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Mission Transition (MT)—Materiel Deployed in Afghanistan

March 2011

7053-74 (CRS)



Canada 

Caveat

Some of the analysis of this report relies on prices recorded in the Canadian Forces Supply System (CFSS). Previous Chief Review Services (CRS) audits have highlighted inaccuracies in this pricing. As a result no assertion is made as to the accuracy of the reported values, and caution must be exercised in using these results for management decision making without further confirmation.



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Acronyms and Abbreviations

ADM(Fin CS)	Assistant Deputy Minister (Finance and Corporate Services)
ADM(Mat)	Assistant Deputy Minister (Materiel)
BY\$	Budget Year Dollar
CF	Canadian Forces
CANOSCOM	Canadian Operational Support Command
CDS	Chief of the Defence Staff
CEFCOM	Canadian Expeditionary Force Command
CFSM	Canadian Forces Supply Manual
CFSS	Canadian Forces Supply System
CLS	Chief of the Land Staff
CM	Centrally Managed
C Prog	Chief of Program
CRS	Chief Review Services
DDSM	Director Defence Strategy Management
DGLEPM	Director General Land Equipment Program Management
DGMSSC	Director General Materiel Systems and Supply Chain
DMPP	Director Materiel Policy and Procedures
DND	Department of National Defence
DOS SJS	Director of Staff, Strategic Joint Staff
DPE	Director Plans Expeditionary
DRDC	Defence Research and Development Canada
FY	Fiscal Year
GLOC	Ground Lines of Communication
IRM	Integrated Risk Management
IS	Re-identify Stock Code
KAF	Kandahar Airfield
LM	Locally Managed
MIDD	Materiel and Infrastructure Distribution Directive
MMIB	Mission Materiel and Infrastructure Board
MT	Mission Transition (previously Mission Termination)



MTTF	Mission Transition Task Force
NATO	North Atlantic Treaty Organization
NDHQ	National Defence Headquarters
NSN	NATO Stock Number
Op	Operational
OPI	Office of Primary Interest
R&O	Repair and Overhaul
RFID	Radio Frequency Identification
RSAT	Rotation Staff Assistance Team
SCA	Supply Customer Accounts
SOH	Stock on Hand
TFA	Task Force Afghanistan
VCDS	Vice Chief of the Defence Staff



Synopsis

The Canadian commitment to deployed operations in Afghanistan will end on 31 December 2011. While some of the Canadian Forces (CF) Task Force Afghanistan (TFA) materiel will be disposed of in theatre, most will need to be redeployed to Canada where it will be reconstituted¹ for use in future deployed operations.

Given the \$1.39-billion recorded value of TFA materiel and the logistic complexity of this mission transition (MT), it was deemed appropriate to initiate an internal audit to provide early input into the MT planning phase. The audit objective was to determine whether governance, risk management and control processes have been adequately considered in the MT planning for TFA materiel.

Although MT planning was proactive with the promulgation of a comprehensive operational (Op) plan one year before the cease of operations, there was some specific direction lacking on 10 percent of the line items in theatre. With respect to redeployment plans, there were significant opportunities to reduce anticipated movement costs. As well, stocktaking plans could be more risk-based with a need to update write-off approval thresholds to reflect historical escalation.

The management action plans are sound and a number of issues have already been resolved. MT operational plans have had several significant revisions to address the audit observations. At the time of audit reporting, based on improved planning information, the estimated redeployment costs have been reduced from |||

¹ Equipment reconstitution is the refurbishment to the same serviceable condition when originally deployed to TFA.



Results in Brief

The Canadian commitment to deployed operations in Afghanistan will end on 31 December 2011. Given the \$1.39-billion recorded value of TFA materiel and the logistic complexity of this MT, it was deemed appropriate for CRS to initiate an internal audit to provide early input into the MT planning phase.

Overall Assessment

Revision of Op plans and risk management are needed to improve the TFA materiel disposition and achieve some redeployment economies. |||

Throughout the conduct of the audit, the CRS team worked closely with the Canadian Expeditionary Force Command (CEFCOM) and Canadian Operational Support Command (CANOSCOM) operational planning staff to provide early input to Op plans and cost estimates.² A CRS management letter, dated 5 November 2010, highlighted opportunities to reduce anticipated redeployment costs and issues related to future force readiness. In response, an action plan was provided by the Vice Chief of the Defence Staff (VCDS) on 24 November 2010 which has resulted in significant reductions in the redeployment estimates.

Findings and Recommendations

Governance and Planning

Improvements to the MT Op Plan annex “Materiel and Infrastructure Distribution Directive (MIDD)” are needed to provide specific direction for the disposition of TFA materiel. Although most TFA stock on hand (SOH) is centrally managed (CM) by National Defence Headquarters (NDHQ) supply managers, a cost benefit analysis of returning these items had not been done for inventory in theatre worth \$403 million. Due to limited procurement budgets, supply managers have no incentive to dispose of materiel in theatre in cases where returning inventory may not be cost-effective. As well, at the time of the audit, no disposition guidance had been promulgated for materiel worth over \$64 million.

It is recommended that the MIDD continue to be updated to improve materiel disposition guidance.

² CRS provided over 80 detailed comments on the MIDD and other Op plan annexes on 18 August 2010 and 1 September 2010 to CANOSCOM and CEFCOM. As well, redeployment cost estimates were first observed upon on 23 August 2010. The principal CEFCOM operational planning officer concurred with the redeployment observations on 18 October 2010.

Introduction

Background

The withdrawal of the Canadian Task Force from Afghanistan will be the largest logistical mission for the CF since the Korean War. The MT will cease combat operations and redeploy several thousand CF members and materiel worth over \$1.39 billion⁵ from Afghanistan by 31 December 2011.⁶

Efficient execution of such a complex operation relies on detailed planning. The intent of this audit was to provide early input into the MT planning phase, in particular the MT Op Plan that was issued by CEFCOM in July 2010. The MIDD annex to the Op Plan provides the direction on the TFA materiel for the remaining year of combat operations, the stocktaking/consolidation at Kandahar Airfield (KAF), the redeployment to Canada, and the reconstitution of the materiel for future force generation.

Throughout the conduct of the audit, the CRS team worked closely with CEFCOM and CANOSCOM operational planning staff to provide early input to Op plans and cost estimates.⁷ A CRS management letter, dated 5 November 2010, highlighted opportunities to reduce anticipated redeployment costs and issues related to future force readiness. In response, an action plan was provided by the VCDS on 24 November 2010.

Objective

The audit objective was to determine whether governance, risk management and control processes have been adequately considered in the MT planning for TFA materiel.

Scope

The audit scope included the MT planning for TFA materiel, which includes:

- || helicopters and over 1,100 vehicles, including trailers; and
- Over 1,800 sea containers of materiel and tactical infrastructure.

Materiel associated with classified Joint Task Force operations was excluded.

⁵ TFA holdings as recorded in the CFSS and include major combat systems, spares, ammunition, etc.

⁶ The House of Commons motion, 13 March 2008.

⁷ CRS provided over 80 detailed comments on the MIDD and other Op plan annexes on 18 August 2010 and 1 September 2010 to CANOSCOM and CEFCOM. As well, redeployment cost estimates were first observed upon on 23 August 2010. The principal CEFCOM operational planning officer concurred with the redeployment observations on 18 October 2010.



Methodology

- Review of MT-related policies, procedures, Op plans and cost estimates;
- Interviews with key personnel of CEFCOM, CANOSCOM, Director General Land Equipment Program Management (DGLPEM), Chief of the Land Staff (CLS), Director General Materiel Systems and Supply Chain (DGMSSC), Director of Staff, Strategic Joint Staff (DOS SJS), and Chief of Program (C Prog);
- Attendance at the Mission Materiel and Infrastructure Board (MMIB) and TFA Close-out Working Group meetings; and
- Analysis of CFSS holdings, Fleet Management System data, and in-theatre contract spreadsheets.

Criteria

The audit criteria are outlined in [Annex B](#).



Findings and Recommendations

Governance and Planning

More specific and consistent direction is needed to ensure an efficient and economical disposition of TFA materiel.

Accountability

CEFCOM and CANOSCOM established a MMIB in September 2009 with representation from all branches in NDHQ. The MMIB met at least every two months to coordinate MT logistics issues which resulted in the July 2010 MIDD to provide early MT guidance for the disposition and redeployment of centrally and locally managed TFA materiel and infrastructure. The MIDD annex provides direction that has implications for major combat systems, tactical infrastructure, medical resources and readiness for future operations. For the most part, the MIDD will be carried out by the Mission Transition Task Force (MTTF)—the close-out organization in theatre for the last six months of the MT. As the MIDD is intended to be a living document, CRS staff examined the MIDD and made numerous observations⁸ to improve the Op plan.

Good Practices

- MMIB established in September 2009 to provide MT governance;
- Early release of the MT Op Plan in July 2010 with monthly updates;
- Deployment of Liaison and Planning Team to TFA in July 2010; and
- Closure and relocation of the Theatre Support Element, Camp Mirage, in less than 28 days on very short notice.

Information for Decision Making

CM TFA Materiel. More direction regarding the disposition of low-cost CM items is needed. As most CM items will be returned by the air-sea bridge at a cost of \$59.61 per cubic foot, it may be more cost beneficial to buy new items rather than ship some old items back to Canada. As portrayed in Table 1, serial 3, there are 2,644 CM line items worth \$402.8 million where supply managers have not yet done a cost benefit analysis of returning this inventory to Canada.

⁸ CRS provided over 80 detailed comments on the MIDD and other Op plans annexes on 18 August 2010 and 1 September 2010.



Serial	MIDD Guidance	Line Items	Quantity	Value (\$M)
1	For disposal	3,468	1,246,691	\$17.5
2	For return (CM spares)	24,115	689,136	\$79
3	For return – non-serialized CM	2,644	218,644	\$402.8
4	For return (serialized CM)	4,489	267,175	\$630.8
5	Ammunition to be determined	307	5,452,642	\$47.7
6	Class X (loan items)	2	18	\$135
7	To be issued	475	1,934	\$1.2
8	Total with guidance	35,500	7,876,240	\$1,314
9	Without guidance	843	5,126	\$63.3

Table 1. Disposition Breakdown of TFA Holdings. Further direction is needed for the 3,487 line items listed in the highlighted serials 3 and 9 with a total recorded value of \$466.1 million.

For example, there are 617 line items⁹ with a unit price less than \$50. A cost-benefit analysis will help determine whether it is more economical to dispose of and replace rather than return these items to Canada.

Materiel Disposition Guidance. The purpose of the MIDD is to provide guidance for the disposition of materiel by class or type. It was observed that there is no clear guidance for many of the TFA inventory items recorded in the CFSS. As portrayed in Table 1, serial 9, 843 line items¹⁰ with a recorded value of \$63.3 million did not have any disposition guidance.¹¹

Asset Visibility. The Department of National Defence (DND) intends to use bar-coded labels and radio frequency identification (RFID) tags to provide asset visibility for materiel returning to Canada. However, most of the items in theatre do not have bar codes and only 500 RFID tags were available for over 1,800 sea containers. To ensure effective and efficient accounting for assets, priorities should be set according to the materiel type and value.

Milestones. To ensure the MT schedule is not compromised, the MIDD could include more specific milestone dates for the completion of the following:

- The Materiel Optimization Plan to identify dormant, obsolete and surplus materiel to be returned to Canada on re-supply flights prior to July 2011;
- The identification of sensitive materiel that will require direct flight to Canada rather than the air-sea lines of communication;
- The ammunition drawdown from ||||| days of stock; and
- The last RSAT in the close-out phase.

⁹ A list of these line items (quantity of 122,062, worth \$2.08 million) was provided to DGLEPM staff on 17 December 2010.

¹⁰ A list of these line items was provided to CEFCOM and CANOSCOM staff on 30 November 2010.

¹¹ Annex MM to Op Plan 10-001 – MIDD – Operation ATHENA, September 2010.

Inconsistent Direction

Materiel Authorized for Donation. For deployed operations, the ADM(Mat) Interim Disposal Guidance Annex F¹² highlights the classes of materiel to be considered for donation or gratuitous transfer. The specific application of this new disposal policy is not yet reflected in the MIDD. For example, locally managed spares can be considered for donation, yet the MIDD states that all spares are to be returned to Canada. Direction in the MIDD is needed regarding the status of 3,976 additional line items, with a recorded value of \$19.3 million that could be considered for donation.

Disposal Cost-Benefit Analysis Template. This template¹³ was developed for TFA to consider economic and operational factors as to whether an item should return to Canada or not. However, some of these factors were found to be inconsistent to the overall direction:

- The template title implies the item is already surplus while the Op plan Decision Matrix (MIDD Appendix 4, Tab A) specifies that a cost benefit analysis is required solely for assets not declared surplus.
- For low-value items with insufficient quantities to fill a sea container, template users would benefit from knowing the redeployment cost per cubic foot rather than the redeployment cost of a complete sea container.
- Full movement cost estimates per sea container have not been included—only one way versus the round trip shipping costs.

General and Technical Stores. With respect to general and technical stores disposition, all unit-held consumables are to be disposed of. However, warehouse-held general and technical stores consumables with a unit price greater than \$1,000 are to be retained. The MIDD should be more consistent in this matter.

Recommendation

Continue to update the MIDD to improve materiel disposition guidance.

OPI: CANOSCOM

¹² Interim Disposal Guidance, version 7, 22 October 2010.

¹³ MT Op Plan MIDD, Tab B, Appendix 3, July 2010.



- The MIDD requires that surplus and dormant stock be returned to Canada before the cease of combat operations in July 2011. Assuming that 50 percent of a re-supply aircraft load is available for the return of materiel,²⁰ up to 360 sea containers could be moved via return flights to Canada before the mission close-out phase commences in July 2011.²¹ This could reduce redeployment costs by |||
|||||
- Due to the expected lower operational tempo during the close-out phase, the re-supply flights should be able to return an additional 100 sea containers of sensitive materiel directly to Canada. The redeployment cost estimate for this materiel includes ||||| for additional contracted airlift.

Recommendation

In conjunction with ADM(Fin CS), allocate redeployment funding with consideration of the opportunities to reduce anticipated costs.

OPI: VCDS

²⁰ From July to September 2010, on average up to 63 percent of the load on the 50 returning re-supply flights carried materiel. The remaining 37 percent of space carried vehicles beyond repair and personnel.

²¹ The audit team provided a list to CEFCOM in June 2010 of items that had no issues for a one-year period. The list represented 24 percent of the SOH in theatre. As the top priority for TFA supply personnel is operational replenishment, there may be insufficient resources to segregate dormant or surplus stock. However, for the most part, returning re-supply flights were being fully utilized at the time of the audit.



Stocktaking, Supply Accounts Verification and Adjustments

Stocktaking is not risk-based and controls over inventory adjustments are not sufficient.

Materiel Distribution Plans

Prior to turning over the TFA materiel for redeployment or disposal, units are expected to complete a 100-percent stocktaking and to investigate discrepancies. Subsequent to an independent verification by a RSAT, units will transfer their supply accounts to the MTTF materiel production lines to be consolidated into a single supply account at KAF in preparation for redeployment. At the time of audit, there were a few instances when returning materiel was not ready in time to be loaded on the CF re-supply flights. Consequently, contracted airlift was not fully utilized. Such delays could cause an extension of the time for which interim staging areas are in place outside of Afghanistan. Accordingly, redeployment costs will increase.

Good Practices

- Stocktaking of TFA materiel at each six-month rotation identified minor discrepancies of less than one percent of the holdings.
- Simulation of the MTTF materiel production line in Canada will improve efficiency during the MT close-out phase.

Stocktaking and Supply Account Verifications

An independent risk-based stocktaking approach has been used by the RSAT to verify TFA inventory. Every six months an RSAT is deployed to provide an independent risk-based confirmation of the status of materiel accountability²² for rotating TFA units. Based on the results of the inventory counts completed by the TFA units and the RSAT team, inventory records appear to be quite accurate.²³

To increase efficiency, the RSAT used a risk-based approach that resulted in coverage of 92 percent of the value by counting only 6 percent of the line items (see Table 2). During combat operations it is difficult for TFA units to conduct a 100-percent verification of accounts with sufficient rigour prior to the relief in place. TFA units should be encouraged to use a risk-based approach for account verifications where more attention is given to higher-risk materiel while retaining a large coverage of the material value.

²² RSAT Terms of Reference, J4 Ops CEFCOM, 24 March 2010. RSATs are deployed during the rotation, immediately following the unit supply account verifications.

²³ RSAT CF152 Review, 27 February to 26 April 2010.



	Stocktaking Approach			Stocktaking Discrepancies (\$ 000's)		
	Criteria	Coverage in Value	NSNs Counted	Surplus	Deficiency	Absolute
TFA Rotation	<ul style="list-style-type: none"> • 100% • 37,000 NSNs 	\$1.39B	100%	\$4,446	\$3,523	\$7,969
RSAT (risk-based)	<ul style="list-style-type: none"> • Unit price > \$6,000 • Controlled and mandated items 	\$1.29B	6%	\$561	\$2,754	\$3,315
Rotation & RSAT				\$5,007	\$6,277	\$11,284

Table 2. CF152 Report of Write-off. Of the total value of materiel in theatre, the RSAT found less than 0.2 percent additional deficiencies than those reported by the TFA units.

Integrity of Adjustments

Notwithstanding the relatively insignificant discrepancies in Table 2 recorded in CF152 Reports of Write-Off, a large volume of adjustment entries were created to ensure records in the CFSS were consistent with the actual quantities of materiel held. Supply Customer Account (SCA) holdings adjustments were four times their total SOH as portrayed in Table 3. Most adjustments were attributable to ammunition consumption and the installation of inventory on vehicles. However, due to data entry limitations in the CFSS for SCAs, one-third of the adjustments transactions, with a recorded value of \$91.7 million, did not have a reason code to justify the purpose of the adjustment.²⁴ Furthermore, downward adjustments to “Re-identify Stock Code” (“IS” adjusting entries in Table 3) could not be reconciled to the offsetting upward adjusting entries. The absence of reason codes in the CFSS may entail additional effort for the RSAT and the MTTF to verify adjustments to the holdings.

District M901	# of Transactions	Absolute SOH (000's)	Absolute Value (\$M)	Net Value (\$M)
Total SCAs holding end FY 2009/10		1,706	\$1,082	\$1,082
Adjustment transactions FY 2009/10	16,510	7,132	\$225	-\$51.4
“Blank” adjusting entries FY 2009/10	5,411	1,403	\$91.7	\$81.7
“IS” adjusting entries FY 2009/10	825	7.4	\$8.6	-\$8.6

Table 3. SCAs Adjusting Entries. SCAs holding adjustments were four times their SOH—33 percent had no reason code recorded.

²⁴ The CF Supply Manual, reference 3-3B-002, requires reason codes to be completed as a mandatory field for SCA holding adjustments. However, the surplus transaction screen in the CFSS (MSO 129) does not include the reason code field. This explains why 4,891 upward adjustment transactions worth \$86.7 million had no reason code.

Recommendation

Implement a more risk-based stocktaking approach to improve efficiency and provide assurance on the amount of materiel to be repatriated.

OPI: CANOSCOM



Delegation of Authority

Write-off and materiel condemnation thresholds do not reflect historical cost escalation.

The authority to write off²⁵ inventory is delegated to an approving authority within the chain of command responsible for the materiel. Effective delegation thresholds empower decision making and increases organizational efficiency. In spite of the high tempo of supply activity in a theatre of operations, the write-off authorities are the same as for peace-time operations in Canada. A previous CRS audit²⁶ recommended higher write-off thresholds for deployed operations.

Good Practices

- ADM(Mat) disposal cell will be in theatre to authorize and expedite the disposal process.
- Delegated contracting authority is higher for TFA.

Delegation to Write-off Materiel

The current write-off authority thresholds have been in place since at least 1997. Using the DND economic cost escalation model,²⁷ the equivalent budget year dollar (BY\$) write-off threshold of \$40,000 for a Commanding Officer is \$52,301 as portrayed in Table 4.²⁸ If the escalated thresholds had been applied to the CF152s Reports of Write-off raised by the RSAT between 27 February and 26 April 2010, the number of stocktaking write-offs that required higher approval could have been reduced by 16 percent.

It is the intention of ADM(Mat) to increase the delegated write-off authority by approximately 500 percent. As the original date of the current write-off thresholds is unknown, a 1972 baseline was used—the last date when delegated procurement authority was established. The historical cost escalation was based on a United States cost-of-living index. A comparison by CRS with the DND historical economic model and the Canadian consumer price index back to 1972 had similar results (see Table 4). Although changes to the write-off thresholds may not be authorized in time for the MT, all units and formations in Canada and future deployed operations should benefit from a more efficient process.

²⁵ DAOD 006-1, Write-Off of Materiel, 26 February 2003.

²⁶ CRS Internal Audit of Support to Deployed Operations, August 2002.

²⁷ Escalation based on historical Defence Service Program rates, except for FY 2010/11 for which a forecasted rate was used; ADM(Fin CS) publications.

²⁸ Document on Delegation of Authorities for Financial Administration, Annex A, ADM(Fin CS), 1997.



Position	1997 and Current Authority to Write Off	Escalation Based on the DND Economic Model from FY 1997/98 to FY 2010/11 BY\$	Escalation Based on the DND Economic Model from 1972 to FY 2010/11 BY\$	ADM(Mat) Proposed Authority to Write Off
CEFCOM Commander	\$500,000	\$653,758	\$2,556,239	\$2,000,000
CEFCOM Chief of Staff Operations	\$100,000	\$130,752	\$511,248	\$500,000
Contingent Commander	\$100,000	\$130,752	\$511,248	\$500,000
Commanding Officer	\$40,000	\$52,301	\$204,499	\$250,000

Table 4. Current and Escalated Delegation of Authority to Write Off Materiel. Since 1997 current thresholds should have grown by at least 30 percent based on the DND historical escalation rates.

Land Technical Equipment Condemnation for TFA

Similar to write-off delegation, the land technical equipment condemnation authority²⁹ threshold of \$2,000 has also remained static since at least 1989. TFA land technical equipment with a unit price less than \$2,000 has a total recorded value of \$111 million and represents 10 percent of the SOH in theatre. Delays in condemnation authority could result in the repatriation of materiel that is uneconomical to repair.

Condemnation of materiel is a separate process from materiel write-off and does not require a CF152 Report of Write-off. The current policy delegates the authority to condemn land technical equipment to the base, wing or task force maintenance officer in cases when the current replacement value does not exceed \$2,000. Otherwise, the condemnation authority is elevated to the life cycle materiel manager at NDHQ.

To reflect the 64-percent cost escalation since 1989, the threshold should be \$3,287. As the current threshold exists for each CF base and wing in Canada, an escalation adjustment would have efficiency benefits Department-wide.

Recommendation

Increase current delegation of authority for write-off and condemnation thresholds that will align with historical escalation with due consideration for deployed operations.

OPI: ADM(Mat)

²⁹ C-04-025-002/AG-000 Management Procedures and Guidelines—Condemnation of Land Technical Equipment by Base/Station Land Maintenance Sections and Maintenance Companies, DND, 7 April 1989.

- Historically, the Support to Deployed Operations Account, designed to reimburse DND for actual costs incurred, has been under-funded by 30 percent or \$1.4 billion over four years. CRS was advised that this shortfall in funding for army equipment maintenance has resulted in ||| of the vehicles in one of the army formations in Canada to be unserviceable.³²

Force Structure Planning

In February 2010, DOS SJS intended to have C Prog determine the affordability of an optimum force structure for 2011 onward based on a draft Chief of the Defence Staff (CDS) directive on CF force structure.³³ As future readiness planning is an iterative process, in November 2010 a revised draft CDS force structure was promulgated ||| The requirement to provide a breakdown of the C Prog affordability cost estimate for each capability was not specified by DOS SJS.

The affordability of a high-readiness force structure should include costs of equipment sustainment, and collective training. Should it be necessary to add additional units or subunits to the two Lines of Operations core packages, the detailed costs should be known to determine the affordability. This would enable a flexible approach to force structure planning to build affordable organizations that may be tailored to the operational requirements of a particular scenario.

Recommendation

Ensure that the readiness affordability estimates of a proposed force structure include detailed information to enable more flexible readiness planning.
OPI: DOS SJS

³² |||
³³ 3350-1 (Plans Expeditionary 1) 11 February 2010 CDS Directive—CF Force Posture, July 2011.

2. List of Non-catalogued Items/Equipment Update

Status: Open

CRS Assessment: Risk that non-catalogued items create significant work for the MTF, |||

3. Disposal Authorities/CH-147 Disposal/Write-offs/Declaration of Disposal Process for Non-surplus

Status: Open

CRS Assessment: Risk that value for money for CH147 assets is not received; risk that valuation method used to assess cost-benefit is either too complicated and/or does not result in value for money.

Contingency Plans

Although the MMIB Infrastructure Working Group is examining the issue of permanent infrastructure disposal, the risk of unexpected costs should be assessed and managed accordingly. The intent is to dispose of all permanent infrastructure “as is.” However, the MIDD requires infrastructure demolition if agreement with a new tenant cannot be reached.

To date there has been little interest in the Canadian-built infrastructure and no formal contingency plans have been developed. MT cost estimates do not include any demolition funding, which could be as high as |||³⁷ |||

Recommendation

Improve risk management practices to align with the DND IRM guidelines.

OPI: CANOSCOM/CEFCOM

³⁷ Calculation based on a benchmark of average demolition cost per square foot of infrastructure in Canada (excludes hazardous materiel removal).



Annex A—Management Action Plan

Governance and Planning

CRS Recommendation

1. Continue to update the MIDD to improve materiel disposition guidance.

Management Action

Following the initial management letter from CRS in November 2010, several measures have been taken so that the MIDD can better reflect what actions are to be taken for the materiel held in the TFA district. Recently, there have been 12 significant amendments to four of the MIDD appendices. The ADM(Mat) Disposal Directive has been incorporated in the MIDD—the cornerstone of the MT approval processes for materiel and equipment disposal. More specific direction has been given on 6,757 line items of locally managed (LM)/procured materiel, worth \$21.7 million, of which most will be disposed in theatre. A cost benefit analysis will confirm the Environmental Chiefs of Staff's interest for the small percentage of LM that may be returned to Canada. With respect to CM consumable material, CANOSCOM has initiated efforts to obtain the Equipment Project Managers disposition prior to the MTTF entering theatre in order to reduce the volume of MTTF CF 1303s.³⁸

OPI: CANOSCOM

Target Date: April 2011

Mission Transition Cost Estimates

CRS Recommendation

2. In conjunction with ADM(Fin CS), allocate redeployment funding with consideration of the opportunities to reduce anticipated costs.

Management Action

With more detailed planning information, the estimates have been reduced by 35.6 percent from the original Close-out, Redeployment and Reconstitution cost estimate submitted to the government in December 2010. Most of the cost avoidance has been due to a reduced number of vehicles and sea containers returning to Canada than originally planned, the use of ||| when possible, greater use of CF airlift, and optimizing the use of resupply flights.

OPI: VCDS/DDSM

Target Date: Complete

³⁸ A CF 1303 is a certificate to authorize the disposal of assets by the supply manager.

Stocktaking, Supply Accounts Verification and Adjustments

CRS Recommendation

3. Implement a more risk-based stocktaking approach to improve efficiency and provide assurance on the amount of materiel to be repatriated.

Management Action

The RSAT will continue with a risk-based approach; however, the challenge resides in the TFA unit accounts verification performed in theatre prior to the RSAT's independent inspection. The high operational tempo combined with the nature of tasks performed in Kandahar cannot be overlooked and will undoubtedly be reflected over the theatre account holdings. Success will reside in a continuous and rigorous supply discipline that shall be applied by all stakeholders.

OPI: CANOSCOM

Target Date: May 2011

Delegation of Authority

CRS Recommendation

4. Increase current delegation of authority for write-off and condemnation thresholds that will align with historical escalation with due consideration for deployed operations.

Management Action

Increased write-off thresholds in the delegation of authority for financial administration were calculated and forwarded to ADM(Fin CS) for submission to the Departmental Senior Executive for approval in January 2011.

OPI: ADM(Mat)/DMPP

Target Date: Closed



Readiness Planning

CRS Recommendation

5. Ensure that the readiness affordability estimates of a proposed force structure include detailed information to enable more flexible readiness planning.

Management Action

As requested by DOS SJS, detailed costing of the proposed directive “CF Force Posture July 2011” is required as soon as possible.

OPI: DOS SJS/DPE

Target Date: Ongoing

Risk Management

CRS Recommendation

6. Improve risk management practices to align with the DND IRM guidelines.

Management Action

CEFCOM’s register of operational risks for MT will be reviewed to align with the DND IRM Framework. For upcoming MMIBs, the longer-term issues will be treated as risk with the appropriate assessment of impact and probability of each risk by all working group chairs. CH-147 Chinook disposal plans, infrastructure disposal and materiel cataloguing are examples of such issues to be better defined as risks along with mitigation.

OPI: CANOSCOM/CEFCOM

Target Date: April 2011



Annex B—Audit Criteria

Objective

To determine whether adequate governance, risk management and control processes are considered in the planning for the recovery and reconstitution of materiel deployed in Afghanistan.

Criteria Assessment

Level 1 (Satisfactory); Level 2 (Needs Minor Improvement); Level 3 (Needs Moderate Improvement); Level 4 (Needs Significant Improvement); Level 5 (Unsatisfactory).

Governance

1. **Criteria.** Effective governance is in place to ensure roles and responsibilities are clearly defined, decisions are made in a timely manner, approval thresholds are reasonable and risk-based.

Assessment: Level 3—Certain guidance in the MT Op Plan MIDD annex was incomplete or inconsistent with the overall plan. The delegation of authorities for write-off and for land technical equipment condemnation does not reflect historical cost escalation. |||

Risk Management

2. **Criteria.** A formal risk management process is in place.

Assessment: Level 3—Longer-term risks were not adequately identified in a risk register and assessed in accordance with the DND IRM guidelines.

Option Analysis

3. **Criteria.** Sufficient options analysis was conducted with supportable cost assumptions for recovery and reconstitution.

Assessment: Level 3—Redeployment implementation should have opportunities to reduce anticipated costs. ||| (briefed).



Safeguarding of Assets

4. **Criteria.** Accountability, visibility and safeguarding of assets are sufficiently risk-based.

Assessment: Level 3—Approaches to stocktaking and adjustments were not sufficiently risk-based to ensure accountability and efficient repatriation of materiel.

