of Work
TCN	Troop Contributing Nations
THOC	Theatre Head of Contracts
TCSOR	Theatre Capability Statement of Requirement

CONTRACTS INCLUDED IN AUDIT SCOPE

Description	Authority	Contractor	2012 contract value (EUR)
Strategic Airlift (Cargo)	SHAPE	KN Airlift	5,149,717
ITAS Rotary Wing	JFCBS	Skylink Aviation	53,648,961
HQ ISAF Catering Services Contract	JFCBS	Supreme Catering	12,002,142
Fire Fighting Services HQ ISAF	JFCBS	Andreas Bartels	1,475,208
Internet Services at ISAF-HQ and IJC. ACO-BRU-11-57	JFCBS	AWCC	415,200
Vehicle maintenance at ISAF (ACO-BRU-11-40)	JFCBS	Automotive Management Services	526,000
Provision and delivery of winter goods (CJPOTF) Contract ACO-BRU-10-41	JFCBS	K-5 Supplies and Services	1,343,250
IDIQ for School Supplies (CJPOTF) Contract ACO-BRU-10-44 W	JFCBS	K-5 Supplies and Services	300,850
Office supplies, hygienics. Contract ACO-BRU-10-42	JFCBS	K-5 Supplies and Services	1,496,061
Supply worldwide radio receivers ACO-BRU-11-52	JFCBS	K-5 Supplies and Services	628,000
Nationwide Quarterly Assessment (CJPOTF)(ACO-BRU-11-50)	JFCBS	D-3 Systems INC	341,250
Rental and repair Billboards (CJPOTF) Contract ISAF-IDIQ 10-0010 MOD 6	JFCBS	Afghan American Advertising	1,155,747
Generators and electricity supply for Pol-E-Charki ISAF-11-C-0054	ISAF	First Afghan Lady	166,556
Waste water retreatment plant ISAF-12-C-0028	ISAF	UFUK	246,200
Refuse and waste water collection. ISAF-11-B-0001	ISAF	ECOLOG	52,115
Provision of mobile phone service ISAF-12-D-003	ISAF	ROSHAN	165,000
Video conferencing kit	ISAF	K-5 Supplies and Services	26,950
KAIA Catering Services	NSPA	KBR	20,558,889
KAIA APOD Support	NSPA	KBR	8,982,137
KAIA APOD Facilities & Infrastructure	NSPA	KBR	28,715,873
KAIA Quality Management System	NSPA	CTC	979,393

Source: ACO and NSPA

COMPARATIVE ANALYSIS OF CATERING SERVICES CONTRACTS

The Board undertook a comparative analysis of the catering services contracts: one at HQ ISAF, managed by command structure personnel, and the other in KAIA, managed by NSPA under the LSA. These contracts were selected because they provided a similar service at the same time and roughly the same location (Kabul). One main difference is that at KAIA the contracts must support up to 6,000 personnel while at HQ ISAF must support up to 2,000 personnel.

This comparative analysis includes the competition process, price system and evaluation of proposals, adequacy of contract type, contract management and oversight of contractor performance, including resources dedicated to the respective tasks, and contract prices. Some key points of the analysis include the following:

1. The contracts were competed based on a camp population of 2,000 personnel in at HQ ISAF and 4,000 in KAIA. Both contracts were awarded based on the results of an International Competitive Bidding Process with lowest technically compliant bidder as the award criteria. Both are Firm Fixed Price, which the Board considers appropriate given the type of service. Performance risk lies with the contractor, although extraordinary events may give rise to “force majeure,” which would pass the risk and financial implications to NATO and the Nations based on a case-by-case assessment.
2. Both contracts include the amortization of new dining facility construction in 2009. The period of amortization was 3 years at KAIA and 2 years at HQ ISAF. In neither case did the prices per meal decrease after full amortization. At KAIA the prices were offset with costs agreed at contract signing. At HQ ISAF meal prices did not decrease, and the Board did not find evidence of a negotiation for acceptance of additional costs that would have offset the price decrease that was supposed to occur.
3. Actions taken to ensure the provision of food items while the Afghan border with Pakistan closed in November 2011 through July 2012 resulted in higher overall costs for HQ ISAF.
4. The Board compared prices charged using average attendance data from May 2012. In HQ ISAF the total price per day, including the four meals was EUR 28.05. At KAIA, the price was EUR 23.69.
5. The human resources utilized for management of both contracts are different. The HQ ISAF procurement effort amounted to an estimated 0.3 man years, and contract oversight effort amounted to an estimated 2.7 man years. For KAIA, the procurement effort amounted to 2.3 man-years and oversight amounted to 5.1 man-years.

	HQ ISAF (ACO-BRU-08-89)	KAIA (NSPA CONTRACT 4600001907)
Competition	International Bidding Competition. 6 bidders. 2 technically compliant.	International Bidding Competition. 8 firms submitted proposals. 6 technically compliant. Successful strategy creating a strong competitive environment. Record of post CAC clarifications.
Bid evaluation strategy	Lowest cost technically compliant bid.	Lowest cost technically compliant bid.
Contract type	Firm Fixed Price.	Firm Fixed Price.
Awarded bidder	Supreme Food Services	Kellogg Brown & Root Ltd (KBR UK).
Total estimated value	EUR 15,000,000	EUR 107,252,717 over five years (three years plus two one year-option).
Total value billed in 2012	EUR 12,002,142	EUR 24,681,819
Contract writing	Compliant with NATO and ACO regulations in force. Oversight functions are not detailed other than requiring a Quality Control Surveillance Plan from the contractor and for NATO to conduct contract oversight.	Compliant with NSPA regulations. The contract contents a very detailed description of all aspects of contractual obligations on both sides. Oversight functions are very detailed.
Basis for evaluation of price proposals	The cost factor was the lowest price individual meal for 2,000 persons, based on the maximum camp population, instead of using the forecasted average dining facility attendance. Therefore, the parameters are incorrect and based on distorted data. As a result, there is no assurance that the contract was awarded to the most advantageous offer.	The most significant cost factor is the individual meal cost for the average number of meals served. The price analysis was done taking as a basis the forecast of dining facility attendance, calculating the estimated average for each band price. As there was no data available for KAIA, NSPA used the actual attendance percentages for KAF, and made the proportional calculation using KAIA camp population. That analysis was supported by a "bell curve" statistical model. The lowest price bid was selected utilizing fair and reasonable parameters.
Example prices for average attendance (May 2012 data)	Average attendance: 1,225 (not included the impact of using the Northern Distribution Network, amounting to EUR 1.70 man/day). In EUR: Breakfast: 6.24 Lunch: 7.27 Dinner: 7.27 Midnight: 7.27 TOTAL: EUR 28.05	Average attendance: 2,300 (not including a decrease for dining facility 1 construction cost amortization, and including the extra costs for dining facility 2 services). In EUR: Breakfast: 5.63 Lunch: 6.03 Dinner: 6.40 Midnight: 5.63 TOTAL: EUR 23.69

	HQ ISAF (ACO-BRU-08-89)	KAIA (NSPA CONTRACT 4600001907)
Extra cost to apply to each meal	Amortization of new dining facility construction in 2009. Amortization was supposed to occur over 2 years. However, meal prices did not decrease after the dining facility was built and fully amortized, as was supposed to occur in October 2011 per the terms and conditions stated in the contract. Overpayments estimated at EUR 2,505,048.	Amortization of new DFAC construction in 2009. Amortization completed over 3 years. The extra cost applied per meal should have been discounted since the beginning of 2012, but by contractual agreement the decrease was offset by the extra cost to operate 2 dining facilities instead of one (incremental personnel costs). The decision was made before contract signing, during the clarification process conducted between the NSPA CO and the supplier.
"Force majeure" case management	ACO has not developed a specific procedure to manage "force majeure" events. No force majeure events have been declared for this contract.	NSPA requires contractors which declare "force majeure" to supply supporting documentation for all claimed losses. If the contractor cannot present such proof, NSPA does not pay for any losses. NSPA requires from all bidders a mitigation plan showing how they will manage the risks in a conflict zone. The contractor declared "force majeure" in one case but could not present evidence of any losses and thus did not receive any additional compensation.
Actions taken to ensure the provision of food during the closure of the Afghan border with Pakistan, November 2011-July 2012	The contractor proposed and used the Northern Distribution Route, with an estimated total extra cost of EUR 633,055. Daily average customers served was 1,122. The CO accepted the pricing proposal with no supporting documentation. NATO and TCNs paid EUR 2.09 per person per day in additional transport costs.	NSPA contracted 8 air bridges to ensure the provision of food during the period of border closure, paid for initially by the customers. In that case, it was a "de facto" force majeure case accepted by NSPA. The total cost was EUR 493,831, but covered an amount of food needed to serve an average of 2,300 daily customers, nearly double the amount of HQ ISAF food customers. Overall, NATO and TCNs paid EUR 0.79 per person per day in additional transport costs.
Quality Management Plan	According to the terms and conditions of the contract, the supplier has to develop and present a Quality Control Surveillance Plan. Neither JFCBS nor HQ ISAF could provide the Board with this plan.	The contractor has to develop and present a quality management plan. The firm complied with this requirement.
Management of disagreements and disputes	Records of documents are kept in hard copy binders. No evidence of corrective action plan or cure notice for any disagreement between supplier and customer.	There are records of NSPA sending letters of concern, receiving a corrective action plan, and follow up by the contractor. All documents concerning management of

	HQ ISAF (ACO-BRU-08-89)	KAIA (NSPA CONTRACT 4600001907)
		disagreements and disputes are recorded and available in an active NSPA database.
Modifications	6 modifications	12 supplemental agreements.
Human resources	<p>Procurement effort: 0.3 man-year</p> <p>Oversight effort: 2.7 man-year.</p> <p>The details are:</p> <ul style="list-style-type: none"> - One CO in JFCBS, military post OF-2 or OF-3. Manages other contracts at the same time. Aprox 20% of time spent to manage the catering services contract. - One COTR in theatre, with oversight functions delegated by JFCBS, OF-2. He has other functions (Property Accounting Officer for HQ ISAF inventory). Aprox 70 percent of time allocated to contract management. - Master chef and one assistant, OR, military personnel provided by the Nations to fill CE posts. Limited background and experience. - One P&C Branch Head, or Deputy (estimated 0.10% time) <p>OVERHEAD:</p> <ul style="list-style-type: none"> - JFCBS P&C Deputy Branch Head, NATO International Civilian A2. - Portion of Budget Officers' and Disbursing Officers' time. - Fund Manager in charge of KAIA, KAF and other functions. OF-3, J4, JFCBS. - Requirement holder KAIA RLS. OF-4, J4, JFCBS. <p>It is not possible to calculate total overhead costs, because most of the resources are filled with military personnel (PE posts in JFCBS and CE posts in theatre). Even though monetary costs cannot be calculated, the effort utilized for the procurement, contract management and oversight of this contract are likely minor compared to the contract managed by NSPA.</p>	<p>Procurement effort: 1.727man/year</p> <p>Procurement Lead (reach back): 1.2 man/year Procurement KAIA: 0.527 man/year</p> <p>Oversight effort: 5.1 man-year.</p> <p>The details are:</p> <ul style="list-style-type: none"> - One Senior CO (Civilian, A-3) 60% of his/her time to manage this contract. Extensive knowledge and experience. According to NATO Policy, 3 officials are needed to ensure that the deployed post is filled 100 percent of the time (a third of the time is spent in theatre, another other third in NSPA HQ in Capellen for reach back support, and the other third on leave and training). - One Chief of Procurement Office (partially responsible for all contracts in reach back capacity). - One Technical Officer (with the same functions as the ACO COTR). The same personnel regulations apply; 3 personnel are needed to fill this post. - One internal consultant hired to ensure 100 percent Technical Officer coverage on the ground. - One full time contractor for the Quality Management System in place. That post costs approximately EUR 250,000. - Overhead costs allocated in accordance with NSPA Functional Directive 410 have not been included. - Indirect (specific) costs are not included, but the Board estimated an apportionment of 60% of the central procurement effort to RLS, of which in turn 60% would be for catering services. The result is 0.54 man/year.

	HQ ISAF (ACO-BRU-08-89)	KAIA (NSPA CONTRACT 4600001907)
Oversight reporting	Monthly reports prepared by the COTR. Issues addressed primarily relate to questions and comments from Nations' representatives about the service. No performance indicators. No quality management and few control reports.	Contractor-produced weekly and monthly quality management reports. Exhaustive quality control and contractor performance evaluation. Reports and performance indicators are sent from the NSPA KAIA office to NSPA headquarters, which forwards them to JFCBS.

NSPA ACTUAL OPERATIONAL AND ADMINISTRATIVE COSTS FOR
KAIA APOD AND RLS SERVICES, EUR, 2012 (Source: NSPA)

ADMINISTRATIVE BUDGET							
Fund	FY	BUDGET CODES	DESCRIPTION	Actual 2012	KAIA	IJC	TCN (SHAPE)
WBS 3683		ADM KAIA	ADMINISTRATIVE BUDGET INTEGRATED APOD	1,461,074.17	954,108.54	506,965.63	0.00
WBS 3683		ADM RLS	ADMINISTRATIVE BUDGET INTEGRATED common	5,270,841.17	674,140.59	1,279,233.15	3,317,467.43
			TOTAL ADMINISTRATIVE BUDGET	6,731,915.34	1,628,249.12	1,786,198.78	3,317,467.43
70005503		ADM RLS	Revenue from ISR	-126,855.56	-16,224.83	-30,787.84	-79,842.89
			TOTAL ADMINISTRATIVE BUDGET	6,605,059.78	1,612,024.30	1,755,410.94	3,237,624.54
OPERATIONAL BUDGET							
APOD ILS FUNCTIONS AIRFIELD SUPPORT							
83	12	5220	Camp/Garrison Transport & Motor Pool & Airfield Mechanical Transport (A3)	459,379.59	155,946.20	303,433.39	0.00
		5404	Airfield CIS Support (A5)	774,164.31	774,164.31	0.00	0.00
		5457	CCTV (Closed circuit television)	1,129,020.71	1,129,020.71	0.00	0.00
		5407	Airfield Equipment Maintenance (A6)	920,194.50	920,194.50	0.00	0.00
		5430	Aircraft Service Operations (X-Servicing) (A1)	656,593.63	656,593.63	0.00	0.00
		5431	Supply Support Activity (A4)	581,566.65	197,925.23	383,641.42	0.00
		5458	Materials APOD	4,399,397.00	2,252,542.90	2,146,854.10	0.00
		5459	Giant voice	61,821.03	61,821.03	0.00	0.00
			TOTAL AIRFIELD SUPPORT	8,982,137.42	6,148,208.51	2,833,928.91	0.00
APOD FACILITIES & INFRASTRUCTURE							
83	12	5203	Latrines, Showers and Hand Wash Stations (ABLUTION) (B2)	237,066.75	30,375.89	57,519.35	149,171.51
		5204	Cleaning of assigned buildings and ablutions (B3)	761,891.70	258,944.07	502,947.63	0.00
		5205	Waste Management & Disposal, HAZMAT Waste Removal & HAZMAT Management (B7)	375,631.36	48,594.10	91,269.33	235,767.93
		5206	Water Production & Distribution (B10)	210,618.81	26,958.36	51,140.52	132,519.93
		5207	PPE	0.00	0.00	0.00	0.00
		5208	Sewage and Liquid Waste Management (B11)	345,574.62	44,362.96	83,569.22	217,642.44
		5211	Fuel for RLS Contractors	110,499.99	14,068.00	26,726.67	69,705.32
		5212	Fuel for APOD Contractors	150,205.67	150,205.67	0.00	0.00
		5213	Fuel for power	15,496,345.12	1,979,572.54	3,772,044.61	9,744,727.97
		5221	Class IV (Construction Material) Operations & HVAC (B4)	0.00	0.00	0.00	0.00
		5222	Vector Control (B6)	115,800.54	14,825.05	28,118.24	72,857.25
		5223	Power Generation & Distribution & Secondary & Backup Power (B9)	1,052,182.41	135,377.57	255,525.53	661,279.31
		5226	Infrastructure maintenance, New & Minor construction & HVAC Maintenance and washrack (B4)	1,788,893.91	608,931.32	1,179,962.59	0.00
		5432	Airfield Surface Operations, Airfield Lighting, Roads & Grounds and Dust Management (A2)	1,541,070.58	1,541,070.58	0.00	0.00
		5433	Airfield Transient Accom. & RSQM Accom. Cleaning (B3)	0.00	0.00	0.00	0.00
		5218	Materials APOD facilities and infrastructure	940,477.00	118,267.03	229,598.74	592,611.23
		5219	Minor works construction teams (MWCT)	467,275.93	158,421.68	308,854.26	-0.01
		5224	Minor works engineering teams (MMET)	216,165.68	216,165.68	0.00	0.00
		5227	Special instructions (B1)	5,349.42	0.00	5,349.42	0.00
		5301	Individual Requirements	4,900,824.22	30,241.71	0.00	4,870,582.51
			TOTAL APOD FACILITIES & INFRASTRUCTURE	28,715,873.71	5,376,382.21	6,592,626.11	16,746,865.39
			TOTAL APOD ILS FUNCTIONS	37,698,011.13	11,524,590.72	9,426,555.02	16,746,865.39
QMS							
83	12	5202	Quality Management System	979,392.59	356,965.22	173,541.64	448,885.73
			TOTAL QMS	979,392.59	356,965.22	173,541.64	448,885.73
REAL LIFE SUPPORT (RLS)							
83	12	5101	Laundry	720,386.21	62,719.33	39,340.73	618,326.15
		5110	Food services	20,558,889.56	1,169,937.27	1,274,404.50	18,114,547.79
		5308	DLA Food	4,122,929.11	459.32	0.00	4,122,469.79
			TOTAL RLS	25,402,204.88	1,233,115.92	1,313,745.23	22,855,343.73
			TOTAL OPERATIONAL BUDGET	64,079,608.60	13,114,671.86	10,913,841.89	40,051,094.85
			TOTAL KAIA BUDGET	70,811,523.94	14,742,920.98	12,700,040.68	43,368,562.28

**NSPA ACTUAL ADMINISTRATIVE COSTS FOR KAIA APOD
AND RLS SERVICES, EUR, 2012**

Administrative costs

3,136,635.50	46.6%	Personnel	Direct	Indirect
1,889,637.05	28.1%	Particular		
899,624.57	13.4%	Division	Specific	
173,432.77	2.6%	Common	Overhead	
585,335.44	8.7%	Shared-division		
(144,907.93)	-2.2%	Income		
192,157.94	2.9%	Investment		
6,731,915.34	Total			

Particular costs

1,030,483.37	54.5%	Travel
792,140.92	41.9%	Services
35,710.92	1.9%	Investment
15,277.06	0.8%	Training
10,714.78	0.6%	Communication
5,310.00	0.3%	Printing
1,889,637.05	Total	

Specific costs

381,533.56	42.4%	Automation
304,668.82	33.9%	Finance
150,497.70	16.7%	Procurement
61,927.50	6.9%	Personnel
996.99	0.1%	Codification
899,624.57	Total	

Source: NSPA

ACO AND NSPA FORMAL COMMENTS

**Comments of Vice Chief of Staff, for the Supreme Allied Commander, Europe
Allied Command Operations (ACO)**

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**SUPREME HEADQUARTERS ALLIED POWERS
EUROPE**
**GRAND QUARTIER GÉNÉRAL DES PUISSANCES ALLIÉES
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Date: 22 April 2014

TO: See Distribution

SUBJECT: **ACO RESPONSE TO DRAFT SPECIAL REPORT TO COUNCIL
ON THE STEPS NEEDED TO IMPROVE ACO AND NSPA
MANAGEMENT OF CONTRACTOR SUPPORT TO OPERATIONS
IBA-AR(2014)11**

REFERENCE: IBA-A(2014)87, Draft Special Report to Council on the Steps
Needed to Improve ACO and NSPA Management of Contractor
Support to Operations IBA-AR(2014)11, dated 13 March 2014

1. SHAPE appreciates the work which the IBAN has conducted in this area and welcomes the recommendations made. With the increased reliance on contracted support to operations it is essential that our organizations conduct themselves with the utmost professionalism and keep the collective interests of our nations in the forefront.

2. However, SHAPE notes a significant change in focus from what was initially indicated to meduring the initial briefing conducted by IBAN on 17 December 2013. Much of the benchmarking comparison initially included showing a cost versus risk analysis has been removed. This is unfortunate since a number of IBAN recommendations and comments raised in this draft have a direct impact on manpower and the organizations' abilities to execute their duties effectively. The benchmarking data would have supported discussions to ensure that subordinate commands have the necessary manning to discharge their duties and to enable ACO to act as an intelligent customer towards agencies in general.

3. SHAPE is concerned that, notwithstanding the acknowledged errors made by some contracting personnel in support of ISAF, the general conclusions do not necessarily reflect the status of contracting across the command and in all operations.

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Contracting staff in ACO are involved in more than the logistics support reviewed in this audit. Albeit in some instances under manned, they provide an essential support to the respective commanders and are not in competition with NSPA or NCIA for contracting work.

4. Moreover, there appears to be a degree of inconsistency in the manner with which the IBAN recommends that audited entities undertake any corrective action. In some instances the lack of documentation has led the IBAN to recommend recovery of potential overpayments whether this is eventually incorrect or not. In others a similar lack of documentation has led the Board to recommend merely that the entity ensures that this does not occur again. SHAPE requests that the IBAN apply a consistent methodology when raising issues of potential transactions having potential negative financial implications.

5. Notwithstanding these comments, SHAPE thanks the Board for the work conducted and the recommendations provided. Within SHAPE and with subordinate commands I have continually stressed the importance of ensuring that all levels of ACO command are aware of their responsibilities concerning the proper management of nations' funding and it is important to be involved in this process given the current review of the NCS and the new relationship with the agencies.

6. The following formal comments and factual clearances are provided in respect of all the recommendations for which ACO is responsible. Those directed to NSPA will be addressed independently by the General Manager NSPA. Should you require additional information or clarification, please contact Mr. Alan Mackenzie, Acting ACO Financial Controller.

FOR THE SUPREME ALLIED COMMANDER, EUROPE:



Philippe STOLTZ
Lieutenant General, FRA A
Vice Chief of Staff

ANNEXES:

- A. ACO Formal Comments IBA-A(2014) dated 13 March 2014.
- B. ACO Factual Clearance IBA-A(2014) dated 13 March 2014.

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ANNEX A TO
SHJ8/AQM/FC103/14-305704
DATED 22 APR 14

ACO FORMAL COMMENTS IBA-A(2014) DATED 13 MARCH 2014

No.	Para	Recommendation	Concur / Not Concur	JFCBS Comments (IAW JFCBS COS Letter)	ACO Comments
1	3.2.6	<i>For the HQ ISAF catering services contract, the Board recommends that JFCBS determine the extent to which contractor and transient personnel were included in the contractor's determination of the price band for meals applied at invoicing and negotiate price adjustments to reflect the full amount overpaid. The Board further recommends that JFCBS determine whether the cost of the dining facility construction was properly amortized and if not, whether any funds overpaid can be recovered through future price adjustments.</i>	Concur	<p>JFCBS is negotiating with the contractor since October 2013 to resolve the alleged overpayments. Supreme B.V. in their response of 11 Feb 2014 stated: "Supreme recognizes that during April 2009 – June 2012 calculations were made incorrectly whereby the visitors meals were not included in the Total meal count for that day. Supreme can confirm that all visitor meals have been included in the meal rate calculations since July 2012.</p> <p>Supreme have collated all of the data from April 2009 to June 2012, the net effect of this is attached where an overcharge of 129,506.02 Euro. This will be refunded as a credit note with the next invoice."</p> <p>JFCBS is negotiating the new meal pricing where the latest price proposal of Supreme is 23.86 Euro per man-day (4 meals, including midnight meal) this is a reduction in pricing of 7.1% compared to the 2013 pricing.</p> <p>The recovery of overpaid amortization requires further negotiation and in depth legal assessment, as Supreme's position is "there is a yearly signed and mutually agreed pricing, therefore the contractual document stands and the pricing for these years is correct."</p> <p>The overpaid sum is roughly 20% lower than estimated by IBAN as the amount per man-</p>	ACO will continue to monitor this important issue to ensure all contractual remedies will be exhausted. If no amicable settlement can be obtained, litigation might be initiated if deemed appropriate based on the results of the in depth legal assessment.

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No.	Para	Recommendation	Concur / Not Concur	JFCBS Comments (IAW JFCBS COS Letter)	ACO Comments
				day is 2.43 Euro (0,81 ct/meal) rather than the 3 Euro estimation of IBAN. The role of the COTR as highlighted by the IBAN as well, is crucial in ensuring that we receive value for money and that the contractor is compliant with contract terms. Reliance on CE-billets and adequate fill is a risk but is part of the concept of operations of ACO.	
2	3.2.8	<i>The Board recommends that JFCBS ensure that all parties adhere to the terms and conditions of the ISAF-HQ catering services contract by (1) obtaining the contractor's Quality Control Surveillance Plan, (2) conducting oversight activities to ensure that the contractor adheres to this plan and (3) maintain the appropriate records of the results.</i>	Concur	No comment.	No additional comments.
3	3.2.11	<i>The Board recommends that JFCBS amend the intra-theatre airlift services contract (rotary wing) to include a clause clarifying the conditions under which Nations can individually task the assets made available for NATO use. The Board further recommends that JFCBS specify the process by which ACO will ensure that NATO cargo is appropriately pro-rated, clearly state who will be responsible for oversight and include this information among the requirements for invoice validation.</i>	Non-Concur	JFCBS disagrees with the IBAN observation and recommendation. The requirement for In-Theatre Airlift by Rotary Wing Assets was exceptionally common funded by the MBC and the requirement clearly specifies the cargo in kilograms and the number of dedicated assets. All taskings of these dedicated assets are done via the main COTR at IJC. For the sake of clarity, JFCBS would like to further explain that, although the contractor is required to have 10 (ten) dedicated assets under this contract, it operates a total of 17 assets throughout the hubs, where it also acts as a subcontractor for a main vendor at KAF. The rotation of assets and the fact that the contractor is operating assets for other purposes might, however, lead to confusing Daily Mission Reports and load manifests clearly demonstrate that the assets and associated costs are all related to direct	The Intra-theatre Air Support (rotary wing) was specifically approved by the MC (MCM-0123-2007) to provide sustainment capability shortfall for the CJSOR (national) logistics flights in order to free up military assets to more pressing tactical needs such as personnel transportation and medical evacuation. NATO common funded entities have little to no ITAS material transportation needs as each location is from a logistics perspective self-supporting. The entire lift capability was by design for national use. Exceptional eligibility was granted by the Senior Resources Board (SRB) now the RPPB, in SRB-N(2007)0058-Rev2. This exceptional eligibility was renewed under SRB-N(2009)0079

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No.	Para	Recommendation	Concur / Not Concur	JFCBS Comments (IAW JFCBS COS Letter)	ACO Comments
				NATO taskings. JFCBS used the external advice of the Clifford Chance solicitors to assess the close out of the ITAS contract. They confirmed that there are no major risks associated with the contract; above all, they confirm we have not committed ourselves to a minimum guaranteed number of flying hours.	for five years ending end January 2015.
4	3.2.15	<i>The Board recommends that the JFCBS P&C Chief clarify the requirements for the in-theatre management and retention of contractor performance records.</i>	Concur	No comment.	Under the current Bi-SC Procurement Directive 60-70 the buyer is responsible for maintaining the contractor performance records. However no specific direction is given on the amount of time the documents must be retained since they become integral parts of the Contract File and are to be maintained in accordance with the ACO Policy Letter 08/10: Contract File Maintenance dated 07 April 2010.
5	3.2.17	<i>The Board recommends that ISAF take steps to ensure that the services are provided under enforceable contracts in all cases.</i>	Concur	JFCBS notes and agrees with IBAN that the financial risk is minimal.	SHAPE must be provided with sufficient time to implement the numerous recommendations which came out of the Board of Inquiry. Many of the incidents commented on are linked to the lack of trained and experienced personnel which the Board has highlighted in other areas. Efforts to establish policy, AOM related training and oversight are in progress and have just recently been approved for implementation.
6	3.3.7	<i>The Board recommends that ACO clarify the specific training requirements for personnel assigned the COTR role and include the relevant roles and responsibilities in the appropriate post descriptions.</i>	Concur		SHAPE concurs with the need to better prepare COTRs for their duties. However, COTRs are not dedicated posts within ACO and the function is normally assigned to a representative of the requirement holder's organization having the

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No.	Para	Recommendation	Concur / Not Concur	JFCBS Comments (IAW JFCBS COS Letter)	ACO Comments
					necessary knowledge to act as COTR as a secondary duty. In order to ensure that the COTRs, whether accepting services directly from a contractor or through an agency where the volume warrants, should be established as full time posts on the Crisis Establishment, ideally as civilians to provide continuity beyond the typical 6 month rotation. Changes to the COTR roles and responsibilities, acknowledgement of duties and other clarifications are planned in the current on-going procurement policy review.
7	3.3.11	<i>The Board recommends that the Nations meet their commitments to provide personnel, particularly key leadership, who meet the requirements stated in NATO policy and regulations.</i>	Concur.	JFCBS concurs and support the second part of the recommendation (3.3.12.)	SHAPE concurs and echoes the concerns regarding nations either not filling or filling key leadership posts without the necessary qualification, education and/or experience.
	3.3.12	<i>The Board further recommends that the Nations consider restricting bidding on contracting-related posts to those among them which have the procurement career field resident within their force structures.</i>	Concur	No comment	SHAPE supports this recommendation and will work together with J1 to amend Job description at the earliest opportunity.
8	4.4.3	<i>The Board recommends NSPA assess National and private sector practices to determine the optimal length of deployment time for personnel primarily responsible for duties in a conflict zone, considering the need for efficiency balanced with the need to continue to attract appropriately qualified and experienced staff.</i>	Not applicable		This is a recommendation directed at NSPA and it is, therefore, incumbent on NSPA to provide its response.
	4.4.4	<i>To optimize the balance between reach-back and forward-deployed staff and save costs to the Nations,</i>	Not applicable		This is a recommendation directed at NSPA and it is, therefore, incumbent on NSPA to provide its

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No.	Para	Recommendation	Concur / Not Concur	JFCBS Comments (IAW JFCBS COS Letter)	ACO Comments
		<i>the Board further recommends that for future projects NSPA request, and the Nations consider, an exception to the NATO civilian deployment policy for logistics operations staff with deployability clauses in their contracts.</i>			response.
9	4.4.7	<i>To save costs to the Nations, the Board recommends NSPA consider aligning its personnel deployment policy with NATO Headquarters policy to allow NSPA personnel supporting NATO projects in Afghanistan to access the civilian side of Kabul International Airport.</i>	Not applicable		This is a recommendation directed at NSPA and it is, therefore, incumbent on NSPA to provide its response.
10	4.4.10	<i>The Board recommends that NSPA review its policy for meeting individual requirements, to include how fees are assessed, to ensure that NATO common funds are not used to pay for National requirements. The Board further recommends that NSPA ensure that it has exhausted all means to include these requirements in existing contracts to minimize additional costs associated with repetitive mobilizations.</i>	Not applicable		This is a recommendation directed at NSPA and it is, therefore, incumbent on NSPA to provide its response.
11	5.1.10	<i>When tasking NSPA, the ACO logistics, financial and other communities, as appropriate, should ensure that the level of assurance and supporting management information are clearly defined alongside the more typical military requirements. As the contract integrator responsible for providing options, NSPA should present management, monitoring and oversight options in terms of cost and risks. The command structure should then select elements of the</i>	Concur	JFCBS likes to underline the unique role of NATO agencies which are separate entities and customers funded but clearly have a preferred status and are considered business partners. Any type of arrangement or agreement is concluded by mutual agreement. Therefore the tasking is always a compromise between ACO who wants to become the intelligent customer and NSPA who wants to maintain their space to manoeuvre and limit the transparency we force upon our contractors. Clearly the improvement should be accommodated by both entities.	This has been a consistent observation over the past three years. ACO is working with the agencies.

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No.	Para	Recommendation	Concur / Not Concur	JFCBS Comments (IAW JFCBS COS Letter)	ACO Comments
		<i>management model based on internal assessments of risk and affordability and clearly direct NSPA accordingly.</i>			
12	5.1.11	<i>To effectively monitor NSPA's implementation of ACO-directed tasks, the Board recommends that JFCBS and NSPA review and revise, as necessary, the KAIA LSA KPIs to ensure that they accurately reflect the information JFCBS needs to make its management decisions. To economize resources, the Board further recommends that this effort take place alongside other ongoing efforts to develop KPIs, such as for the Contract Integrator LSA, to ensure a consistent approach that can be applied to future arrangements.</i>	Concur	JFCBS agrees to the further development of KPI's and is seeking guidance from SHAPE as the majority of the arrangements with the agencies are signed at SHAPE level.	<p>The KPIs identified for KAIA ILS were the first iteration of KPIs. The seminal LSA for the KAF APOD and RLS did not include detailed deliverables and associated KPI. This was previously raised by IBAN in 2009 and 2010 Audits of the ACO Financial Statements. SHAPE has been working with both NSPA and NCIA to ensure that the tasking agreements reflect the change in how the customer articulates the requirements and establishes KPIs to monitor them.</p> <p>Both parties acknowledge that the existing KPIs have not been fully incorporated into the management philosophy. NSPA has, nevertheless, been providing the reporting required under the existing KPIs.</p> <p>In light of the anticipated end to the exceptional eligibility for the KAIA ILS by 31 December 2014 representing an end to the LSA, there may not be sufficient time to develop more detailed deliverables and useful / measureable KPIs.</p> <p>Nevertheless, SHAPE fully concurs with this recommendation and will work with NSPA to update the LSA and all future LSAs.</p>
13	5.2.4	<i>The Board recommends that SHAPE approve all NSPA manpower by project, including</i>	Concur	No comment.	Under the current manpower proposals, SHAPE is requested to approve the number of Man-Years

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No.	Para	Recommendation	Concur / Not Concur	JFCBS Comments (IAW JFCBS COS Letter)	ACO Comments
		<i>personnel dedicated to cover the National portion, based on the appropriate mix of indefinite duration, definite duration, and consultant contracts.</i>			needed for the project. However on the basis of this observation, additional information will be solicited from NSPA for future manpower reviews.
	5.2.5	<i>The Board further recommends that SHAPE ensure that personnel with expertise in assessing manpower needs, such as the SHAPE personnel management community and the requirement holder's staff, are fully involved in all reviews of NSPA manpower requests.</i>	Concur	No comment.	SHAPE J1 concurs and will liaise with NDMAA to request their support as deemed necessary in conducting the evaluation of the annual proposals submitted for SHAPE approval.
	5.2.6	<i>The Board further recommends that the results of the manpower review fully document the linkage between operational requirements and need for specific NSPA NATO civilian and consultant posts.</i>	Concur	No comment.	No additional comments.

Comments of the General Manager, NATO Support Agency (NSPA)



OFFICE OF THE GENERAL MANAGER
BUREAU DU DIRECTEUR GÉNÉRAL

**NATO SUPPORT AGENCY
AGENCE OTAN DE SOUTIEN**



G/2014/632

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11 April 2014

Mr Marius Winters
Board Member
International Board of Auditors
Boulevard Léopold III
B-1110 Brussels

SUBJECT : Draft Special report to Council on the steps needed to improve ACO and NSPA management of contractor support to operations – IBA-AR(2014)11

REFERENCE : IBA-A(2014)87 dated 13 March 2014

Dear Mr Winters,

Thank you for the opportunity to comment on your report at Reference. NSPA comments are provided in Annex A (factual clearance on the observations) and Annex B (formal comments).

As the designated ACO Contract Integrator (CI), NSPA is particularly interested in identifying areas where improvements can be made in order to further strengthen the Agency's support for ACO and the NATO Command Structure (NCS). As the ISAF mission comes to an end this year, it will be important to leverage lessons learned from operations in Afghanistan in order to effectively plan for support of future NATO training, exercises and operations. This will be particularly relevant given the significantly increased reliance on contractor support capabilities experienced in support of ISAF. Streamlined, cost-effective integration of contractor support can also play a key role in the near-term in a potential RESOLUTE SUPPORT Mission.

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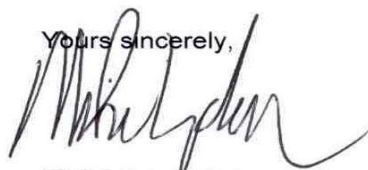
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G/2014/632

NSPA is committed to working closely with its stakeholders, including ACO and the JFCs, to ensure the Agency meets its current and future requirements in the most effective and cost efficient manner. I believe this IBAN report will contribute to that goal.

It was a pleasure to host your team during the field work and we look forward to continuing our strong relationship in the future.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Lyden', with a long, sweeping horizontal stroke at the end.

Michael J. Lyden
General Manager

Encl.: a/s

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Annex B to G/2014/632 dated 11 April 2104

NSPA Formal Comments to IBA-A (2014)87 dated 13 March 2014

No.	Para	RECOMMENDATION	Status	FORMAL COMMENTS
1	3.2.6	For the HQ ISAF catering services contract, the Board recommends that JFCBS determine the extent to which contractor and transient personnel were included in the contractor's determination of the price band for meals applied at invoicing and negotiate price adjustments to reflect the full amount overpaid. The Board further recommends that JFCBS determine whether the cost of the dining facility construction was properly amortized and if not, whether any funds overpaid can be recovered through future price adjustments.	Open	For ACO comment
2	3.2.8	The Board recommends that JFCBS ensure that all parties adhere to the terms and conditions of the ISAF-HQ catering services contract by (1) obtaining the contractor's Quality Control Surveillance Plan, (2) conducting oversight activities to ensure that the contractor adheres to this plan and (3) maintain the appropriate records of the results.	Open	For ACO comment
3	3.2.11	The Board recommends that JFCBS amend the intra-theatre airlift services contract (rotary wing) to include a clause clarifying the conditions under which Nations can individually task the assets made available for NATO use. The Board further recommends that JFCBS specify the process by which ACO will ensure that NATO cargo is appropriately pro-rated, clearly state who will be responsible for oversight and include this information among the requirements for invoice validation	Open	For ACO comment

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4	3.2.15	The Board recommends that the JFCBS P&C Chief clarify the requirements for the in-theatre management and retention of contractor performance records.	Open	For ACO comment
5	3.2.17	The Board recommends that ISAF take steps to ensure that the services are provided under enforceable contracts in all cases.	Open	For ACO comment
6	3.3.7	The Board recommends that ACO clarify the specific training requirements for personnel assigned the COTR role and include the relevant roles and responsibilities in the appropriate post descriptions.	Open	For ACO comment

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No.	Para	RECOMMENDATION	Status	FORMAL COMMENTS
7	3.3.11	The Board recommends that the Nations meet their commitments to provide personnel, particularly key leadership, who meet the requirements stated in NATO policy and regulations.	Open	For ACO comment
	3.3.12	The Board further recommends that the Nations consider restricting bidding on contracting-related posts to those among them which have the procurement career field resident within their force structures.		
8	4.4.3	The Board recommends NSPA assess National and private sector practices to determine the optimal length of deployment time for personnel primarily responsible for duties in a conflict zone, considering the need for efficiency balanced with the need to continue to attract appropriately qualified and experienced staff.	Open	<p>The KAIA project manning and its current balance between reach-back and forward-deployed staff is based on the Military Minimum Requirement (MMR) approved by the MC, RPPB and BC for the project. As discussed during the Auditor visits, the manpower comparison from a NSPA perspective is facilitated by the full transparency of our accounting system. To this end, we were able to provide a breakdown of the total cost for the KAIA Food contract oversight both the forward –deployed as well as the reach back costs.</p> <p>As a benchmark, NSPA will review US Civil Service Rules as well as other relevant international bodies' personnel regulations. A review of current NATO civilian deployment policy will be conducted and the findings will be assessed. In doing so, NSPA will review the balance of the type of manpower (such a consultants support) as well as the best way forward to optimize the balance between reach-back and forward-deployed staff. The intent will be to reduce deployment rotation.</p> <p>The risk is that more reliance on consultants will reduce personnel total knowledge of NSPA internal procedures and policies. A proper balance between full time and consultants employees is important to ensure optimal effectiveness.</p>
	4.4.4	To optimize the balance between reach-back and forward-deployed staff and save costs to the Nations, the Board further recommends that for future projects NSPA request, and the Nations consider, an exception to the NATO civilian deployment policy for logistics operations staff with deployability clauses in their contracts.		
9	4.4.7	To save costs to the Nations, the Board recommends NSPA consider aligning its personnel deployment policy with NATO Headquarters policy to allow NSPA personnel supporting NATO projects in Afghanistan to access the civilian side of Kabul International Airport.	Open	As the Head of the NATO Body, the ultimate responsibility for the safety of NSPA staff rests with the NSPA GM. Under the current circumstances ISAF personnel using the KAIA commercial terminal are subject to varying VISA requirements which complicate the effective exchange of Agency staff in theatre. Proper force protection to and from the terminal is also still a serious concern.

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				NSPA will conduct a review of the current and potential future RESOLUTE SUPPORT Mission requirements and determine if any changes in current policy can be executed effectively and safely for the personnel concerned.
10	4.4.10	The Board recommends that NSPA review its policy for meeting individual requirements, to include how fees are assessed, to ensure that NATO common funds are not used to pay for National requirements. The Board further recommends that NSPA ensure that it has exhausted all means to include these requirements in existing contracts to minimize additional costs associated with repetitive mobilizations.	Open	<p>The administrative costs recovery for National Individual Service Requests (ISR) is based on an estimated level of effort.</p> <p>NSPA staff will conduct a cost analysis (based on 2013 actual costs) to assess whether ISR cost recovery ensures properly the NATO “costs lie where they fall” principal. Based on the findings, any required adjustments will be executed.</p>
11	5.1.10	When tasking NSPA, the ACO logistics, financial and other communities, as appropriate, should ensure that the level of assurance and supporting management information are clearly defined alongside the more typical military requirements. As the contract integrator responsible for providing options, NSPA should present management, monitoring and oversight options in terms of cost and risks. The command structure should then select elements of the management model based on internal assessments of risk and affordability and clearly direct NSPA accordingly.	Open	For ACO comment
12	5.1.11	To effectively monitor NSPA’s implementation of ACO-directed tasks, the Board recommends that JFCBS and NSPA review and revise, as necessary, the KAIA LSA KPIs to ensure that they accurately reflect the information JFCBS needs to make its management decisions. To economize resources, the Board further recommends that this effort take place alongside other ongoing efforts to develop KPIs, such as for the Contract Integrator LSA, to ensure a consistent approach that can be applied to future arrangements	Open	<p>Concur. Work in progress on updates to KAIA LSA to include revised KPIs. Full consideration of other LSAs (i.e. Contract Integrator) will be included in the process.</p> <p>Pending ACO approval, the target completion date is 27 May 14 to have a proposed LSA to NATO Budget Committee.</p>

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13	5.2.4	The Board recommends that SHAPE approve all NSPA manpower by project, including personnel dedicated to cover the National portion, based on the appropriate mix of indefinite duration, definite duration, and consultant contracts.	Open	For ACO comment
	5.2.5	The Board further recommends that SHAPE ensure that personnel with expertise in assessing manpower needs, such as the SHAPE personnel management community and the requirement holder's staff, are fully involved in all reviews of NSPA manpower requests.		
	5.2.6	The Board further recommends that the results of the manpower review fully document the linkage between operational requirements and need for specific NSPA NATO civilian and consultant posts.		