



March 2020

DEFENSE LOGISTICS AGREEMENTS

DOD Should Improve
Oversight and Seek
Payment from Foreign
Partners for
Thousands of Orders
It Identifies as
Overdue

Accessible Version

GAO Highlights

Highlights of [GAO-20-309](#), a report to congressional committees

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Why GAO Did This Study

According to DOD, from fiscal years 2014 through 2019, it used ACSAs to provide billions of dollars of logistic support, supplies, and services to more than 100 partner countries. For example, this support included fuel and ammunition to assist international exercises and coalition operations, among other efforts.

Senate Report 115-262 included a provision for GAO to review ACSA management. This report examines the extent to which (1) agencies have provided information to Congress about ACSAs, and (2) DOD has tracked and received reimbursement for ACSA orders. GAO conducted content analysis of DOD and State ACSA documents, and analyzed a generalizable sample of ACSA orders authorized from October 2013 through March 2018 and recorded in DOD's system of record for ACSA orders. An ACSA order, also referred to as a transaction, documents an exchange of support between the United States and a foreign partner. In addition, GAO interviewed agency officials and conducted fieldwork at Shaw Air Force Base in Sumter, South Carolina.

What GAO Recommends

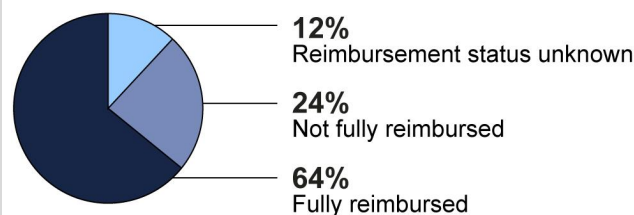
GAO is making seven recommendations to DOD to improve ACSA recordkeeping and reimbursement, through steps such as better monitoring, periodic data reconciliation, and timely invoicing. DOD agreed with all seven recommendations.

What GAO Found

While generally providing required information to Congress, poor recordkeeping by the Department of Defense (DOD) and late notifications by the Department of State (State) have limited the accuracy and timeliness of information provided to Congress on acquisition and cross-servicing agreements (ACSA). DOD and State have Congressional notification requirements pertaining to ACSAs—agreements through which DOD exchanges logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. Documents indicate that DOD provided notice to Congress before designating 78 of 104 countries eligible for an ACSA. However, DOD did not have records for the remaining 26, in part because it lacks documented recordkeeping procedures. While State generally notified Congress about ACSAs' entry into force, it transmitted 41 percent of them after the statutory deadline, largely because DOD did not provide required information to State. These gaps and issues have reduced the accuracy and timeliness of information provided to Congress about ACSAs.

DOD has not maintained quality data to track ACSA orders and has not received reimbursement for thousands of orders. First, DOD does not have complete and accurate ACSA data. For example, for an estimated 12 percent of ACSA orders authorized from October 2013 through March 2018 in DOD's system of record, DOD could not determine whether it had received reimbursement for support provided to partners. According to DOD officials, such inaccuracies occur in part because DOD does not have a process to validate data in its system. Second, GAO estimates that DOD received full reimbursement for 64 percent of ACSA orders authorized from October 2013 through March 2018 (about 6,000 orders), but did not receive full reimbursement for 24 percent. Orders remain unpaid in part because DOD has not requested timely repayment or monitored reimbursement. These management weaknesses limit DOD's ability to obtain reimbursement for overdue ACSA orders, which, according to DOD, were valued at more than \$1 billion as of November 2019.

Reimbursement Status for ACSA Orders in DOD's System of Record from October 2013 through March 2018, by Number of Orders



Legend: Acquisition and Cross-Servicing Agreement = ACSA.

Source: GAO analysis of Department of Defense (DOD) data. | GAO-20-309

Data Table for Reimbursement Status for ACSA Orders in DOD's System of Record from October 2013 through March 2018, by Number of Orders

Status	Percentage
Reimbursement status unknown	12
Not fully reimbursed	24
Fully reimbursed	64

Note: These estimates are based on a generalizable sample of orders in which the United States provided support to foreign partners; have a margin of error of up to plus or minus 5.1 percentage points at the 95-percent confidence level; and represent the percentage of the number of orders, not the dollar value of orders.

Contents

GAO Highlights	2
Why GAO Did This Study	2
What GAO Recommends	2
What GAO Found	2
Letter	1
Background	5
DOD and State Have Generally Provided Required Information about ACSAs to Congress, but Have Recordkeeping Gaps and Timeliness Issues	15
DOD Lacks Quality Data to Track ACSA Orders, and Has Not Received Reimbursement for Thousands of Orders	23
Conclusions	31
Recommendations for Executive Action	31
Agency Comments and Our Evaluation	32
Appendix I: Objectives, Scope, and Methodology	36
Appendix II: Signed U.S. Department of Defense Acquisition and Cross-Servicing Agreements as of February 2020	48
Appendix III: List of Logistics Support Retransfers under Department of Defense Acquisition and Cross-Servicing Agreements	50
Appendix IV: Use of Acquisition and Cross-Servicing Agreements to Seek Reimbursement from the Saudi-led Coalition	52
Appendix V: Comments from the Department of Defense	55
Text of Appendix V: Comments from the Department of Defense	58
Appendix VI: GAO Contact and Staff Acknowledgments	61

Tables

Data Table for Reimbursement Status for ACSA Orders in DOD's System of Record from October 2013 through March 2018, by Number of Orders	3
Table 1: Acquisition and Cross-Servicing Agreements (ACSA) by Department of Defense Area of Responsibility, as of February 2020	5
Data table for Figure 1: Cumulative Growth in Number of Acquisition and Cross-Servicing Agreements (ACSA), 1982 through February 2020	7
Table 2: Top Department of Defense (DOD) Users of Acquisition and Cross-Servicing Agreements (ACSA) by Reported Order Value, October 2013 through September 2019	13
Data table for Figure 4: Availability of DOD Records for Congressional Notifications on Designating Non-NATO Countries Eligible for ACSAs, as of February 2020	17
Data table for Figure 5: Timeliness of Department of State Congressional Notifications on Acquisition and Cross-Servicing Agreement (ACSA) Entry into Force, as of February 2020	20
Data Table for Figure 6: Reimbursement Status of ACSA Orders in DOD's System of Record from October 2013 through March 2018, by Number of Orders	28
Table 3: Population and Sample Counts of Orders across Strata Based on Order Total, Order Status (Complete/Incomplete), Document Upload Requirement (Required/Not Required), and Military Service	44
Table 4: Acquisition and Cross-Servicing Agreements (ACSA) by Department of Defense Area of Responsibility, as of February 2020	48
Table 5: Department of Defense (DOD)-Authorized Retransfers of Support Provided through Acquisition and Cross-Servicing Agreements (ACSA) as of December 2019	50

Figures

Figure 1: Cumulative Growth in Number of Acquisition and Cross-Servicing Agreements (ACSA), 1982 through February 2020	6
Figure 2: General Process to Establish an Acquisition and Cross-Servicing Agreement (ACSA), as of November 2019	10

Figure 3: Examples of Types of Support Provided through Acquisition and Cross-Servicing Agreements (ACSA): Aerial Refueling, Non-Precision Guided Munitions, and Water	12
Figure 4: Availability of DOD Records for Congressional Notifications on Designating Non-NATO Countries Eligible for ACSAs, as of February 2020	17
Figure 5: Timeliness of Department of State Congressional Notifications on Acquisition and Cross-Servicing Agreement (ACSA) Entry into Force, as of February 2020	20
Figure 6: Reimbursement Status of ACSA Orders in DOD's System of Record from October 2013 through March 2018, by Number of Orders	28

Abbreviations

A&S	Acquisition and Sustainment
ACSA	acquisition and cross-servicing agreement
AFCENT	U.S. Air Forces Central Command
AGATRS	ACSA Global Automated Tracking and Reporting System
CJCS	Chairman of the Joint Chiefs of Staff
CJCSI	CJCS Instruction
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DOD	Department of Defense
FMS	Foreign Military Sales
NATO	North Atlantic Treaty Organization
NC3O	NATO Consultation, Command, and Control Organization
NDAA	National Defense Authorization Act
NSPO	NATO Support Organization
OCJCS	Office of the Chairman of the Joint Chiefs of Staff
OIG	Office of the Inspector General
OUSD	Office of the Undersecretary of Defense
SEMAR	Secretariat of the Navy of the United Mexican States
SHAPE	Supreme Headquarters Allied Powers Europe
SLC	Saudi-led Coalition
State	Department of State
USC	United States Code

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March 4, 2020

Congressional Committees

The Department of Defense (DOD) uses acquisition and cross-servicing agreements (ACSA) to exchange logistic support, supplies, and services with the military forces of more than 100 partner countries and international organizations in return for cash or in-kind reimbursement.¹ According to its records, between fiscal years 2014 and 2019, DOD provided about \$5 billion of support to partners using ACSA transactions. For example, DOD used ACSAs to provide bombs valued at about \$2 million to the United Arab Emirates for activities in Yemen.²

Senate Report 115-262, accompanying a bill for the National Defense Authorization Act (NDAA) for Fiscal Year 2019, includes a provision for us to review aspects of ACSA management, including information provided to Congress and DOD's tracking of support and receipt of reimbursement.³ In this report, we examine the extent to which (1) agencies have provided information to Congress about ACSAs, and (2) DOD has tracked and received reimbursement for ACSA orders.

To address these objectives, we reviewed DOD and Department of State (State) reporting to Congress, guidance and policy on establishing ACSAs, and ACSA management and implementation. We also reviewed DOD's *Report to Congress Concerning Acquisition and Cross-Servicing*

¹10 U.S.C. §2342 authorizes the reciprocal provision of "logistic support, supplies, and services" through ACSAs. Under 10 U.S.C. §2350, "logistic support, supplies, and services" includes, among other things, food, transportation, petroleum, ammunition, base operations support, training services, spare parts and components, repair and maintenance services, and port services. The term also includes temporary use of general purpose vehicles and other nonlethal military equipment that are not designated as significant military equipment on the U.S. Munitions List.

²DOD provided the United Arab Emirates with general purpose bombs, which were authorized for retransfer to Saudi Arabia. For more information on the use of ACSAs related to activities in Yemen, see appendix IV.

³S. Rep. No. 115-262, at 302 (June 5, 2018).

*Activities for Fiscal Year 2018 and DOD Inspector General reporting on DOD's management of ACSAs.*⁴

To examine the extent to which agencies have provided information to Congress about ACSAs, we analyzed DOD and State activities to respond to two different congressional notification requirements pertaining to ACSAs. First, we reviewed DOD's notifications to Congress about its intent to designate governments of countries that are not part of the North Atlantic Treaty Organization (NATO) as eligible for an ACSA. To do so, we conducted a content analysis of relevant documents to identify the dates on which DOD made notifications to Congress and the dates it signed agreements with those countries. We then calculated the number of days between these dates for each ACSA and compared our results to DOD's requirement to notify Congress of its intent to make a designation not less than 30 days before the date on which a country is designated.⁵ Second, in reviewing State notifications to Congress reporting entry into force of ACSAs, we conducted a content analysis of DOD ACSA documents and State notification records to identify dates when ACSAs entered into force and when State notified Congress. We then calculated the number of days between these dates and compared our results to State's statutory notification requirements. We also interviewed DOD officials from the Office of the Chairman of the Joint Chiefs of Staff (OCJCS) and the Office of the Undersecretary of Defense (OUSD) for Acquisition and Sustainment (A&S), and State officials from the Bureau of Political-Military Affairs and the Office of the Legal Adviser's Office of Treaty Affairs to discuss DOD's and State's notification processes.

⁴Department of Defense, Office of the Inspector General, *DOD Oversight of Bilateral Agreements with the Republic of the Philippines* (Alexandria, VA: Nov. 2, 2018); *U.S. Africa Command's Management of Acquisition and Cross-Servicing Agreements* (Alexandria, VA: Sept. 21, 2017); and *DOD Components Did Not Properly Use the Acquisition and Cross Service Agreement Automated Tracking and Reporting System* (Alexandria, VA: Mar. 24, 2016).

⁵The NDAA for Fiscal Year 2020 was enacted on December 20, 2019, and Section 1203 made modifications to the authorities related to ACSAs. Among the changes, it added a new notification requirement to 10 U.S.C. §2342, prohibiting the Secretary of Defense from entering into an ACSA with a country that is not a member of NATO unless the Secretary submits to the appropriate committees of Congress a notice of intent to enter into such an agreement not less than 30 days before the date on which the Secretary enters into the agreement. See Pub. L. No. 116-92, §1203 (Dec. 20, 2019). We conducted our analysis prior to the passage of the NDAA for Fiscal Year 2020; therefore, we did not address the new requirement in our analysis.

To determine the extent to which DOD has tracked and received reimbursement for support provided through ACSAs, we analyzed a generalizable sample of ACSA orders⁶ that DOD authorized and recorded in its ACSA Global Automated Tracking and Reporting System (AGATRS) from October 2013 through March 2018.⁷ AGATRS is DOD's system of record for management of ACSA transactions⁸ and designates orders as overdue if reimbursement is not completed within 12 months of the order authorization date.⁹ We selected March 31, 2018, as the latest authorization date for orders in our sample, and conducted our review of the sample from May through June 2019. As a result, at least 14 months had elapsed since the authorization date of orders in our sample. Thus,

⁶An ACSA order may also be referred to as a transaction and contain one or more line items. For example, one order or transaction may include an exchange of water and meals, in which the water provided may be recorded as one line item and the meals provided may be recorded as a separate line item in DOD's records.

⁷This review focuses on exchanges in which elements of the U.S. armed forces have provided support to others (also referred to as a "sale" in DOD's system of record for ACSA transactions). Because it focuses on the extent to which the U.S. armed forces have been reimbursed for ACSA transactions, this review generally excludes ACSA exchanges through which others have provided support to elements of the U.S. armed forces.

⁸DOD uses AGATRS to document order information for all ACSA transactions that include U.S. sales to and acquisitions from partners. The system records a set of minimum essential data elements outlined in DOD guidance, through manual data entry fields and a standardized ACSA order form. The DOD IG has reported on DOD's management of information for these minimum essential elements. DOD has also issued memos that establish and update requirements for DOD personnel to upload supporting documents to AGATRS to track order authorization, exchange of support, invoice status, and completion or reimbursement of a transaction.

⁹According to Title 10 U.S.C. §2345(b), payment-in-kind or exchange entitlements accrued as a result of acquisitions and transfers of logistic support, supplies, and services through an ACSA are required to be satisfied within 12 months after the date of the delivery of the logistic support, supplies, or services. Although AGATRS had a delivery time field, we found that the field did not have a standard format to collect information that could be analyzed to determine whether reimbursement was provided within 12 months of delivery. For example, we observed that users entered a wide variety of information, such as "1 October 2017 - 30 September 2018" and "29 Oct/ASAP," into this data field. While it does not have a standard delivery time field, AGATRS does track whether an order is completed either within 12 months of the date on which it was authorized or by the agreed-upon return date. If an order surpasses one of these dates, AGATRS records the order as overdue in the order status field of the system's data reports. We used this metric to determine the parameters of our sample population because AGATRS lacks a standard delivery time field or any other field recording the date of delivery.

all orders that were not recorded in AGATRS as completed by June 2019 were designated in the system as overdue.

We reviewed supporting documentation stored in AGATRS for each ACSA order in our sample to determine the accuracy of the “order status” field recorded in the system, which designates whether an order is complete or incomplete based on whether DOD has received reimbursement. Additionally, we verified with DOD the status of orders in our sample that DOD recorded as (1) reimbursed, but for which AGATRS lacked sufficient supporting documentation to confirm reimbursement, or (2) not reimbursed. We requested that DOD provide documentation for orders that it recorded as complete, but for which we could not find sufficient supporting documentation in AGATRS. DOD could not validate the reimbursement status for some orders in our sample. We describe these information gaps in this report. Additionally, DOD identified whether orders recorded as overdue in AGATRS had been partially reimbursed, which we incorporated into our calculation of unreimbursed dollar amounts for the orders in our sample. On the basis of this validation process, we report on whether ACSA orders authorized from October 2013 through March 2018 in AGATRS had been reimbursed or not fully reimbursed as of July 10, 2019, or if DOD did not know the reimbursement status as of October 2019.

Additionally, we discussed ACSA management and transactions, including information about support provided to the Saudi-led Coalition for activities in Yemen,¹⁰ with DOD officials from the Defense Finance and Accounting Service (DFAS), Defense Logistics Agency (DLA), OCJCS, OUSD (A&S), U.S. Air Force, U.S. Air Forces Central Command (AFCENT), U.S. Army, U.S. Central Command, and U.S. Marine Corps, and conducted field work at AFCENT Headquarters at Shaw Air Force Base in Sumter, South Carolina. For more detail on our scope and methodology, see appendix I.

We conducted this performance audit from September 2018 to March 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe

¹⁰According to DOD officials, members of the Saudi-led Coalition included Bahrain, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia, Sudan, and the United Arab Emirates. Qatar was a member of the coalition until June 2017.

that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Definition and Purpose of an ACSA

The Secretary of Defense may enter into ACSAs with authorized countries and international organizations for the reciprocal provision of logistic support, supplies, and services with the military forces of that country or international organization.¹¹ DOD describes ACSAs as bilateral agreements that allow exchanges of logistic support, supplies, and services between the United States and partners in return for reimbursement in the form of cash or the reciprocal provision of support. As of February 2020, DOD had signed 125 ACSAs, including five that had expired, which span DOD's six geographic areas of responsibility identified in table 1. For a full list of past and present ACSA partners, see appendix II.

Table 1: Acquisition and Cross-Servicing Agreements (ACSA) by Department of Defense Area of Responsibility, as of February 2020

Area of responsibility	Number of ACSAs
European Command	46
Africa Command	26
Pacific Command	16
Southern Command	16
Central Command	11
Northern Command	4
Other ^a	1
Total	120

Source: GAO analysis of Department of Defense data. | GAO-20-309

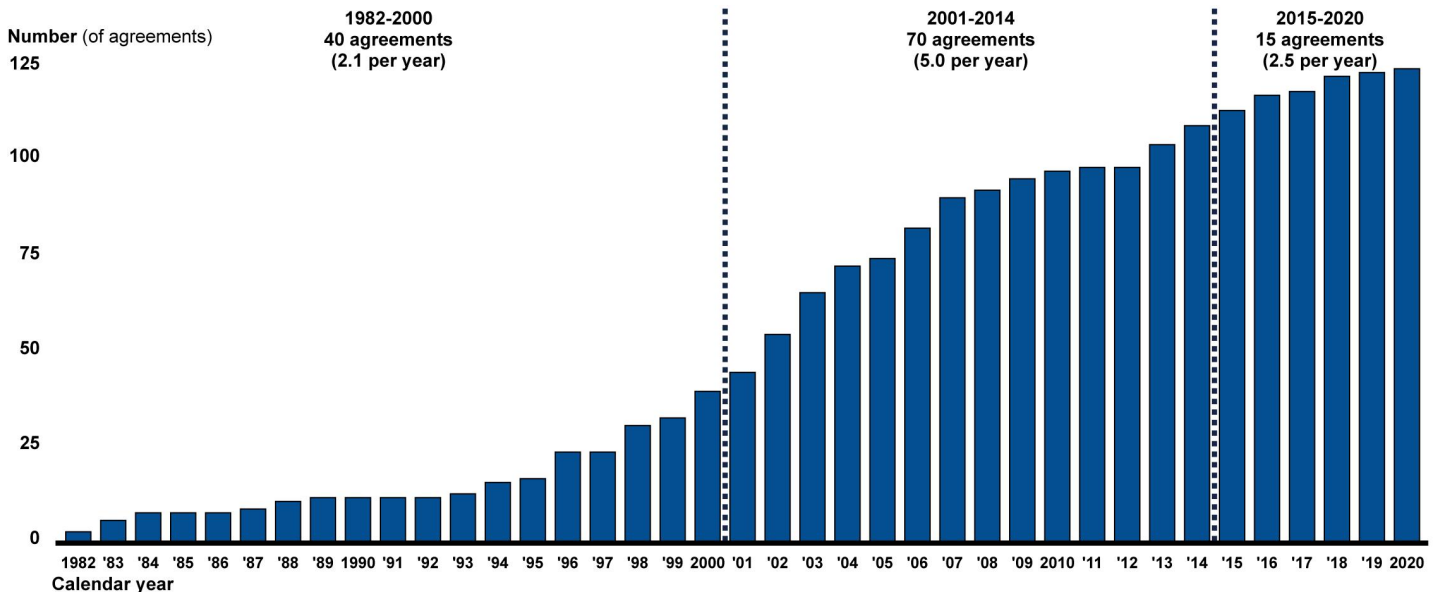
Note: The Department of Defense uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. ACSA partners include countries and international organizations. This table includes 120 of 125 agreements signed as of February 2020, because it excludes five agreements that have expired. As of February 2020, according to State officials, three of the 120 signed ACSAs included had not yet come into force and two were under review to confirm potential entry into force.

¹¹See 10 U.S.C. §2342. U.S. armed forces can use ACSAs to acquire logistic support, supplies, and services directly from or provide them to a foreign government or international organization, such as NATO or the United Nations.

^a“Other” includes one agreement with an element of the North Atlantic Treaty Organization signed by the U.S. Joint Forces Command, rather than a geographic combatant command.

According to DOD, it uses ACSAs primarily during wartime, combined exercises, training, deployments, contingency operations, humanitarian or foreign disaster relief operations, certain peace operations under the United Nations Charter, or for unforeseen or exigent circumstances. For example, ACSAs can give a commander increased flexibility to address logistical shortfalls in a contingency environment. DOD officials noted that the agreements provide DOD with flexibility, enhanced readiness at minimal cost, and increased military effectiveness by allowing partners and allies to access U.S. logistics capabilities and practice mutual support procedures, which is particularly valuable in planning international exercises and coalition operations. For example, DOD established ACSAs with 70 new partners during Operations Enduring Freedom and Iraqi Freedom, which together covered the 14 years from 2001 through 2014. DOD signed an additional 15 ACSAs from 2015 through February 2020. Figure 1 shows the cumulative growth in the number of ACSAs over time.

Figure 1: Cumulative Growth in Number of Acquisition and Cross-Servicing Agreements (ACSA), 1982 through February 2020



Source: GAO analysis of Department of Defense and Department of State documents. | GAO-20-309

Data table for Figure 1: Cumulative Growth in Number of Acquisition and Cross-Servicing Agreements (ACSA), 1982 through February 2020

Calendar Year	Number of Agreements
1982	3
1983	6
1984	8
1985	8
1986	8
1987	9
1988	11
1989	12
1990	12
1991	12
1992	12
1993	13
1994	16
1995	17
1996	24
1997	24
1998	31
1999	33
2000	40
2001	45
2002	55
2003	66
2004	73
2005	75
2006	83
2007	91
2008	93
2009	96
2010	98
2011	99
2012	99
2013	105
2014	110
2015	114
2016	118

Calendar Year	Number of Agreements
2017	119
2018	123
2019	124
2020	125

Brackets

- 1982-200040 Agreements (2.1 per year)
- 2001-2014 70 Agreements (5.0 per year)
- 2015-2020 15 agreements (2.5 per year)

Note: The Department of Defense uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. ACSA partners include countries and international organizations. The figure includes 125 agreements signed as of February 2020, at which time, according to agency officials, three had not yet entered into force, two were under review to confirm potential entry into force, and five had expired.

Process to Establish an ACSA

Under 10 U.S.C. §2342, DOD is authorized to enter into ACSAs with governments of NATO countries, subsidiary bodies of NATO, and international organizations. DOD can also enter into ACSAs with governments of non-NATO countries, but must first designate the country eligible for an ACSA by following a process that includes consulting with State, determining that the designation is in the interests of national security, and notifying Congress of its intent to make the designation.¹² Within DOD, the OUSD (A&S) is the focal point for establishing ACSAs, as of December 2019, and officials from that office request State's authority to negotiate an ACSA and coordinate designees with DOD—typically Combatant Command staff—to negotiate and sign ACSAs.¹³ DOD officials told us that the amount of time it takes to negotiate and sign an ACSA varies because of a number of factors. For example, a lack of urgency or the complicated legal context of a potential partner can extend negotiations. As a result, the amount of time it takes to negotiate and sign

¹²See 10 U.S.C. §2342.

¹³DOD and State officials told us that while statute directly authorizes DOD to enter into ACSAs, it is typically within State's purview to enter into international agreements. As such, as a matter of comity, DOD requests authority from State to negotiate and enter into ACSAs.

an ACSA has varied greatly, from less than 1 year to more than 25 years.¹⁴

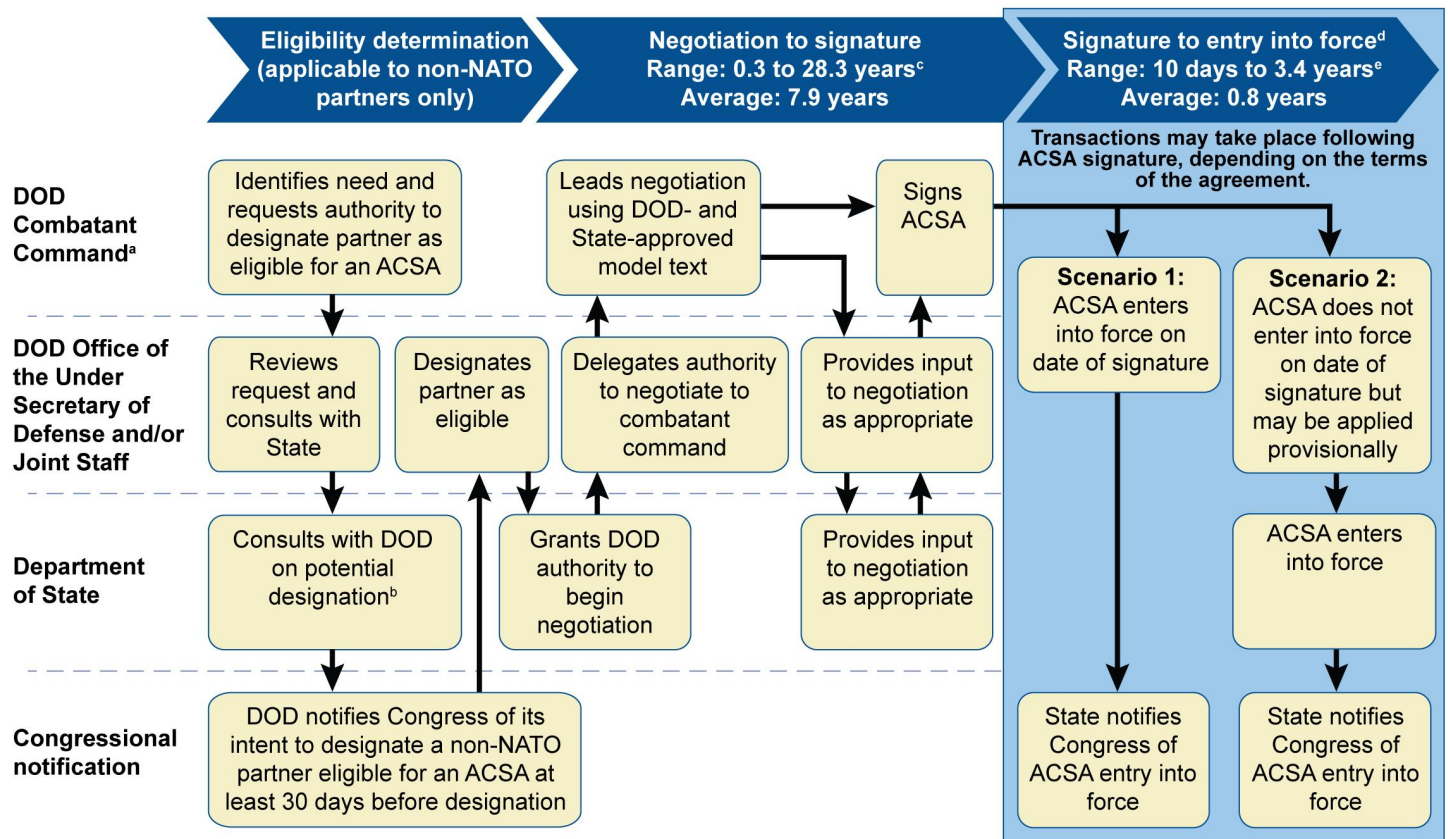
After an agreement is signed, State is required to notify Congress about international agreements that enter into force, including ACSAs.¹⁵ Although, according to agency documentation, most ACSAs enter into force at the time they are signed, an ACSA may enter into force on a later date, depending on the conditions outlined in each agreement. According to State officials, ACSAs, like some other international agreements, may be applied provisionally (the agreement has been signed and transactions may be executed) prior to entering into force.¹⁶ Figure 2 illustrates the process by which DOD and State generally establish new ACSAs.

¹⁴In August 2019, DOD officials told us that DOD had instituted a practice to re-notify Congress about its intent to designate a non-NATO country for an ACSA if negotiations did not begin within 2 years of its original notification. For example, in October 2019, DOD notified Congress of its intent to designate Cyprus eligible for an ACSA, despite having included Cyprus in a 1992 notification. This new practice reduced the number of non-NATO countries DOD considered to be eligible for an ACSA from more than 50 to 8, as of December 2019.

¹⁵See 1 U.S.C. §112b(a).

¹⁶State officials noted examples of steps that might be required before a signed agreement can enter into force. These could include political steps, such as a parliamentary vote, or administrative steps, such as ensuring that partners have identified appropriate points of contact and established procedures for executing transactions.

Figure 2: General Process to Establish an Acquisition and Cross-Servicing Agreement (ACSA), as of November 2019



Legend: Acquisition and Cross-Servicing Agreement = ACSA; Department of Defense = DOD; North Atlantic Treaty Organization = NATO; Department of State = State.

Source: GAO analysis of DOD and State documents. | GAO-20-309

Note: DOD uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. Partner country eligibility determinations are not required for governments of NATO countries, subsidiary bodies of NATO, and the United Nations Organization or any regional international organizations. Processes for ACSA negotiation, conclusion, and entry into force generally proceed similarly for both NATO and non-NATO ACSA partners once non-NATO countries are determined to be eligible for an agreement. The National Defense Authorization Act (NDAA) for Fiscal Year 2020 was enacted on December 20, 2019, and Section 1203 added a new notification requirement to 10 U.S.C. §2342, prohibiting the Secretary of Defense from entering into an ACSA with a country that is not a member of NATO unless the Secretary submits to the appropriate committees of Congress a notice of intent to enter into such an agreement not less than 30 days before the date on which the Secretary enters into the agreement. See Pub. L. No. 116-92, §1203 (Dec. 20, 2019). We conducted our analysis prior to the passage of the NDAA for Fiscal Year 2020; therefore, we did not include the new requirement in this figure.

^aOfficials told us that the Office of the Secretary of Defense can authorize designees to negotiate ACSAs and that they generally delegate negotiation responsibilities to Combatant Commands.

^bState officials told us that some consultations result in DOD forgoing efforts to designate new partners eligible for ACSAs or to negotiate with partners already designated as eligible.

^cThis calculation reflects the date of the initial agreements signed following eligibility designation for 78 of the 104 ACSAs that DOD signed with governments of non-NATO countries and for which documentation existed.

^dAccording to State officials, an ACSA may enter into force at the time it is signed or on a later date, depending on the conditions outlined in the agreement.

^eAccording to agency documents, most ACSAs entered into force at the time they were signed. This calculation includes 19 ACSAs for which at least 1 day passed between signature and entry into force.

ACSA Implementation

The Secretary of Defense generally delegates the responsibilities of managing ACSA implementation to various components including the OUSD (A&S), Chairman of the Joint Chiefs of Staff (CJCS), defense agencies, military departments and service components, Combatant Commands, and subordinate unified commands. Responsibilities and procedures for implementing ACSA transactions are set forth in DOD guidance and regulations including CJCS Instruction (CJCSI) 2120.01D, DOD Directive 2010.9, and DOD's Financial Management Regulation.¹⁷ For example, CJCSI 2120.01D calls for military departments and defense agencies to appoint primary ACSA program managers charged with maintaining financial and program records of all ACSA transactions.

In addition to the primary guidance documents, DOD policy and legislation have modified ACSA implementation over time. For example, DOD issued memorandums in 2017, 2018, and 2019 to update or clarify requirements for managing ACSAs, and in October 2018, officials noted that DOD had begun a process to update each of the three primary guidance documents listed above. In addition, the NDAA for Fiscal Year 2020 was enacted on December 20, 2019, and Section 1203 modified the authorities related to ACSAs. The law includes a number of new requirements, including a requirement for the Secretary of Defense to designate an official who will have primary responsibility for overseeing and monitoring the implementation of ACSAs in coordination with the Under Secretary of Defense for Policy. Further, the law requires that, among other things, the Secretary of Defense shall prescribe regulations to ensure that adequate processes and controls are in place to provide for the accurate accounting of logistic support, supplies, and services

¹⁷Chairman of the Joint Chiefs of Staff Instruction 2120.01D, *Acquisition and Cross-Servicing Agreements* (May 21, 2015); Department of Defense, Directive 2010.9, *Acquisition and Cross-Servicing Agreements* (Apr. 28, 2003) (incorporating change 2, Aug. 31, 2018); and Department of Defense 7000.14-R, *Financial Management Regulation*, vol. 11A, ch. 8 "International Acquisition and Cross-Servicing Agreements" (July 2010).

received or provided under ACSAs. The legislation also instituted a new congressional notification requirement that DOD may not enter into an ACSA without notifying the appropriate congressional committees of its intent to do so at least 30 days in advance.

DOD uses AGATRS as its system of record to create, track, and manage transactions executed under ACSAs. CJCSI 2120.01D requires the use of AGATRS to fully document all ACSA transfers of logistic support, supplies, and services. DLA has managed AGATRS since 2013, when, according to DLA officials, an updated version of the system was launched and historical data archived. As of November 2019, AGATRS included records of more than 31,000 ACSA sales and acquisitions orders authorized from fiscal years 2014 through 2019.¹⁸ According to DOD officials, AGATRS is the best source of automated information on ACSA transactions.¹⁹

According to DOD, it authorized more than 22,000 ACSA sale orders from October 2013 through September 2019 that provided approximately \$5 billion of logistic support, supplies, and services for items ranging from water and fuel to bullets and munitions. Figure 3 shows examples of the types of support provided through ACSAs.

Figure 3: Examples of Types of Support Provided through Acquisition and Cross-Servicing Agreements (ACSA): Aerial Refueling, Non-Precision Guided Munitions, and Water



Source: Defense Visual Information Distribution Service (DVIDS). DVIDS courtesy photo (left), photo by Airman Eugene Oliver (center), and photo by Senior Airman Katrina Brisbin (right). | GAO-20-309

¹⁸DOD records indicate that from fiscal years 2014 through 2019, ACSA sale orders constituted about 73 percent of ACSA order volume and 58 percent of order value, while ACSA acquisition orders constituted about 27 percent and 42 percent, respectively. Data exclude draft orders that have not yet been authorized, as well as orders with values between \$0 and \$0.03.

¹⁹According to DOD officials, AGATRS is the only automated information source for ACSA transactions and provides a snapshot of the status of these transactions.

Note: According to Department of Defense officials, these photos show examples of types of assistance that may be exchanged through ACSA transactions, rather than specific assistance provided through an ACSA.

According to AGATRS, more than 70 different DOD components executed ACSA order sales or acquisitions from October 2013 through September 2019. However, the seven components shown in table 2 accounted for about 92 percent of the reported total value and about 79 percent of the reported order volume.

Table 2: Top Department of Defense (DOD) Users of Acquisition and Cross-Servicing Agreements (ACSA) by Reported Order Value, October 2013 through September 2019

DOD component	Percentage of reported order value	Percentage of reported orders
U.S. Forces Afghanistan	33	22
Defense Logistics Agency – Energy	25	1
Air Force Central Command	12	6
U.S. Army Europe	7	17
Central Command	7	4
Combined Forces Land Component Command – Iraq	4	19
Army Central Command	3	10
All other users	8	21
Total	100	100

Source: GAO analysis of order data reported in DOD's ACSA system of record. | GAO-20-309

Note: DOD uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. Data include recorded U.S. ACSA sales and acquisitions, and are based on more than 31,000 orders with authorization dates from October 2013 through September 30, 2019. Data exclude 912 draft orders that have not yet been authorized, as well as an additional 873 orders with values between \$0 and \$0.03. We use "orders" to refer to an exchange with a partner recorded in DOD's ACSA data. Orders may contain multiple line items. Totals may not sum to 100 because of rounding.

Retransfers of ACSA Logistic Support, Supplies, and Services

In addition to direct transactions, the retransfer of support may also occur under ACSAs. CJCSI 2120.01D describes these retransfers as transfers from the original recipient to another foreign government or international organization, or to any entity other than the officers, employees, or agents of the foreign country or international organization whose military originally received the logistic support, supplies, or services.²⁰ DOD Directive 2010.9 prohibits the retransfer of ACSA support without the prior

²⁰CJCSI 2120.01D refers to retransfers of logistic support, supplies, and services under ACSAs as third-party transfers.

written consent of the U.S. government. DOD records indicate that it approved 11 ACSA retransfers with six different partners from 2003 through 2019. These approvals, listed in appendix III, involved at least 15 final foreign recipients. Eight of these recipients did not have an ACSA at the time of DOD's authorization for a retransfer. For example, before DOD signed an ACSA with Saudi Arabia in 2016, DOD authorized a retransfer of general purpose bombs from the United Arab Emirates to Saudi Arabia to support its activities in Yemen.²¹ In August 2018, Congress amended 10 U.S.C. §2342 to prohibit DOD from using an ACSA to facilitate the transfer of logistic support, supplies, and services to a final recipient that has not signed an ACSA with DOD.²²

²¹For more information on ACSA transactions related to activities in Yemen, see appendix IV.

²²See Pub. L. No. 115-232, John S. McCain National Defense Authorization Act for Fiscal Year 2019, §1271 (2018). Prior to the 2018 amendment, the ACSA statute did not explicitly address retransfers.

DOD and State Have Generally Provided Required Information about ACSAs to Congress, but Have Recordkeeping Gaps and Timeliness Issues

DOD Notified Congress of Its Intent to Designate at Least 78 of 104

Non-NATO Partners for ACSAs, but Does Not Have Documentation of Remaining Notifications

DOD is responsible for providing information to Congress regarding its intent to designate non-NATO countries for an ACSA. Specifically, under 10 U.S.C. §2342, DOD must notify Congress of its intent to designate the government of a non-NATO country for an ACSA at least 30 days before making the designation.²³ Of the 125 ACSAs DOD had signed as of February 2020, 21 were agreements with NATO countries and international organizations, which do not require congressional notification. For the remaining 104 agreements signed with the governments of non-NATO countries, DOD should have notified Congress at least 30 days before designating each country eligible for an ACSA.

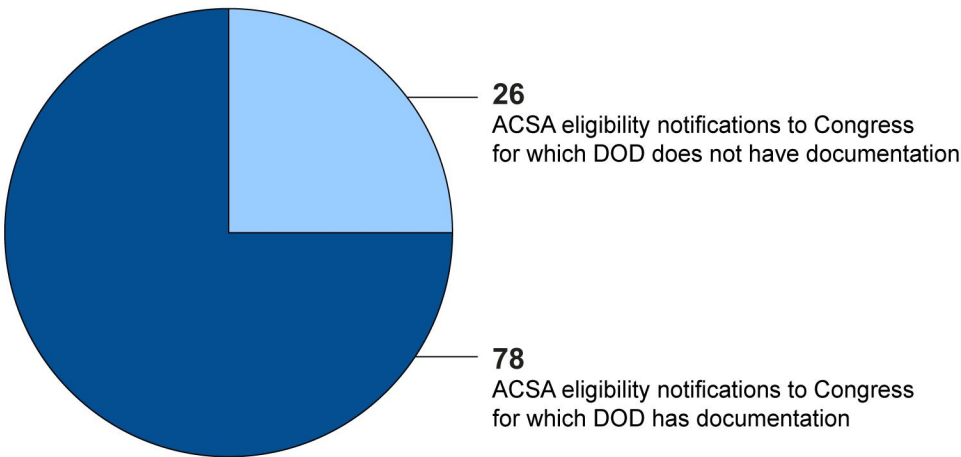
²³See 10 U.S.C. §2342. The NDAA for Fiscal Year 2020 added a new notification requirement to 10 U.S.C. §2342, prohibiting the Secretary of Defense from entering into an ACSA with a country that is not a member of NATO unless the Secretary submits to the appropriate committees of Congress a notice of intent to enter into such an agreement not less than 30 days before the date on which the Secretary enters into the agreement. See Pub. L. No. 116-92, §1203 (Dec. 20, 2019). We conducted our analysis prior to the passage of the NDAA for Fiscal Year 2020; therefore, we did not include the new requirement in our analysis.

DOD records indicate that DOD transmitted notifications of its intent to designate at least 78 of the 104 countries as eligible for ACSAs.²⁴ For these 78 ACSAs, we confirmed that notifications to Congress were dated on time, that is, at least 30 days before DOD signed the relevant agreements.²⁵ However, as shown in figure 4, DOD did not have records of 26 of the 104 agreements for which DOD should have notified Congress, so we could not confirm whether the notifications had occurred. DOD estimates that these 26 notifications would have occurred between 1993 and 2009, with 20 being before or during 1996.

²⁴According to 10 U.S.C. §2342, the Secretary of Defense must submit notice of the intention to designate a country for an ACSA to the appropriate committees of Congress—defined in the statute as the Senate Committees on Armed Services and Foreign Relations and the House Committees on Armed Services and Foreign Affairs—at least 30 days before making the designation. In our discussion of this requirement, we use the word Congress to refer to one or more of those committees. Our analysis includes 78 agreements for which DOD records included a copy of a notification letter addressed to at least one of these four committees. Among the 78 agreements for which at least one notification letter was available, records for 61 included letters to all four committees and an additional 13 included a reference to letters for all four committees.

²⁵Among these 78 agreements, the shortest time period between congressional notification and agreement signature was 125 days, and the longest, more than 28 years. For example, DOD's notification to Congress of its intent to designate Morocco and Saudi Arabia as eligible for ACSAs was dated 1988, but DOD did not sign agreements with those countries until 2015 and 2016, respectively. In August 2019, DOD officials told us that it had instituted a practice to re-notify Congress about DOD's intent to designate a non-NATO country for an ACSA if negotiations did not begin within 2 years of its original notification. Although DOD is required to notify Congress at least 30 days before designating non-NATO countries for the purposes of entering into an ACSA, DOD officials told us that ACSA records do not include a precise designation date for each country. Therefore, we used ACSA signature dates as a proxy for designation dates.

Figure 4: Availability of DOD Records for Congressional Notifications on Designating Non-NATO Countries Eligible for ACSAs, as of February 2020



Legend: Acquisition and Cross-Servicing Agreement = ACSA; Department of Defense = DOD; North Atlantic Treaty Organization = NATO.
Source: GAO analysis of DOD data and documents. | GAO-20-309

Data table for Figure 4: Availability of DOD Records for Congressional Notifications on Designating Non-NATO Countries Eligible for ACSAs, as of February 2020

	Number of notifications
ACSA eligibility notifications to Congress for which DOD does not have documentation	26
ACSA eligibility notifications to Congress for which DOD has documentation	78

Note: DOD uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. Partner country eligibility determinations are not required for governments of NATO countries, subsidiary bodies of NATO, and the United Nations Organization or any regional international organizations. Our analysis includes 78 agreements for which DOD records included a copy of a notification letter addressed to at least one of the four committees required by statute. Among the 78 agreements for which at least one notification letter was available, records for 61 included letters to all four committees and an additional 13 included a reference to letters for all four committees.

According to DOD officials, DOD’s ACSA recordkeeping procedures are not documented and have changed over time, which contributes to gaps in DOD notification records. DOD officials told us that while they had endeavored to save notifications and signed agreements, they had not systematically tracked notifications for each partner. Neither DOD Directive 2010.9 nor CJCSI 2120.01D specifically call for DOD to track ACSA signature or congressional notification transmittal dates, but DOD officials noted that recordkeeping procedures such as scanning and maintaining documents should be part of commonly understood proper

administration practices. In addition, several different DOD offices have been responsible for various aspects of ACSA management over the years. Each office, according to DOD officials, may have had different recordkeeping practices, including some that predated electronic records. Further, DOD officials had difficulties finding paperwork from offices not currently involved with ACSAs and those that no longer exist.

Poor recordkeeping has affected DOD's ability to provide Congress with full and accurate information about ACSAs. For example, DOD's January 2019 report to Congress on ACSA activities included inaccurate and incomplete information on notification and signature dates, including some for which DOD did not have documentation.²⁶ DOD included estimated Congressional notification transmittal dates for the agreements for which it could not locate supporting documentation. Moreover, DOD included incorrect ACSA signature dates in the report for 16 other agreements. DOD officials responsible for compiling the report told us that they made some of these errors because they used the inaccurate data available at the time.²⁷ In November 2019, DOD officials told us that they intended to create a consolidated list of ACSA partners including the date of eligibility designations and agreement signatures for each partner to be kept updated through a joint effort by OUSD (A&S) and the Joint Staff. As of January 2020, DOD had not formalized these intentions in written guidance. Documenting and implementing recordkeeping procedures would help ensure that DOD can report accurate and complete information to Congress.

²⁶Pub. L. No. 115-232, John S. McCain NDAA for Fiscal Year 2019, §1271 (2018) amended 10 U.S.C. §2342 establishing a requirement that DOD deliver an annual report on ACSA activities to Congress. Among other things, the report is to include the date on which each ACSA in effect under the preceding fiscal year was signed, and, in the case of non-NATO partners, the date on which DOD notified Congress of intent to designate a country for an ACSA. See 10 U.S.C. §2342. The NDAA for Fiscal Year 2020, Pub. L. No. 116-92, §1203 (Dec. 20, 2019) made a number of amendments to the reporting requirements. We conducted our analysis prior to the passage of the NDAA for Fiscal Year 2020; therefore, we based our analysis on the requirements in place prior to the amendments.

²⁷The NDAA for Fiscal Year 2020, Pub. L. No. 116-92, §1203 (Dec. 20, 2019) made a number of amendments to DOD's reporting requirements. These included eliminating the requirement to include a list of ACSAs "in effect" during the preceding fiscal year and instead calling for DOD to include a list of agreements that "entered into force or were applied provisionally" during the preceding fiscal year. Therefore, according to a DOD official, while DOD has compiled a list of signature dates for all agreements in effect that corrected the inaccuracies we identified in DOD's 2019 report, DOD's 2020 report will not include the full list because it is no longer required.

State Provided Late Notifications to Congress for About a Third of the ACSAs That Had Entered into Force

While DOD is required to notify Congress about non-NATO partner eligibility for ACSAs, under 1 U.S.C. §112b (commonly referred to as “the Case-Zablocki Act”), State is required to notify Congress when any international agreement to which the United States is a party, other than a treaty, enters into force. Under the Case-Zablocki Act, State is required to provide this notification as soon as practicable after the agreement has entered into force, but in no event later than 60 days thereafter. In addition, the law requires any department or agency of the U.S. government that enters into any international agreement on behalf of the United States to transmit the text of such an agreement to State no later than 20 days after such agreement has been signed. Of the 125 signed ACSAs, State and DOD officials confirmed that, as of February 2020, 118 had entered into force and, as such, required State notification to Congress.²⁸ State’s Office of the Assistant Legal Advisor’s Office of Treaty Affairs is responsible for receiving texts of signed international agreements from the agencies that signed them, for recordkeeping associated with such agreements, and for transmitting the texts of such agreements to Congress in accordance with the Case-Zablocki Act.

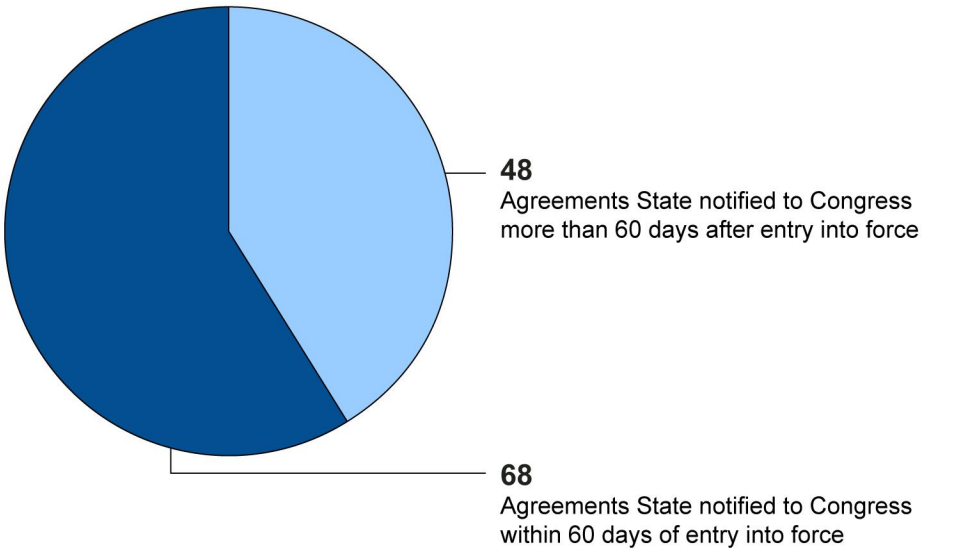
As of February 2020, records for the 118 ACSAs that had entered into force indicate that State’s notifications to Congress for 68 (or 58 percent) were dated within 60 days, as required.²⁹ However, 48 (or 41 percent) of the 118 notifications were late, that is, dated more than 60 days after entry into force, as shown in figure 5. According to agency records, these 48 agreements entered into force between 1995 and 2019. For two

²⁸According to State officials, State’s requirement to notify Congress about entry into force was not applicable for seven ACSAs signed as of February 2020, because the agreements (a) had not entered into force, (b) were nonbinding instruments about which State does not individually notify Congress, or (c) were under State review to confirm potential entry into force prior to notification to Congress. For more information on these seven ACSA agreements that we excluded from our analysis, see appendix I.

²⁹State officials told us that records may not necessarily include all copies of the same notification letter sent to multiple recipients. We included in our analysis notifications for which State’s records included copies of letters that were transmitted to either the President of the Senate, the Speaker of the House, or both, as called for by regulation. Records related to 60 of State’s congressional notifications available for 116 ACSAs that had entered into force included letters to both required recipients.

agreements that entered into force in 1983 and 2002, State records are insufficient to determine whether or not State notified Congress.³⁰

Figure 5: Timeliness of Department of State Congressional Notifications on Acquisition and Cross-Servicing Agreement (ACSA) Entry into Force, as of February 2020



Source: GAO analysis of Department of State (State) data. | GAO-20-309

Data table for Figure 5: Timeliness of Department of State Congressional Notifications on Acquisition and Cross-Servicing Agreement (ACSA) Entry into Force, as of February 2020

	Number of agreements
Agreements State notified to Congress within 60 days of entry into force	68
Agreements State notified to Congress more than 60 days after entry into force	48

Note: The Department of Defense uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. This figure includes data on 116 of 125 signed ACSAs. It excludes three ACSAs that, according to State officials, as of February 2020, had not entered into force; two not included in State's congressional notification records; two that are nonbinding instruments, about which State does not individually notify Congress; and two that State was reviewing to confirm potential entry into force prior to notification to Congress.

³⁰The two ACSA agreements for which State could not provide records of notifications to Congress regarding entry into force were signed in 1983 (Federal Republic of Germany) and 2002 (Tajikistan). Both agreements included language that they would enter into force or be effective as of their signature dates. The agreement with Tajikistan expired in 2012.

For most of the 48 State notifications dated after the 60-day deadline, State attributed the delays to untimely DOD delivery of required information to State. Specifically, 32 (or 74 percent) of the 43 late notifications that included a reason for delayed transmittal attributed the cause to DOD elements having provided late or incomplete agreement information to State's Treaty Office.³¹ As described above, because DOD enters into ACSAs on behalf of the United States, it must provide State the text of the agreements no later than 20 days after signing or otherwise concluding such an agreement, to facilitate State's required notifications to Congress.³² However, DOD officials confirmed that they provided information on some ACSAs to State more than 20 days after signature. DOD officials and our analysis identified multiple causes that contributed to DOD's providing information on newly signed ACSAs to State after the 20-day deadline:

- **Procedural complications.** Procedural complications can affect DOD's ability to provide information to State within 20 days. For example, DOD officials noted that the standard DOD process to send a memo to State sometimes takes more than 20 days to complete. Further, for some agreements, DOD provided some information to State within 20 days, but did not include one or more necessary elements—such as a language certification if the agreement was signed in a language other than English—to determine whether such an agreement had been concluded. DOD officials told us that a significant amount of time can pass before they compile all the information State needs from DOD, resulting in State's inability to send notifications within 60 days of entry into force, as required.³³
- **Lack of experience.** DOD officials told us that the relevant DOD officials had overlooked the responsibility to send information to State about newly signed ACSAs, at times because of a lack of experience.

³¹According to State officials, the notes added to Case-Zablocki Act notifications offering explanations for agreements transmitted to Congress more than 60 days after entry into force are included as a matter of practice, but are not required.

³²See 1 U.S.C. §112b; 22 C.F.R. 181.5.

³³State officials explained that challenges in reporting some agreements to Congress within 60 days of their entry into force have existed from the time the Case-Zablocki Act was first enacted in the 1970s. They further explained that they follow a practice of annotating late congressional notifications with information about the cause of delays to provide transparency. According to the officials, these delays do not affect the status of the agreements themselves, which enter into force in accordance with the terms of the agreement, regardless of the timeliness of State's notification to Congress.

For example, they explained that DOD missed the 20-day deadline to send information to State about the 2017 ACSA signing with Mexico because it had been 10 years since officials from DOD's Northern Command had negotiated an ACSA, and the officials had overlooked the requirement. Regarding two ACSAs about which State had not notified Congress as of September 2019, State officials told us they did not know those agreements had entered into force until we asked about their status. Subsequently, State notified Congress about one of these agreements in October 2019. For the second, as of February 2020, DOD had begun providing related information to State, and State was continuing to review related documentation to confirm that the agreement had entered into force.³⁴

- **Inconsistent guidance.** Our review of DOD's guidance found inconsistent language describing when DOD should provide information to State about new ACSAs that could affect DOD's transfer of such information.³⁵ Specifically, the CJCSIs on international agreements and ACSAs note that DOD should provide State with information on new ACSAs no later than 20 days after an agreement is signed.³⁶ However, DOD Directives on international agreements and ACSAs indicate that the relevant deadline is no later than 20 days after an agreement enters into force, which can be days or years after an ACSA is signed.³⁷ DOD officials noted that the officials who drafted the guidance may not have understood the difference between the signing and entry into force of international agreements.
- **Limitations in training.** As of December 2019, DOD's standard online training on ACSAs did not address responsibilities to share

³⁴Following our inquiries, State officials told us that, for the ACSA signed with the Czech Republic in 2016, as of February 2020, DOD and State officials were still working to compile and review available documentation to confirm that the agreement had entered into force and therefore required notification to Congress under the Case-Zablocki Act.

³⁵Under 1 U.S.C. §112b(a), any department or agency of the United States Government which enters into any international agreement on behalf of the United States shall transmit to the Department of State the text of such agreement not later than 20 days after such agreement has been signed.

³⁶Chairman of the Joint Chiefs of Staff Instructions 2300.01D, *International Agreements* (Sept. 27, 2013), and 2120.01D, *Acquisition and Cross-Servicing Agreements* (May 21, 2015).

³⁷Department of Defense Directives 5530.3, *International Agreements* (June 11, 1987) (certified current Nov. 21, 2003), and 2010.9, *Acquisition and Cross-Servicing Agreements* (Apr. 28, 2003) (incorporating change 2, Aug. 31, 2018).

information about newly signed agreements with State.³⁸ Specifically, while DOD's two required training courses on ACSAs include some aspects of negotiation and signing new agreements, neither mentions DOD's responsibility to report signed ACSAs to State. According to DOD officials, the requirement may be included during in-person training conducted by personnel from DOD's Office of General Counsel for DOD's combatant command officials.

Congress depends on State and DOD for information to oversee the use of ACSAs, which DOD officials have cited as important tools for furthering national security interests, particularly involving activities with broad coalitions. Without timely notification of entry into force, Congress will not have full information about countries and international organizations to and from which DOD can and may already be using ACSAs to transfer logistic support, supplies, and services.

DOD Lacks Quality Data to Track ACSA Orders, and Has Not Received Reimbursement for Thousands of Orders

DOD Lacks Quality Data to Track ACSA Orders

CJCS Instruction 2120.01D contains policy and procedural guidance concerning the use of ACSA authorities, and addresses, among other things, maintenance of ACSA transaction orders.³⁹ Specifically, the instruction

- establishes AGATRS as DOD's system of record for the Joint Staff, Combatant Commands, and the Military Services to manage ACSA orders;
- describes processes to execute an ACSA order; and

³⁸We reviewed the content of DOD's two *Joint Knowledge Online* training courses related to ACSAs.

³⁹An ACSA order may also be referred to as a transaction and may contain one or more line items. For example, one order or transaction may include an exchange of water and meals, in which the water provided may be recorded as one line item and the meals provided may be recorded as a separate line item in DOD's records.

-
- notes that AGATRS will be used to fully record all transfers of ACSA support, including documentation such as invoices.

Additionally, federal standards for internal control state that management should use quality information to make informed decisions and achieve agency objectives.⁴⁰ Quality information is defined as information that is accurate, complete, and provided on a timely basis, among other attributes, and should include relevant data obtained from reliable sources.

However, based on our analysis of a generalizable sample of orders,⁴¹ we found that DOD's ACSA system of record lacked quality data to track the status of ACSA order reimbursement.⁴² First, we found that DOD incorrectly recorded the reimbursement status in AGATRS of an estimated 7.3 percent of ACSA orders authorized from October 2013 through March 2018.⁴³ For example, DOD recorded three of the 227 orders in our sample as completed, even though it had not received full reimbursement for them—including at least one order that it had ceased processing. DOD records included five orders recorded as incomplete despite having received full reimbursement. We also identified six orders that DOD either improperly categorized as ACSA transactions or orders that DOD should have cancelled because the related transaction never took place or was a duplicate.

Second, DOD could not determine the reimbursement status of an estimated 12.2 percent of ACSA orders authorized from October 2013 through March 2018 in AGATRS. Based on our generalizable sample, DOD would not be able to locate records to verify the status of reimbursement for an estimated 1,100 ACSA orders with authorization dates ranging from this time period. With regard to the reimbursement status of these orders, a DOD official noted that DOD could not determine

⁴⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014), Principle 13.

⁴¹We found that six of our 227 randomly selected orders were out of scope because they were unfulfilled transactions, duplicates, or non-ACSA transactions, resulting in 221 in-scope sample orders. See appendix I for more detail.

⁴²The "order status" field in AGATRS—for which there are multiple status categories—designates whether an order is complete or incomplete based on whether DOD has received reimbursement.

⁴³The margin of error for this estimate is 4.7 percentage points at the 95-percent confidence level. All estimates based on our sample have a margin of error of up to 6 percentage points at the 95-percent confidence level, unless otherwise noted.

the status based on available information. As a result, DOD does not know if the orders have been reimbursed, were processed for reimbursement, or even took place.

According to DOD officials, data quality lapses occur because DOD does not have a process in place to reconcile reimbursement information with data recorded in AGATRS. Although AGATRS is DOD's system of record for ACSA transactions, DOD officials told us that the database does not have financial processing capabilities and is not integrated with DOD's financial processing systems. As a result, ACSA personnel must manually update information in AGATRS as orders are processed in other financial systems, but do not always do so, according to DOD officials. A DOD official told us that the military services vary greatly in the extent to which they regularly populate AGATRS, and even within a service, some personnel are better than others at including complete information.

DOD officials explained that personnel may delay or fail to update information in AGATRS for multiple reasons. First, personnel may be on temporary duty in an operational environment where they do not have a secure internet connection and thus cannot upload information into AGATRS. Second, short-term rotations of personnel in the field can result in delays as new personnel learn how to use AGATRS and process transactions. Third, after negotiating the transfer of support, drafting the order, and receiving a unique order number assignment in AGATRS, ACSA orders change frequently. These changes can include price adjustments that result in DOD or the partner deciding not to move forward with the transaction, or significantly revising it. In such situations, DOD officials told us that DOD should cancel orders in AGATRS, but does not always do so.

Further, DOD does not have quality data to track the extent to which DOD processes ACSA transactions in accordance with statutory requirements. Under 10 U.S.C. §2345, payment-in-kind or exchange entitlements through ACSA transactions shall be satisfied within 12 months of the date of the delivery of logistic support, supplies, or services. However, DOD officials told us that they did not have the information necessary to track such compliance because AGATRS lacks a mechanism to track these data. DOD officials explained that AGATRS has a field to record the "delivery time" for an order, but that field does not require users to enter data in a standard format. Our review of AGATRS data found instances in which users left the field blank, entered date ranges as opposed to a single date, or entered text information about the delivery, such as how quickly it should occur. DOD officials noted that they could not use the

information in this field to determine the extent to which orders were reimbursed within 12 months of delivery, as outlined in the statute. Instead of using the date of delivery, DOD officials stated, and our analysis confirmed, that DOD used an order's date of authorization as an alternate metric to indicate whether an order was reimbursed within 12 months. However, DOD has transactions in which it delivers the support weeks or months after the order is authorized, according to DOD officials. When asked about such transactions, DOD officials acknowledged that the authorization date was not an appropriate alternate date to use to determine if ACSA orders were completed within 12 months of delivery.

DOD has taken some steps—including several since we began our review—to improve tracking of ACSA orders in AGATRS, such as issuing memos reiterating requirements for personnel to use AGATRS, improving the system's functionality, and updating relevant training. For example, in October 2018, DOD introduced additional categories of order status in AGATRS to track an order's progress through the transaction process and in June 2019, DOD updated the AGATRS training course to reflect this and other updates to the system. Additionally, in October 2019, DOD updated AGATRS to help ensure that orders are assigned to appropriate DOD organizations and personnel in the system. According to DOD officials, as of October 2019, three military services were discussing processes that could improve record keeping and tracking for ACSA orders.⁴⁴ For instance, U.S. Army officials told us that the Army had begun reconciling data from the service's financial accounting system with information recorded in AGATRS to address data quality issues.⁴⁵ However, DOD has not finalized or fully implemented most of these steps,

⁴⁴According to DOD officials, the U.S. Navy has not established an ACSA Program Manager for the Department of the Navy, which has created a gap in the Navy's engagement on ACSA policy and management. In 2017, the DOD Inspector General recommended that the Assistant Secretary of the Navy (Research, Development, and Acquisition) designate an official to oversee the execution of the ACSA program for Navy service components. According to DOD officials, as of November 2019 the Navy had not done so. Department of Defense, Office of the Inspector General, *U.S. Africa Command's Management of Acquisition and Cross-Servicing Agreements*.

⁴⁵According to U.S. Army officials, as part of the updates to the Department of Army Pamphlet for ACSAs, the Army was considering requirements for sampling ACSA orders in order to validate recorded information. U.S. Marine Corps officials noted that the Marine Corps had formulated a working group in order to identify challenges and best practices for ACSA management, including reconciling financial system data with information in AGATRS. According to a U.S. Air Force official, the Air Force was in the process of updating its ACSA guidance and developing standard operating procedures that would establish standard ACSA logistics and finance responsibilities for Air Force service components.

which, even if implemented, would not address historical inaccuracies in DOD's recorded data, according to DOD officials.

According to DOD, from fiscal years 2014 through 2019, DOD used ACSAs to provide support valued at about \$5 billion to foreign partners. Without a process to ensure that ACSA order data are accurate and without data to track the timeliness of transactions, DOD does not have sufficient information to oversee ACSA reimbursement.

DOD Has Received Reimbursement for an Estimated 64 Percent of Recorded ACSA Orders from October 2013 through March 2018, but Thousands of Orders Identified as Overdue Remain Unreimbursed

Section 2344(a) of Title 10 of the United States Code provides that the United States can use ACSAs to transfer logistic support, supplies, and services to partners in return for cash reimbursement or by replacement-in-kind or exchange of supplies or services of an equal value. DOD guidance and financial management regulations outline procedures for DOD to carry out these transactions and seek timely reimbursement. Additionally, federal standards for internal control state that management should perform ongoing monitoring as part of the normal course of operations to obtain reasonable assurance about the effectiveness of its internal controls.⁴⁶

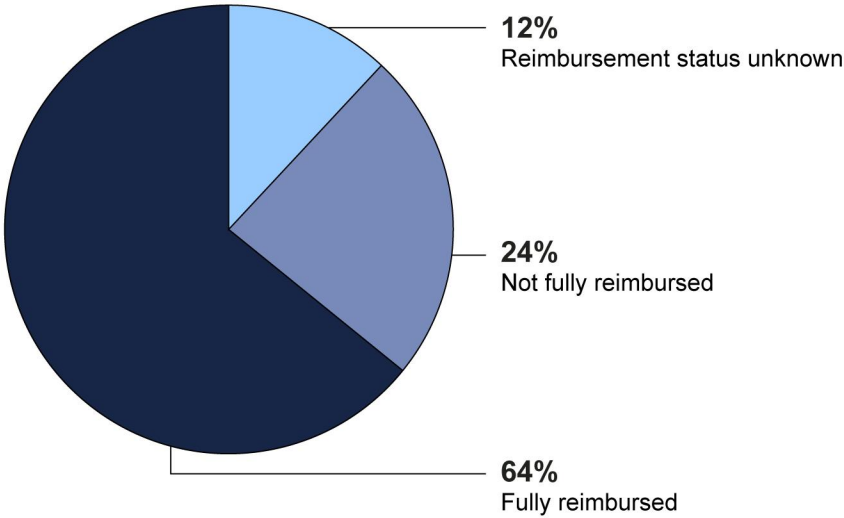
On the basis of a generalizable sample of ACSA orders recorded in AGATRS, we estimate that DOD received reimbursement for approximately 64 percent of ACSA orders recorded in AGATRS that it authorized from October 2013 through March 2018 (about 6,000), but did not receive full reimbursement for approximately 24 percent (about 2,300), as shown in figure 6.⁴⁷ Some orders for which DOD did not receive full reimbursement included basic life support such as food,

⁴⁶GAO, *Standards for Internal Control in the Federal Government*, Principle 16.

⁴⁷We reviewed a generalizable sample of 227 ACSA orders recorded in AGATRS, representing more than \$500 million of the reported \$5.3 billion of ACSA order sales recorded in the system as of October 2019. DOD confirmed or provided clarification on our analysis of 101 of the 138 orders from our sample, for which we had requested validation. Our analysis of validated orders confirmed at least \$26 million of unreimbursed overdue transactions. As of October 2019, DOD had not confirmed reimbursement status for the remaining 37 orders. In response to our questions about orders in this sample, DOD sought and received reimbursement for five orders and uploaded supporting documentation for 10 other orders.

water, housing, and fuel, authorized in 2017. Further, DOD could not verify the accuracy of the reimbursement status for an estimated 12.2 percent of orders (about 1,100) recorded in AGATRS during this time period—meaning that for these orders, DOD could not verify whether it had requested or received reimbursement, or whether the transaction had occurred. The orders in this category included, for example, helicopter transportation authorized for a partner in 2015 and valued by DOD at almost \$150,000.

Figure 6: Reimbursement Status of ACSA Orders in DOD’s System of Record from October 2013 through March 2018, by Number of Orders



Legend: Acquisition and Cross-Servicing Agreement = ACSA.
Source: GAO analysis of Department of Defense (DOD) data. | GAO-20-309

Data Table for Figure 6: Reimbursement Status of ACSA Orders in DOD’s System of Record from October 2013 through March 2018, by Number of Orders

	Percentage
Fully reimbursed	64%
Not fully reimbursed	24%
Reimbursement status unknown	12%

Note: DOD uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. These estimates are based on a generalizable sample of ACSA orders from DOD’s system of record and have a margin of error of up to plus or minus 5.1 percentage points at the 95-percent confidence level. These data reflect any corrections that DOD made to the ACSA orders in our sample in response to our questions. However, DOD could not verify the reimbursement status for 37 of the 221 orders in our in-scope sample, as reflected in the 12 percent estimate.

DOD officials identified several factors that contributed to unreimbursed ACSA orders, including:

- **Lack of invoicing.** DOD officials said that DOD had not received reimbursement for 39 of the 221 ACSA orders in our sample, valued by DOD at more than \$700,000,⁴⁸ because it had not sent invoices to request reimbursement from partners. According to the officials, DOD had not processed these orders for invoicing in part because it had not assigned the orders to the appropriate officials who manage financial processing. Officials from two military services told us that while they aim to have strong communication between the personnel who manage logistics and finance processes for ACSA orders, factors such as staff rotations, contingency environments, and delayed training may affect the efficiency of order processing. DOD officials also noted that missing or incorrect order information, such as an incorrect billing address for a partner nation, may delay invoicing.
- **Delays from partner countries.** For some unreimbursed orders in our sample, DOD officials explained that DOD had sent invoices to partner countries but, as of August 2019, had not received reimbursement.⁴⁹ The average time from the date of invoice to the date of reimbursement was 208 days for reimbursed cash transactions in our sample of 221 orders authorized from October 2013 through March 2018, and the longest amount of time was 751 days.⁵⁰
- **Lack of a monitoring process.** According to DOD officials, DOD did not appropriately monitor the reimbursement status of some orders in our sample and does not have a process to monitor delinquent debt. For example, DOD officials explained that they could not verify reimbursement for some orders recorded as overdue in our sample

⁴⁸We report the value of orders in our sample, rather than the estimated value of orders in the population, that did not receive reimbursement because our sample was not designed to produce generalizable estimates of dollar values. See appendix I for details on the sample design.

⁴⁹DOD officials noted that in some cases, DOD may have received partial or full reimbursement from a partner but because of internal backlogs in processing, the reimbursements may not yet have been applied, and as a result, the orders remain unreimbursed in DOD's systems.

⁵⁰In cases where the invoice was the ACSA order form, we used the supply official's signature date on the form as a proxy date to calculate the time elapsed from invoicing to repayment. The signature date is the date the supply official acknowledges that delivery of support has been completed and the order form effectively becomes an invoice.

because personnel had not closely monitored the status of these orders. Additionally, in response to our inquiries, DOD acknowledged that it would need to reassign certain overdue orders to appropriate officials for processing. Although AGATRS produces reports that identify overdue orders, DOD does not have an agency-wide process to monitor and take action on unreimbursed orders that become delinquent. DOD officials told us that the Defense Finance and Accounting Service (DFAS), responsible for some ACSA billing, sends letters to partners for delinquent ACSA bills 30, 60, and 90 days after the end of the billing period outlined under the terms of the ACSA. However, after 90 days, DOD does not have a standardized approach to continue seeking delinquent ACSA debt according to DOD officials. In 2018, DOD updated the section of its Financial Management Regulation that addresses the collection of debt owed by foreign entities, but according to DOD officials, DOD had not implemented the updated policy as of October 2019.⁵¹ Officials from DFAS explained that the policy had not been implemented because they were working with officials from the military services to evaluate possible debt collection procedures.

Unless it takes steps to ensure that it processes and invoices ACSA orders as required, and seeks unpaid debt, DOD may not receive reimbursement for thousands of orders for which it has provided support.⁵² As of November 2019, DOD indicated that the department had authorized more than \$1 billion in ACSA sale orders for which reimbursement is now overdue. Seeking reimbursement for these ACSA orders and implementing oversight processes will help ensure that the United States receives reimbursement for current and future orders under the terms of these agreements.

⁵¹Department of Defense 7000.14-R, *Financial Management Regulation*, vol. 16, ch. 6 “Debt Owed to the Department of Defense by Foreign Entities” (Aug. 2018), states that DOD will conduct timely and aggressive debt collection action, with follow-up efforts as necessary, to ensure that debt owed to DOD by a foreign entity is collected.

⁵²The NDAA for Fiscal Year 2020 was enacted on December 20, 2019, and Section 1203 modified the authorities related to ACSAs. The law includes a number of new requirements, including a requirement for the Secretary of Defense to prescribe regulations to ensure that adequate processes and controls are in place to provide for the accurate accounting of logistic support, supplies, and services received or provided under ACSAs not later than 90 days after enactment.

Conclusions

In the past 5 years, DOD has exchanged billions of dollars in reimbursable ACSA support with military forces from more than 100 partner nations and international organizations through ACSA transactions. DOD uses ACSAs to exchange logistic support, supplies, and services with partners in a variety of circumstances, including international coalition efforts, such as those combating terrorist groups in Iraq and Syria. However, weaknesses in recordkeeping and management processes limit the extent to which agencies can (1) provide Congress with information requested for oversight and (2) monitor and secure reimbursement.

First, DOD could not locate records related to required congressional notifications about designating 26 countries for an ACSA. Further, State transmitted almost half of its congressional notifications on ACSA entry into force after required deadlines, largely because DOD did not provide State with information about new agreements. Without full and timely information about new partners that DOD intends to designate for an ACSA or agreements that have entered into force, Congress will not be sufficiently informed to effectively oversee DOD's use of ACSAs as an element of security cooperation.

Second, DOD lacks quality data necessary for tracking ACSA orders and has not received reimbursement for thousands of orders. Our review of 227 transactions confirmed at least \$26 million of unreimbursed overdue transactions, but, as of November 2019, DOD records include additional overdue ACSA transactions for support provided to partners dating back to 2011, which DOD values at more than \$1 billion. By establishing procedures to improve ACSA recordkeeping and processes to seek reimbursement, DOD can help ensure that reliable information is available for reporting and oversight of activities to secure reimbursement of hundreds of millions of dollars of support provided to our partners.

Recommendations for Executive Action

We are making a total of seven recommendations to DOD:

The Secretary of Defense should ensure that written ACSA guidance includes recordkeeping procedures related to ACSA congressional

notifications and signature dates to help enable the provision of complete information for Congress. (Recommendation 1)

The Secretary of Defense should take steps, such as updating guidance, to help ensure the implementation of requirements related to providing information to State about newly signed ACSAs. (Recommendation 2)

The Secretary of Defense should take steps to verify the accuracy of ACSA order statuses recorded in DOD's system of record, and make corrections as appropriate. (Recommendation 3)

The Secretary of Defense should implement a process to reconcile data in financial systems with the data and associated documents collected and stored in DOD's ACSA system of record on a periodic basis. (Recommendation 4)

The Secretary of Defense should develop and implement a mechanism to record and track the extent to which it is meeting required time frames to receive reimbursement for ACSA orders. (Recommendation 5).

The Secretary of Defense should take steps to improve invoicing of ACSA orders, such as identifying ACSA orders recorded in DOD's system of record that have not been invoiced and sending invoices to partner countries. (Recommendation 6)

The Secretary of Defense should implement a process to monitor ACSA orders recorded as overdue in DOD's system of record, and take steps to resolve outstanding reimbursements, as appropriate. (Recommendation 7)

Agency Comments and Our Evaluation

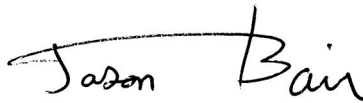
We provided a draft of this report to DOD and State for comment. In its comments, reproduced in appendix V, DOD concurred with the seven recommendations directed to it. DOD also provided information about actions it has taken to address recommendations 1 and 2. With respect to recommendation 1, DOD provided a copy of a February 2020 memorandum that outlines procedures to capture and preserve information about ACSA establishment, including the dates of DOD's congressional notifications of intent to designate countries for ACSAs and agreement signature dates. With respect to recommendation 2, DOD provided a copy of a February 2020 memorandum that issued guidance

related to DOD's provision of ACSA information to State for State's congressional notifications under the Case-Zablocki Act. We plan to follow up with DOD to learn about the distribution of these memoranda.

State provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretaries of Defense and State, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-6881 or bairj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

A handwritten signature in black ink that reads "Jason Bair". The signature is written in a cursive style with a long horizontal stroke above the name.

Jason Bair
Director, International Affairs and Trade

List of Committees

The Honorable James M. Inhofe
Chairman
The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable James E. Risch
Chairman
The Honorable Robert Menendez
Ranking Member
Committee on Foreign Relations
United States Senate

The Honorable Richard Shelby
Chairman
The Honorable Dick Durbin
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Lindsey Graham
Chairman
The Honorable Patrick Leahy
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
United States Senate

The Honorable Adam Smith
Chairman
The Honorable Mac Thornberry
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Eliot L. Engel
Chairman
The Honorable Michael T. McCaul
Ranking Member
Committee on Foreign Affairs
House of Representatives

The Honorable Pete Visclosky
Chairman
The Honorable Ken Calvert
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

The Honorable Nita Lowey
Chairwoman
The Honorable Hal Rogers
Ranking Member
Subcommittee on State, Foreign Operations, and Related Programs
Committee on Appropriations
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Senate Report 115-262, accompanying a bill for the National Defense Authorization Act (NDAA) for Fiscal Year 2019, includes a provision for us to review several aspects of Acquisition and Cross-Servicing Agreement (ACSA) management, including information provided to Congress and Department of Defense (DOD) tracking of support and receipt of reimbursement.¹ In this report, we examine the extent to which (1) agencies have provided information to Congress about ACSAs, and (2) DOD has tracked and received reimbursement for ACSA orders.

To address these objectives, we reviewed legal authorities related to ACSAs in sections 2341-2350 of Title 10 of the United States Code,² DOD policy and guidance on ACSA management and implementation,³ and DOD Inspector General (IG) reporting on DOD's management of ACSAs.⁴ We analyzed DOD and Department of State (State) documentation related to congressional notifications and the establishment of ACSAs, DOD ACSA transaction data, and DOD's *Report to Congress Concerning Acquisition and Cross-servicing Activities for Fiscal Year 2018*. We also discussed ACSA management, order tracking,

¹S. Rep. No. 115-262, at 302 (June 5, 2018).

²The NDAA for Fiscal Year 2020 was enacted on December 20, 2019, and Section 1203 modified the authorities related to ACSAs, including authorities in 10 U.S.C. §2342. We based our analysis on the requirements that existed prior to these amendments.

³See Chairman of the Joint Chiefs of Staff Instruction 2120.01D, *Acquisition and Cross-Servicing Agreements* (May 21, 2015); also see Department of Defense, Directive 2010.9, *Acquisition and Cross-Servicing Agreements* (Apr. 28, 2003) (incorporating change 2, Aug. 31, 2018); and Department of Defense 7000.14-R, *Financial Management Regulation*, vol. 11A, ch. 8 "International Acquisition and Cross-Servicing Agreements" (Jul. 2010).

⁴Department of Defense, Office of the Inspector General, *DOD Oversight of Bilateral Agreements with the Republic of the Philippines; U.S. Africa Command's Management of Acquisition and Cross-Servicing Agreements*; and *DOD Components Did Not Properly Use the Acquisition and Cross Service Agreement Automated Tracking and Reporting System*.

and transactions, including for the Saudi-led Coalition,⁵ with DOD officials from the Air Force Central Command (AFCENT); Defense Finance and Accounting Services; Defense Logistics Agency (DLA), including DLA Energy; Office of the Chairman of the Joint Chiefs of Staff (OCJCS); Office of the Undersecretary of Defense for Acquisition and Sustainment (OUSD (A&S)); U.S. Air Force; U.S. Marine Corps; U.S. Army; and U.S. Central Command. With State officials from the Bureau of Political-Military Affairs and the Office of the Legal Adviser's Office of Treaty Affairs, we discussed the process to establish international agreements, State's notifications to Congress on ACSA entry into force, and recordkeeping for those notifications. We conducted fieldwork at AFCENT Headquarters at Shaw Air Force Base in Sumter, South Carolina, to discuss ACSA transactions related to support provided to the Saudi-led Coalition.

To determine the extent to which agencies have provided information to Congress about ACSAs, we analyzed agency activities related to (1) DOD's requirement to notify Congress of its intent to designate a country eligible for an ACSA and (2) State's requirement to notify Congress no later than 60 days after the entry into force of international agreements, which includes ACSAs.

First we reviewed DOD's congressional notification requirements under 10 U.S.C. §2342.⁶ The law authorizes the Secretary of Defense to sign ACSAs with the governments of North Atlantic Treaty Organization (NATO) countries, subsidiary bodies of NATO, and the United Nations Organization or any regional international organizations without an official designation of eligibility. However, for countries that are not members of NATO, DOD must notify Congress of its intent to designate the government of a country eligible for an ACSA at least 30 days before making the designation. Agency records indicate that DOD had signed 125 ACSAs as of February 2020. We included these 125 agreements in

⁵We were unable to determine the reliability of data used by the U.S. Air Force and DLA Energy to determine reimbursement amounts owed by members of the Saudi-led Coalition for aerial refueling and fuel support provided by DOD from March 27, 2015 to November 10, 2018. We were able to verify the amounts that the United States has requested from the United Arab Emirates and Saudi Arabia and report this information.

⁶The NDAA for Fiscal Year 2020 added a new notification requirement to 10 U.S.C. §2342, prohibiting the Secretary of Defense from entering into an ACSA with a country that is not a member of NATO unless the Secretary submits to the appropriate committees of Congress a notice of intent to enter into such an agreement not less than 30 days before the date on which the Secretary enters into the agreement. See Pub. L. No. 116-92, §1203 (Dec. 20, 2019). We conducted our analysis prior to the passage of the NDAA for Fiscal Year 2020; therefore, we did not address the new requirement in our analysis.

our analysis because, according to DOD, each agreement is considered to be an ACSA although some are named as other types of mutual logistics support agreements.

To determine the extent to which DOD addressed requirements for notifying Congress of its intent to designate a non-NATO country for the purposes of entering into an ACSA, we conducted a content review of ACSA documents to identify signature and notification dates for each relevant ACSA, calculated the number of days between them, and compared our results to DOD's requirement to notify Congress of its intent to make a designation not less than 30 days before a country is designated. Although DOD is required to notify Congress at least 30 days before designating non-NATO countries for the purposes of entering into an ACSA, DOD officials told us that ACSA records do not include a precise designation date for each country. Therefore, we used ACSA signature dates as a proxy for designation dates.⁷ In addition, because some ACSAs are revised and re-signed over time, we planned to compare the date on which DOD transmitted notifications to Congress with the signature date of the first ACSA signed with each partner. However, DOD officials explained that they could not readily provide the signature dates of the first ACSA signed with each partner because they purposefully expunged electronic records related to expired or replaced agreements—which would have noted signature dates—to help ensure that officials planning ACSA transactions referenced the current version of the agreement.

Although DOD did not systematically track the signature dates for agreements that had been revised and re-signed, we reviewed documents related to each ACSA partner, historical treaty records, and other agency documents and found the signature date for the first agreement DOD signed with each ACSA partner.⁸ We compared NATO accession dates with these first ACSA signature dates and determined that 19 ACSA partners were members or elements of NATO at the time the relevant ACSA was signed. An additional two ACSA partners were elements of other international organizations. Therefore, we determined that DOD had signed 21 of its 125 ACSAs with governments of NATO

⁷DOD officials explained that some ACSA-related activities, such as discussions to establish partner country interest in negotiating an ACSA, are permitted prior to congressional notification.

⁸For signature dates we identified, we generally found reference to the agreements and the dates on which they were signed, not a copy of the full agreement text.

countries, subsidiary bodies of NATO, and other international organizations, which do not require an official designation of eligibility.

Under the law, DOD was required to notify Congress at least 30 days prior to designating the remaining 104 countries for an ACSA. The Secretary of Defense typically submits these notifications to the Senate Committees on Armed Services and Foreign Relations and the House Committees on Armed Services and Foreign Affairs. We included in our analysis the 78 of these 104 countries for which DOD records included a copy of a dated notification letter addressed to at least one of these four committees.⁹ For these 78 countries, we compared DOD notification dates with the signature date of the initial agreement with each partner.¹⁰ DOD could not provide documentation of congressional notifications for the remaining 26 partners, which we excluded from our analysis. We also interviewed DOD officials from the OCJCS and the OUSD (A&S) to discuss DOD's congressional notification process.

Second, we analyzed State's requirement under 1 U.S.C. §112b to notify Congress no later than 60 days after the entry into force of international agreements, which includes ACSAs. Under the law, often referred to as "the Case-Zablocki Act," State is required to notify Congress of any international agreement to which the United States is a party, other than a treaty, as soon as practicable after the agreement has entered into force, but in no event later than 60 days thereafter.¹¹ To determine the extent to which State had transmitted notifications about ACSA entry into force on or before the statutory 60-day deadline, we conducted a content analysis of DOD ACSA documents and State notification records to identify relevant entry into force and State notification dates. We then calculated the number of days between them and compared our results to State's reporting requirement under 1 U.S.C. §112b. Of the 125 ACSAs that DOD had signed, State officials confirmed that, as of February 2020, 118 had

⁹Among the 78 agreements for which at least one notification letter was available, records for 61 included all four required letters and an additional 13 included a reference to all four required letters having been transmitted. Our analysis did not examine the extent to which dated notifications were received by addressees.

¹⁰Of the 78 countries for which DOD had provided the date of congressional notification, 43 had signed only one ACSA version, and thus the current agreement was also the first agreement signed. However, for the 35 agreements that had been replaced at least once, we identified the signature date of the original ACSAs signed with each partner through review of DOD and State documents.

¹¹See 1 U.S.C. §112b.

entered into force and, as such, required notification to Congress of entry into force under the Case-Zablocki Act.

We excluded the remaining seven signed ACSAs from our analysis as follows. First, we excluded three agreements DOD signed with Benin, Iraq, and Uruguay that, according to State and DOD officials, had not entered into force as of February 2020, and therefore did not yet require notification under the Case-Zablocki Act. Second, we excluded two ACSAs signed with Canada and the United Kingdom, for which State officials explained that the legal arrangements governing acquisition and cross-servicing transactions are contained in government-to government “chapeau agreements” regarding defense cooperation rather than in agency-level ACSA agreements more commonly used with other partners. According to officials, these chapeau agreements are supplemented by nonbinding, agency-level implementing procedures that are not separately subject to Case-Zablocki Act reporting to Congress. Third, we excluded two agreement for which, as of February 2020, State officials were reviewing agreement documentation to confirm potential entry into force prior to notifying Congress. For one of these two agreements, if State determines the agreement to be entered into force, the date of entry into force will be retroactively dated to the date of signature, per the terms of the agreement. The retroactive entry into force date for the agreement is more than 60 days before February 2020, so if the entry into force date is confirmed, the related notification to Congress under the Case-Zablocki Act would be late as compared to the 60-day deadline.¹² The second of these two agreements was signed on January 31, 2020.

For the 118 ACSAs that had entered into force and thus required State’s notification to Congress, we compared entry into force dates with notification dates to determine the extent to which State had provided notifications on or before its 60-day deadline. State provided documentation on entry into force notifications for all but two of the 118 relevant ACSAs. For these two agreements, signed in 1983 and 2002, State had no record of related notifications, so we were unable to conclude whether or not they had occurred. For the remaining 116 agreements, State provided copies of dated congressional notifications

¹²As of February 2020, State officials told us they were working to confirm the potential entry into force of the ACSA DOD signed with the Czech Republic in 2016, which included terms that would enter the agreement into force upon signature. State officials told us they learned of this agreement as a result of our inquiry.

for 113 and notification dates from its Treaty Information Management System for three notifications for which copies of the letters were unavailable. We included in our analysis notifications that were transmitted to either the President of the Senate, the Speaker of the House, or both.¹³ We compared the date of these notifications with ACSA entry into force dates we verified using ACSA agreement documentation and State notification documents. We also analyzed information in State's notification documents to determine the causes for late transmittals. We interviewed DOD officials from the OCJCS and the OUSD (A&S), and State officials from the Bureau of Political-Military Affairs and the Office of the Legal Adviser's Office of Treaty Affairs to discuss State's congressional notification process.

To determine the extent to which DOD has tracked and received reimbursement for support provided through ACSA orders,¹⁴ we analyzed a generalizable sample of ACSA orders that DOD had authorized from October 2013 through March 2018 in the ACSA Global Automated Tracking and Reporting System (AGATRS).¹⁵ AGATRS is DOD's system of record for management of ACSA transactions and designates orders

¹³Among records related to State's congressional notifications for 116 ACSAs that had entered into force, documentation for 60 included letters to both the President of the Senate and the Speaker of the House. Our analysis did not examine the extent to which dated notifications were received by these addressees.

¹⁴An ACSA order may also be referred to as a transaction and contain one or more line items. For example, one order or transaction may include an exchange of water and meals, in which the water provided may be recorded as one line item and the meals provided may be recorded as a separate line item in DOD's records.

¹⁵We excluded from our sample any orders that were cancelled, which indicates that the transaction did not take place under that order; U.S. purchases; 1207-SME Loans, which have additional management requirements compared to a standard ACSA order; Lift and Sustain transactions, which are not ACSA transactions but may be recorded in AGATRS; and open-ended transactions, under which DOD would have still been conducting exchanges of support.

as overdue if reimbursement is not completed within 12 months of the order authorization date.¹⁶

We selected a stratified random sample of 227 orders, which were sampled from a population of 9,761 orders within the population groups in table 3.¹⁷ Strata in table 3 are based on a combination of four features: order total (dollar amount); order status (completed versus incomplete); document upload requirement (required versus not required); and military

¹⁶According to Title 10 U.S.C. §2345(b), payment-in-kind or exchange entitlements accrued as a result of acquisitions and transfers of logistic support, supplies, and services through an ACSA are required to be satisfied within 12 months after the date of the delivery of the logistic support, supplies, or services. Although DOD's system of record, AGATRS, had a delivery time field, we found that the field did not have a standard format to collect information that could be analyzed to determine if reimbursement was provided within 12 months of delivery. For example, we observed that users entered a wide variety of information, such as "1 October 2017 - 30 September 2018" and "29 Oct/ASAP," into this data field. While it does not have a standard delivery time field, AGATRS does track whether an order is completed either within 12 months of the date on which it is authorized or by the agreed-upon return date. If an order surpasses one of these dates, AGATRS records the order as overdue in the order status field of the system's data reports. We used this metric to determine the parameters of our sample population because AGATRS lacks a standard delivery time field.

¹⁷We found that six of the 227 orders in the sample were out of scope because they were unfulfilled transactions, duplicates, or non-ACSA transactions. Specifically, DOD verified that one of these six orders should have been recorded as "cancelled" because DOD never exchanged support, and one of the six orders was a duplicate of a different order recorded in AGATRS. The remaining four orders should not have been in our population because they were Lift and Sustain transactions, which are non-ACSA transactions recorded in AGATRS. Officials noted that these types of orders should be categorized as such using a related data field in the system. We used this data field to exclude any non-ACSA orders from our population. However, four of the orders in our sample were incorrectly recorded as ACSA orders even though they were Lift and Sustain transactions. These were excluded from our analysis population and sample for any evaluation of reimbursement, resulting in a sample of 221 orders from our in-scope population of 9,755 orders, but included in our analysis of data inaccuracies in AGATRS.

service.¹⁸ With this probability sample, each order of the study population had a nonzero probability of being included, and that probability could be computed for any order. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95-percent confidence interval (e.g., the margin of error is plus or minus 7 percentage points). This interval would contain the actual population value for 95 percent of the samples we could have drawn. We calculated our sample analysis with survey software that accounts for the sample design (stratification and weights) and appropriate subpopulation reporting group statements.

We designed stratification and sample sizes based on order status and document upload requirements to ensure that the 95-percent confidence intervals of attribute estimates (e.g., percentage of orders that have proper support) had margins of error within around +/- 10 percentage points for each of the following four reporting groups, which collapse over the following strata: complete orders, incomplete orders, document upload required, and document upload not required. We also designed stratification based on military service to ensure proportionate representation of each military service in our sample within each combination of order status and document upload requirement.

¹⁸Specifically: (1) For order total, we include a certainty stratum that contains the largest 10 orders, according to dollar value of order, within each order status (complete or incomplete), resulting in 20 certainty orders. (2) For order status, we used the "order status" field, which indicates the stage at which an order has been processed based on supporting documentation that users have uploaded to AGATRS. (3) For document upload requirement, we took into account updated user requirements issued in a Joint Staff memo on February 2, 2017. This memo established a requirement for DOD personnel to upload supporting documents to AGATRS. According to DOD officials, prior to this memo, DOD required personnel to maintain records of the supporting documents but not upload them to AGATRS. (4) For military service, we included a certainty stratum that contains proportional representation of the four military services—Army, Air Force, Navy, and Marine Corps—based on the number of orders each service had recorded in AGATRS at the time of our review. Our sample of orders included all method of payment options, which include cash, replacement in kind, and equal value exchange.

Table 3: Population and Sample Counts of Orders across Strata Based on Order Total, Order Status (Complete/Incomplete), Document Upload Requirement (Required/Not Required), and Military Service

Strata	Military	Population count	Sample size
Certainty Order: top 10 per status	Certainty	20	20
Doc Uploaded Req, Status=Completed	Air Force	369	8
Doc Uploaded Req, Status=Completed	Army	1,660	37
Doc Uploaded Req, Status=Completed	Marine Corps/Navy	72	3
Doc Uploaded Req, Status=Completed	Other	122	3
Doc Uploaded Req, Status=Incomplete	Air Force	146	3
Doc Uploaded Req, Status=Incomplete	Army	1,810	43
Doc Uploaded Req, Status=Incomplete	Marine Corps/Navy	19	3
Doc Uploaded Req, Status=Incomplete	Other	118	3
Doc Uploaded Not Req, Status=Completed	Air Force	779	10
Doc Uploaded Not Req, Status=Completed	Army	2,564	33
Doc Uploaded Not Req, Status=Completed	Marine Corps/Navy	52	3
Doc Uploaded Not Req, Status=Completed	Other	468	6
Doc Uploaded Not Req, Status=Incomplete	Air Force	192	6
Doc Uploaded Not Req, Status=Incomplete	Army	1,251	40
Doc Uploaded Not Req, Status=Incomplete	Marine Corps/Navy	14	3
Doc Uploaded Not Req, Status=Incomplete	Other	105	3
Total		9,761	227

Source: GAO analysis of Department of Defense data. | GAO-20-309

Note: The strata "Certainty Order: top 10 per status" represents the top 10 completed and incomplete orders with the highest dollar value. The strata "Doc Uploaded Req" represents orders that were authorized after the Office of the Chairman of the Joint Chiefs of Staff issued a memo on February 2, 2017 that required personnel to upload documents to the ACSA Global Automated Tracking and Reporting System (AGATRS); the strata "Doc Uploaded Not Req" represents orders that were uploaded before Joint Staff issued this memo. The strata "Status=Completed" and "Status=Incomplete" indicate whether an order was identified as completed or incomplete in AGATRS. "Other" includes any DOD organization that was not one of the four military services such as the Defense Logistics Agency Energy and U.S. Forces Korea.

All of the orders in our population had been authorized for 14 months, and thus should have been repaid according to DOD's 12-month system requirement, at the time we conducted our review of the sample from May 2019 through June 2019. For this sample, we analyzed order information and coordinated with DOD to validate the reimbursement status recorded in AGATRS. On the basis of (1) reporting from the DOD Inspector General, (2) interviews with DOD officials, (3) DOD's use of manual entry to populate the system, and (4) our review of DOD's use of ACSA orders to process reimbursement for unpaid transactions with members of the Saudi-led Coalition, we determined that DOD's data in AGATRS may not

be fully reliable.¹⁹ DOD officials explained that although AGATRS was the single repository for global ACSA transaction data, the system was not integrated with any other DOD systems and thus relied on manual entry from personnel to populate ACSA order information. As a result, we took additional steps to determine the reliability of information reported in the system. Specifically, we requested a data report from DOD of all ACSA transactions recorded in AGATRS as of May 8, 2019. We reviewed supporting documentation and information recorded in AGATRS for each ACSA order in our sample to determine whether the data in the “order status” field were accurate. For the order status “completed,” which indicates that the ACSA order has been fully reimbursed, we reviewed available information to determine whether financial collection documentation had been recorded and compared the information in these documents to the information in AGATRS.

We then took steps to verify with DOD the status of orders that (1) were recorded as “completed,” but for which we had not identified any financial documentation or the documentation did not contain sufficient information to verify reimbursement, and (2) were not recorded as “completed” as of the time of our review.²⁰ Of the 227 orders in our sample, 138 fit into one of these two categories. For orders that were recorded as completed but did not have sufficient supporting documentation, we requested that DOD provide additional support. For orders that were recorded as incomplete, we requested that DOD verify whether the orders had been reimbursed, given that they had been in the system longer than 12 months and were categorized as overdue in the data report provided by DOD. DOD provided feedback on and validated the reimbursement status for 101 of the 138 orders sent for follow-up. DOD did not provide a response for the remaining 37 orders. DOD identified whether orders recorded as overdue in AGATRS had been partially reimbursed, which we incorporated into our calculation of unreimbursed dollar amounts for the orders in our sample. On the basis of this validation process, we report on whether ACSA orders authorized from October 2013 through March 2018 in AGATRS had been reimbursed or not fully reimbursed as of July 10,

¹⁹Department of Defense, Office of the Inspector General, *DOD Oversight of Bilateral Agreements with the Republic of the Philippines; U.S. Africa Command’s Management of Acquisition and Cross-Servicing Agreements*; and *DOD Components Did Not Properly Use the Acquisition and Cross Service Agreement Automated Tracking and Reporting System*.

²⁰We began this validation process with DOD on July 10, 2019.

2019, or whether DOD did not know the reimbursement status as of October 2019.

We found that approximately 7 percent of the order status information recorded in AGATRS was inaccurate. For example, three of the 227 orders in our sample that DOD had recorded as “completed” were not fully reimbursed. Five of the 227 orders in our sample that DOD had recorded as incomplete were actually reimbursed; DOD uploaded supporting documents and closed these orders in AGATRS in response to our inquiry. Additionally, as described above, six of the 227 orders should not have been included in our scope but were misclassified in DOD’s system. We also found orders under the purview of DLA Energy that were partially or fully settled (i.e., reimbursed or reconciled by netting sales and purchases between the United States and the partner nation), but whose status had not been updated in AGATRS. DLA Energy officials told us that AGATRS does not have sufficient functions to capture DLA Energy’s fuel reconciliation process, in which sales and purchases with partners may be offset through specific implementing arrangements with the partners. In some cases DLA Energy provided us with the actual amounts, including unpaid amounts, but we were unable to verify this information further.

In response to our verification questions, DOD took steps to correct some of the AGATRS data inaccuracies we identified. For instance, DOD reopened (i.e., redesignated as incomplete) some orders it had recorded as completed in AGATRS but for which it had not received full reimbursement. Similarly, DOD uploaded reimbursement information for orders that it had recorded in the system as incomplete, but for which it had received reimbursement. DOD also uploaded reimbursement information in AGATRS for ACSA orders from our sample that it had recorded as completed, but for which it lacked documentation to support that it had received reimbursement. Finally, DOD settled or requested and received reimbursement for five of the ACSA orders in our sample.²¹

We found that DOD data on ACSA transactions contained weaknesses that we describe in this report. Because of these weaknesses, we only used data from our sample in developing estimates on data quality and reimbursement. We checked all of the orders in our sample, and either verified or corrected them as needed, and report any data that could not

²¹DOD responses indicated that the value of unsettled reimbursement was over \$1 million for these five ACSA orders.

be verified. Since our probability sample with verified and corrected information is generalizable to all in-scope orders, we were able to estimate population values based on the corrected sample information.

We conducted this performance audit from September 2018 to March 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Signed U.S. Department of Defense Acquisition and Cross- Servicing Agreements as of February 2020

As of February 2020, DOD had 120 signed ACSAs that span DOD's geographic areas of responsibility. (See table 4.)

Table 4: Acquisition and Cross-Servicing Agreements (ACSA) by Department of Defense Area of Responsibility, as of February 2020

European Command				
Albania	Denmark	Iceland	Montenegro	Slovakia
Armenia	Estonia	Ireland	NATO NC3O	Slovenia
Austria	European Union	Israel	NATO NSPO	Spain
Azerbaijan	Finland	Italy	NATO SHAPE	Sweden
Belgium	France	Kosovo	Netherlands	Switzerland
Bosnia & Herzegovina	Georgia	Latvia	Norway	Turkey
Bulgaria	Germany	Lithuania	Poland	Ukraine
Croatia	Greece	Luxembourg	Portugal	United Kingdom
Czech Republic ^a	Hungary	Macedonia	Romania	
		Moldova	Serbia	
Africa Command				
Benin ^b	Democratic Republic of the Congo	Liberia	Nigeria	Uganda
Botswana	Djibouti	Malawi	Rwanda	
Burkina Faso	Ethiopia	Mali	Sao Tome & Principe	
Cameroon	Gabon	Mauritania	Senegal	
Cape Verde	Ghana	Morocco	South Africa	
Chad		Mozambique	Tunisia	
Comoros		Niger		

**Appendix II: Signed U.S. Department of
Defense Acquisition and Cross-Servicing
Agreements as of February 2020**

Indo-Pacific Command				
Australia	Japan	Mongolia	Philippines	Tonga
Brunei	South Korea	New Zealand	Singapore	
India	Malaysia	Papua New Guinea	Sri Lanka	
Indonesia	Maldives		Thailand	
Southern Command				
Argentina	Colombia	El Salvador	Nicaragua	Uruguay ^b
Belize	Costa Rica	Guatemala ^a	Panama	
Brazil	Dominican Republic	Honduras	Paraguay	
Chile		Jamaica	Peru	
Central Command				
Afghanistan	Iraq ^c	Kuwait	Oman	Saudi Arabia
Bahrain	Jordan	Lebanon	Qatar	United Arab Emirates
				Uzbekistan
Northern Command				
Bahamas	Canada	Mexico (SEMAR)	United Nations	
U.S. Joint Forces Command				
NATO Supreme Allied Commander Transformation				

Legend: NATO = North Atlantic Treaty Organization; NC3O = NATO Consultation, Command and Control Organization; NSPO = NATO Support Organization; SEMAR = Naval Secretariat; SHAPE = Supreme Headquarters Allied Powers Europe.

Source: GAO analysis of Department of Defense data. | GAO-20-309

Note: The Department of Defense uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. ACSA partners include countries and international organizations. This table includes all agreements as of February 2020 and excludes expired agreements with Ecuador, Fiji, Kazakhstan, Pakistan, and Tajikistan.

^aState officials told us that, as of February 2020, these agreements were under review to confirm their entry into force.

^bAs of February 2020, these agreements had not yet entered into force and were not being applied provisionally.

^cAs of February 2020, this agreement had not yet entered into force and was being applied provisionally.

Appendix III: List of Logistics Support Retransfers under Department of Defense Acquisition and Cross-Servicing Agreements

The Department of Defense (DOD) describes the retransfer of logistic support, supplies, and services provided under Acquisition and Cross-Servicing Agreements (ACSA) as a transfer from the original recipient to another foreign government or international organization, or to any entity other than the officers, employees, or agents of the foreign country or international organization whose military originally received the support.¹ DOD Directive 2010.9 prohibits the retransfer of ACSA support without the prior written consent of the U.S. government, obtained through applicable DOD channels.² As of November 2019, DOD had information related to 11 ACSA transactions made with six different ACSA partners between 2003 and 2019 for which the United States approved retransfer of ACSA support, as detailed in table 5.

Table 5: Department of Defense (DOD)-Authorized Retransfers of Support Provided through Acquisition and Cross-Servicing Agreements (ACSA) as of December 2019

Partner requesting retransfer authorization from the United States	Country receiving retransferred support	Date of authorization	Support to be retransferred
Germany	Armenia, Georgia, and Mongolia	11/7/2019	Airlift support
United Arab Emirates	Bahrain, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia	11/3/2018 ^a	Fuel

¹Retransfers of support under ACSAs may also be called third-party transfers.

²See Department of Defense Directive 2010.9, *Acquisition and Cross-Servicing Agreements* (Apr. 28, 2003) (incorporating change 2, Aug. 31, 2018). See also Chairman of the Joint Chiefs of Staff Instruction 2120.01D, *Acquisition and Cross-Servicing Agreements* (May 21, 2015). In August 2018, a new provision was added to 10 U.S.C. §2342 that prohibits DOD from using an ACSA to facilitate the transfer of logistic support, supplies, and services to a final recipient that has not signed an ACSA with DOD.

**Appendix III: List of Logistics Support
Retransfers under Department of Defense
Acquisition and Cross-Servicing Agreements**

Partner requesting retransfer authorization from the United States	Country receiving retransferred support	Date of authorization	Support to be retransferred
United Arab Emirates	Bahrain, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia	11/3/2018 ^a	Aerial refueling (flight hours)
Saudi Arabia	Bahrain, Egypt, Jordan, Kuwait, Morocco, United Arab Emirates	11/3/2018 ^a	Fuel
Saudi Arabia	Bahrain, Egypt, Jordan, Kuwait, Morocco, United Arab Emirates	11/3/2018 ^a	Aerial refueling (flight hours)
United Arab Emirates	Saudi Arabia	4/3/2015	General purpose bombs
Lithuania	Denmark, Croatia, Iceland, and the United States	6/1/2006	Food, billeting, & base operations support
North Atlantic Treaty Organization (NATO) Supreme Headquarters Allied Powers Europe (SHAPE)	NATO members with ACSA with U.S. conducting operations in Afghanistan and NATO contracted agents	5/30/2006 (authority ended 7/31/2007)	Logistics support
NATO SHAPE	NATO SHAPE contracted agents	2/14/2006	Logistics support
NATO SHAPE	Sweden	5/16/2003	Medical services
United Kingdom	Oman	2/28/2003	Protective clothing

Source: GAO analysis of DOD documents and ACSA transaction data. | GAO-20-309

Note: DOD uses ACSAs to exchange logistic support, supplies, and services with foreign partners in return for cash or in-kind reimbursement. The chart excludes two third-party retransfers for which the United States was the procuring partner.

^aDate of authorization to request reimbursement for support provided during fiscal years 2014 through 2018 as an ACSA retransfer.

Appendix IV: Use of Acquisition and Cross-Servicing Agreements to Seek Reimbursement from the Saudi-led Coalition

In 2019, we presented preliminary observations to Congress about the extent to which the Department of Defense (DOD) had provided support to and requested reimbursement from the Saudi-led Coalition (SLC), and DOD's use of Acquisition and Cross-Servicing Agreements (ACSA) to do so. This appendix describes those observations and provides updates as appropriate with information obtained during the course of our review.

In March 2018, DOD received a congressional inquiry regarding DOD's use of ACSAs to provide support to the SLC¹ activities in Yemen. In November 2018, DOD informed Congress about (1) the legal justification for the provision of aerial refueling assistance to the SLC, since March 2015, and (2) the status of reimbursement. DOD reported that it had failed to process and seek reimbursement for some fuel and all aerial refueling support provided to members of the SLC from March 2015 through November 2018, and that it would use the ACSA authority to request retroactive reimbursement. Additionally, as of August 2019, DOD had not received full reimbursement for general purpose bombs provided through ACSA in April 2015.

According to DOD officials, a Joint Staff Execute Order signed on March 27, 2015, directed DOD to provide aerial refueling support to the SLC, if requested, and stated that the support would be provided on a reimbursable basis either through foreign military sales (FMS) or an ACSA. The order also stated that, as of March 2015, Saudi Arabia had not signed an ACSA. Further, according to DOD officials, there was no

¹According to DOD officials, members of the SLC included Bahrain, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia, Sudan, and the United Arab Emirates. Qatar was a member of the SLC until June 2017. DOD officials told us there is no indication that aerial refueling and fuel support was provided to Sudan or Qatar.

FMS case through which DOD might have provided aerial refueling to Saudi Arabia in March 2015.

Aerial refueling support includes flying hours to conduct refueling and the fuel exchanged. According to DOD officials, air crews recorded aerial refueling flight hours for members of the SLC at the time they occurred, but did not record them as related to SLC activities in Yemen or process them as reimbursable FMS or ACSA transactions. For fuel provided to SLC members during aerial refueling flights at this time, DOD documented and processed some, but not all, as ACSA transactions. DOD officials identified multiple factors, including inadequate planning and insufficient understanding of guidance in the Joint Staff order, that led to a process breakdown in which DOD did not invoice and request reimbursement.

Following the congressional inquiry, DOD began a review of air tanker flight hours, Air Force fuel purchases, and data from Saudi Arabia to determine aerial refueling reimbursement charges for flying hours and fuel.² Based on this review, DOD identified reimbursable amounts of more than \$261 million for flying hours and \$37 million for fuel provided to coalition members. Using this information, DOD requested retroactive reimbursement through the ACSA authority from the United Arab Emirates (UAE) and Saudi Arabia for the flight hours and fuel not previously reimbursed. According to DOD officials, DOD is treating these transactions as third-party transfers. According to DOD documents and officials, because Saudi Arabia did not have a signed ACSA prior to June 2016, UAE agreed to reimburse the United States for transactions supporting the SLC before this date. Saudi Arabia agreed to reimburse the United States for transactions after this date. As of February 28, 2019, UAE had submitted \$103.7 million in retroactive reimbursement for air tanker flight hours and \$15 million for fuel. In May 2019, DOD signed an agreement with Saudi Arabia for repayment of \$151 million for aerial

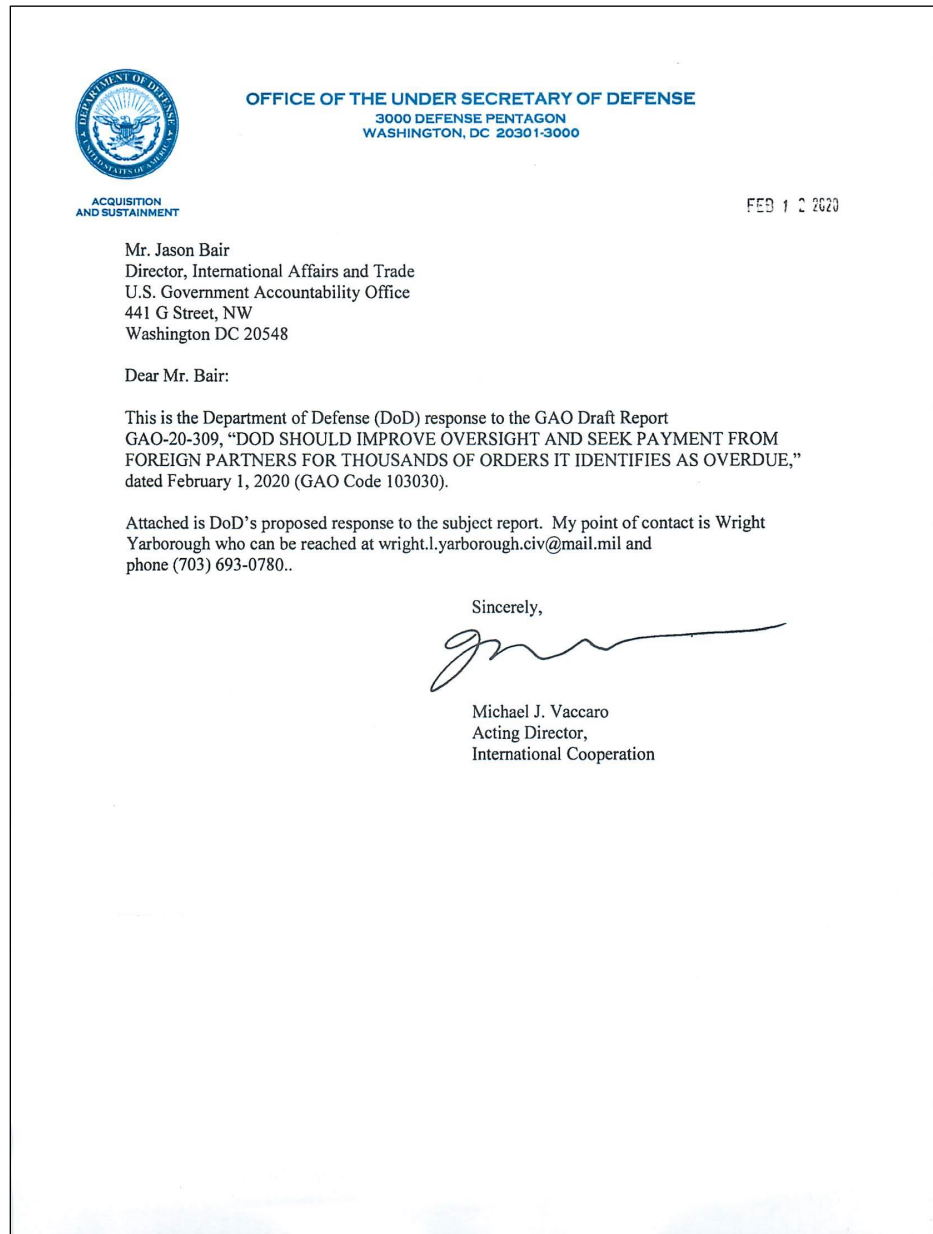
²During our fieldwork, U.S. Air Force Central Command personnel presented their processes for determining reimbursement amounts owed by members of the SLC for aerial refueling and fuel support provided by DOD from March 27, 2015, to November 10, 2018. These processes included compiling flight and fuel data from U.S. and partner databases, and analyzing the data to determine applicability, which included cross-referencing the data between systems and comparing the data to a set of criteria. We did not conduct additional analysis to verify the reliability of data used to determine the final reimbursement amounts. We were able to verify the reimbursement amounts that the United States had requested from the United Arab Emirates and Saudi Arabia and report this information.

refueling support provided from June 2016 through September 2018.³ DOD and Saudi Arabia agreed that Saudi Arabia would submit payments in increments over the course of 12 months, after receiving approval from the crown prince, Mohammad bin Salman, and additional leadership in Saudi Arabia. As of February 2020, Saudi Arabia had submitted payment of approximately \$114 million, according to DOD documents. A balance of about \$37 million for flight hours remains unreimbursed as well as \$22 million for fuel.

In addition to aerial refueling support, in 2015 DOD provided about \$2 million of general purpose bombs to UAE for which UAE had received U.S. approval for an ACSA retransfer to Saudi Arabia for operations in Yemen. However, DOD did not record this order in the ACSA system of record as required until August 2019 and, as of September 2019, had received reimbursement in the form of reciprocal support for only two-thirds of the value of the bombs initially provided. DOD officials told us that UAE planned to provide the remaining in-kind reimbursement in September 2020.

³According to DOD, Saudi Arabia's Ministry of Defense will review an additional \$6.3 million for flight hours provided from October 2018 through November 2018 after it repays the \$151 million.

Appendix V: Comments from the Department of Defense



GAO DRAFT REPORT DATED FEBRUARY 1, 2020
GAO-20-309 (GAO CODE 103030)

**“DOD SHOULD IMPROVE OVERSIGHT AND SEEK PAYMENT FROM FOREIGN
PARTNERS FOR THOUSANDS OF ORDERS IT IDENTIFIES AS OVERDUE,”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION**

RECOMMENDATION 1: The Secretary of Defense should ensure that written Acquisition and Cross-Servicing Agreement (ACSA) guidance includes recordkeeping procedures related to ACSA congressional notifications and signature dates to help enable the provision of complete information for Congress.

DoD RESPONSE: Concur. The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) has issued written guidance regarding recordkeeping procedures related to congressional notifications and signature dates for ACSAs.

RECOMMENDATION 2: The Secretary of Defense should take steps, such as updating guidance, to help ensure the implementation of requirements related to providing information to the Department of State about newly signed ACSAs.

DoD RESPONSE: Concur. OUSD(A&S) has issued updated guidance to help ensure the implementation of requirements related to providing information to the Department of State about newly signed ACSAs.

RECOMMENDATION 3: The Secretary of Defense should take steps to verify the accuracy of ACSA order statuses recorded in DoD's system of record, and make corrections as appropriate.

DoD RESPONSE: Concur. OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide the Office of the Secretary of Defense (OSD) leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 4: The Secretary of Defense should implement a process to conduct reconciliations of data in financial systems with the data and associated documents collected and stored in DoD's ACSA system of record on a periodic basis.

DoD RESPONSE: Concur. OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 5: The Secretary of Defense should develop and implement a mechanism to record and track the extent to which it is meeting required time frames to receive reimbursement for ACSA orders.

DoD RESPONSE: Concur. OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 6: The Secretary of Defense should take steps to improve invoicing of ACSA orders, such as identifying ACSA orders recorded in DoD's system of record that have not been invoiced and sending invoices to partner countries.

DoD RESPONSE: Concur. OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 7: The Secretary of Defense should implement a process to monitor ACSA orders recorded as overdue in DoD's system of record, and take steps to resolve outstanding reimbursements, as appropriate.

DoD RESPONSE: Concur. OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

Text of Appendix V: Comments from the Department of Defense

Page 1

Mr. Jason Bair

Director, International Affairs and Trade

U.S. Government Accountability Office 441 G Street, NW

Washington DC 20548 Dear Mr. Bair:

This is the Department of Defense (DoD) response to the GAO Draft Report

GAO-20-309, "DOD SHOULD IMPROVE OVERSIGHT AND SEEK PAYMENT FROM FOREIGN PARTNERS FOR THOUSANDS OF ORDERS IT IDENTIFIES AS OVERDUE," dated February 1, 2020 (GAO Code 103030).

Attached is DoD's proposed response to the subject report. My point of contact is Wright Yarborough who can be reached at wright.1.yarborough.civ@mail.mil and phone (703) 693-0780..

Sincerely,

Michael J. Vaccaro Acting Director, International Cooperation

Page 2

GAO DRAFT REPORT DATED FEBRUARY 1, 2020 GAO-20-309 (GAO CODE 103030) "DOD SHOULD IMPROVE OVERSIGHT AND SEEK PAYMENT FROM FOREIGN PARTNERS FOR THOUSANDS OF ORDERS IT IDENTIFIES AS OVERDUE,"

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATION

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signature dates to help enable the provision of complete information for Congress.

DoD RESPONSE: Concur.

The Office of the Under Secretary of Defense for Acquisition and Sustainment (OUSD(A&S)) has issued written guidance regarding recordkeeping procedures related to congressional notifications and signature dates for ACSAs.

RECOMMENDATION 2: The Secretary of Defense should take steps, such as updating guidance, to help ensure the implementation of requirements related to providing information to the Department of State about newly signed ACSAs.

DoD RESPONSE: Concur.

OUSD(A&S) has issued updated guidance to help ensure the implementation of requirements related to providing information to the Department of State about newly signed ACSAs.

RECOMMENDATION 3: The Secretary of Defense should take steps to verify the accuracy of ACSA order statuses recorded in DoD's system of record, and make corrections as appropriate.

DoD RESPONSE: Concur.

OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide the Office of the Secretary of Defense (OSD) leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 4: The Secretary of Defense should implement a process to conduct reconciliations of data in financial systems with the data and associated documents collected and stored in DoD's ACSA system of record on a periodic basis.

DoD RESPONSE: Concur.

OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 5: The Secretary of Defense should develop and implement a mechanism to record and track the extent to which it is meeting required time frames to receive reimbursement for ACSA orders.

Page 3

DoD RESPONSE: Concur.

OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 6: The Secretary of Defense should take steps to improve invoicing of ACSA orders, such as identifying ACSA orders recorded in DoD's system of record that have not been invoiced and sending invoices to partner countries.

DoD RESPONSE: Concur.

OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

RECOMMENDATION 7: The Secretary of Defense should implement a process to monitor ACSA orders recorded as overdue in DoD's system of record, and take steps to resolve outstanding reimbursements, as appropriate.

DoD RESPONSE: Concur.

OUSD(A&S) will: 1) assess options to improve the accountability of Military Department execution and reconciliation of ACSA transactions; and 2) provide OSD leadership with recommendations for implementing new oversight procedures.

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Jason Bair, (202) 512-6881 or bairj@gao.gov

Staff Acknowledgments

In addition to the contact named above, Biza Repko (Assistant Director), Kathryn Bolduc and Jasmine Senior (Analysts-in-Charge), Joe Carney, Debbie Chung, Martin de Alteriis, Neil Doherty, Adrian Good, Sally Newman, Cary Russell, Sonya Vartivarian, and Nicole Willems made key contributions to this report.

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