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**OIG**

**Office of Inspector General**

U.S. Department of State • Broadcasting Board of Governors

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AUD-SI-18-59

Office of Audits

September 2018

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# **Audit of the Department of State's Administration of its Aviation Program**

SECURITY AND INTELLIGENCE DIVISION

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# OIG HIGHLIGHTS

AUD-SI-18-59

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OFFICE OF AUDITS

Security and Intelligence Division

## Audit of the Department of State's Administration of its Aviation Program

### What OIG Audited

The Department of State (Department) created its aviation program in 1976 to support narcotics interdiction and drug crop eradication programs. The program has since grown to a fleet of 206 aircraft and includes transportation services for chief of mission personnel. Within the Department, the Aviation Governing Board (AGB) is responsible for providing oversight of aviation activities. In addition, the Bureau of International Narcotics and Law Enforcement Affairs, Office of Aviation (INL/A), is the aviation service provider in support of counter-narcotics, law enforcement, and overseas missions operations.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department is administering its aviation program, including key internal controls related to aviation asset accountability, aviation asset disposal, and aircraft operations and maintenance, in accordance with Federal requirements and Department guidelines.

### What OIG Recommends

OIG made 25 recommendations to address the deficiencies identified in the aviation program. On the basis of the Department's responses to a draft of this report, OIG considers 2 recommendations closed, 22 recommendations resolved pending further action, and 1 recommendation unresolved. A synopsis of management's comments regarding the recommendations and OIG's reply follow each recommendation in the Audit Results section of this report. Management's responses to a draft of this report are reprinted in their entirety in Appendices B through F.

### What OIG Found

The Department is not consistently administering its aviation program in accordance with Federal requirements or Department guidelines. Specifically, OIG found instances in which significant aviation operations were undertaken without the knowledge or approval of the AGB, which is required by Department policy. In addition, the AGB is not fulfilling its responsibilities to evaluate the usage and cost effectiveness of aircraft services, as required by Office of Management and Budget Circulars and Department guidance. Furthermore, INL administered country-specific aviation programs differently depending on whether a post used the worldwide aviation support services contract. As a result of limited AGB oversight and the absence of evaluations to determine the appropriate usage and cost effectiveness of the Department's aircraft operations worldwide, the Department is not optimally managing aviation resources and spent \$72 million on unnecessary services from September 2013 to August 2017.

OIG also found that INL did not fully maintain sufficient accountability over aircraft equipment, and OIG identified deficiencies related to accounting for aviation assets. In addition, Department aviation assets were not always disposed of in accordance with Department requirements, which resulted in more than \$8 million in funds that could be put to better use. OIG determined that the underlying cause of these deficiencies typically involved a lack of procedures and guidance to effectuate compliance. Until INL/A improves in these areas, aviation assets will be at risk for fraud, waste, and abuse.

OIG found that INL/A had sufficient oversight mechanisms in place related to the operations and maintenance of aircraft at the locations tested. However, INL's goal of increasing the institutional capability of host nations to eventually operate certain aviation programs without INL support remains elusive. Efforts to nationalize these aviation programs have faltered primarily because transition plans, including benchmarks, have not been developed and executed with the host countries. Until these plans are implemented, INL will be unable to fully assess and address the obstacles hindering the realization of this fundamental foreign assistance goal.

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) is administering its aviation program, including key internal controls related to aviation asset accountability, aviation asset disposal, and aircraft operations and maintenance, in accordance with Federal requirements and Department guidelines.

## BACKGROUND

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The Department's aviation program was created in 1976 to support narcotics interdiction and drug crop eradication programs. The aviation program has since grown to a fleet of 206 aircraft and aviation operations that extend from South America to Asia and include transportation services for chief of mission personnel. In 2016, the Government Accountability Office (GAO) reported that the Department owned more aircraft than any other non-military agency and was one of three agencies with the most "non-operational" aircraft.<sup>1</sup> At the time of GAO's analysis, the Department had 248 aircraft; the Department has since decreased that number to 206.<sup>2</sup> As shown in Figure 1, as of January 2018, the aircraft inventory included airplanes (fixed-wing), helicopters (rotary-wing), and unmanned aircraft.<sup>3</sup>

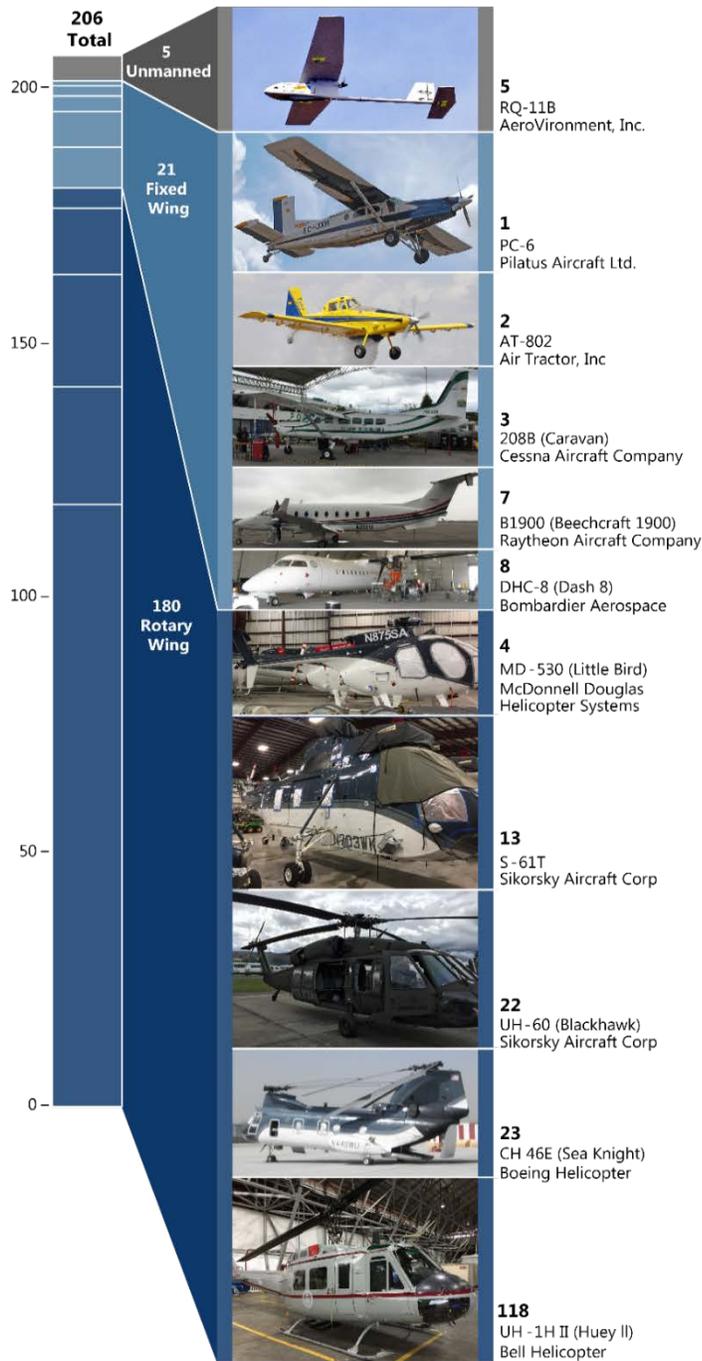
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<sup>1</sup> GAO, *Reported Inventory, Use and Cost of Federally Owned Aircraft*, (GAO-17-73R, October 2016). Agencies consider an aircraft to be non-operational when it cannot economically be returned to airworthiness. Non-operational aircraft can be used for parts, put on display, or destroyed.

<sup>2</sup> The Department disposed of non-essential aircraft inventory to reduce storage costs and, in the case of sales, to return funds to be used for future modernization purposes. Most of the decrease, however, was related to non-operational aircraft.

<sup>3</sup> The official inventory record for the Department is held within the Asset Management module of the Integrated Logistics Management System.

Figure 1: Summary of Department-Owned Aircraft Models as of January 2018



\* For purposes of consolidation, OIG combined the following into UH-1H II: UH-1H(A), UH-1 (ST), UH-1H, UH-1V, UH-1H(S) and UH-1H(T).  
**Source:** OIG generated from OIG photographs and from information obtained from the Integrated Logistics Management System.

As of January 2018, the Department had aviation operating bases overseas in five countries—Colombia, Peru, Panama, Afghanistan, and Iraq—and a support base at Patrick Air Force Base located in Melbourne, FL. The Department closed aviation programs in Cyprus and Pakistan during 2017. The Department plans to re-open an operating base in Guatemala. In addition, the Department has two dedicated chartered aircraft located in Cartersville, GA, and Nairobi, Kenya.

### Department Aviation Program Roles and Responsibilities

According to the Department’s Foreign Affairs Manual (FAM), the Department’s policy for managing aircraft is to “acquire, manage, and dispose of aircraft owned or leased by the Department safely, efficiently and effectively.”<sup>4</sup> The Department’s Aviation Governing Board (AGB) is responsible for providing oversight of aviation activities, including approving policies, budgets, and strategic plans.<sup>5</sup> The AGB was established in 2011. It is chaired by the Assistant Secretary of the Bureau of International Narcotics and Law Enforcement Affairs (INL) and has three other voting members—the Assistant Secretaries (or designees) from the Bureaus of Diplomatic Security, South and Central Asian Affairs, and Near Eastern Affairs.

<sup>4</sup> 2 FAM 811, “Policy.”

<sup>5</sup> According to the “INL Aviation Program Policies and Procedures Handbook,” the Aviation Strategic Plan is developed annually and addresses all aviation programs that support the various operational plans, policies, and priorities pertaining to INL and the Department. It may include long-term goals covering a 5-year period, objectives for program nationalization, and schedule and resource implications.

The AGB also has a number of non-voting members, including representatives from INL's Office of Aviation (INL/A), the Office of Foreign Assistance Resources, the Bureau of Budget and Planning, and the Bureau of Administration.

INL/A is the aviation service provider for U.S. Government-owned or -leased operational, piloted aircraft within the Department, providing aviation expertise and resources in support of counter-narcotics, law enforcement, and overseas missions operations.<sup>6</sup> INL/A is also charged with ensuring the Department complies with the provisions of various other Federal aviation requirements, such as Office of Management and Budget (OMB) Circulars A-126,<sup>7</sup> A-76,<sup>8</sup> A-11,<sup>9</sup> and A-94<sup>10</sup> and Volume 41 of the Code of Federal Regulations (C.F.R.) §102-33.<sup>11</sup> INL/A developed the "INL/A Program Directive" and the "INL Aviation Program Policies and Procedures Handbook" to implement applicable OMB circulars and C.F.R. regulations. These two policies form the Department's Flight Program Standards.<sup>12</sup>

The Department's Senior Aviation Management Official, who is also the INL/A Director, is the agency's primary member of the Interagency Committee for Aviation Policy<sup>13</sup> and is responsible for ensuring the Department's internal policies and procedures are consistent with aviation management requirements in OMB circulars and the C.F.R. The Senior Aviation Management Official also serves as the Airworthiness Determination Official for all Department-owned aircraft.<sup>14</sup>

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<sup>6</sup> 1 FAM 532.5, "Office of Aviation (INL/A)."

<sup>7</sup> OMB Circular A-126, "Improving the Management and Use of Government Aircraft."

<sup>8</sup> OMB Circular A-76, "Performance of Commercial Activities."

<sup>9</sup> OMB Circular A-11, "Preparation, Submission, and Execution of the Budget."

<sup>10</sup> OMB Circular A-94, "Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs."

<sup>11</sup> 41 C.F.R. §102-33, "Management of Government Aircraft."

<sup>12</sup> According to 2 FAM 816.2, "Flight Program Standards," INL/A is responsible for establishing flight program standards for manned aircraft, including Commercial Aviation Services contracts. The flight program standards include policies and procedures for flight program management, operations, maintenance, training, and safety. The Flight Program Standards must be developed not only for INL-owned and -supported aircraft, but also for Commercial Aviation Services arrangements, and must meet or exceed applicable civil or military rules. When civil or military rules are not applicable, risk management techniques must be used to develop flight program standards. Standards must address all aspects of the program, e.g., uncertificated aircraft, high-risk operations, and special personnel requirements that may not be addressed under the rules for civil aircraft in the Federal Aviation Regulations (14 C.F.R. Chapter I, "Federal Aviation Administration, Department of Transportation").

<sup>13</sup> The General Services Administration (GSA) established the Interagency Committee for Aviation Policy to promote sound policy and foster the highest aviation standards. The Committee includes aviation leaders from across the Government who coordinate and advise GSA on developing robust policy.

<sup>14</sup> 2 FAM 815.2, "Senior Aviation Management Official." The policy also designates the Senior Aviation Management Official as responsible for certifying the Department's submission to the Federal Aviation Interactive Reporting System and appointing representatives of the agency as members of the Interagency Committee for Aviation Policy subcommittees. The INL/A Program Directive further delineates responsibilities, such as serving as the Safety Accountable Executive, approving new contract requirements, and exercising decision authority over financial expenditures.

INL/A consists of approximately 60 Civil Service personnel and 13 personal services contractors. To carry out the Department's aircraft operations, maintenance, and logistics for the country-specific aviation programs, INL/A administers and oversees a worldwide aviation support services contract that provides a contract workforce of more than 1,500 personnel. According to an INL/A official, starting November 1, 2017, DynCorp International began its fifth extension of a \$4.9 billion worldwide aviation services contract.<sup>15</sup>

At overseas locations where INL/A operates, a Senior Aviation Advisor (SAA) is assigned as INL/A's in-country representative. The SAA is responsible for implementing and directing the country-specific aviation program as well as overseeing aviation assets under INL/A's control. The SAA is designated as a Government Technical Monitor (GTM) for the worldwide aviation support services contract and is responsible for monitoring and evaluating contractor performance in all aviation functional areas. The SAA also provides direction to the contractor in coordination with the Contracting Officer's Representative (COR). The SAA reports to the INL/A Operations Director. In Peru and Panama, the SAAs work under the direct supervision of the in-country INL Director. In Afghanistan and Iraq, the SAAs report to the Deputy Chief of Mission through the Management Counselor. INL/A also hires personal services contractors as in-country aviation advisors who report to the SAA; the personal services contractors oversee operations, training, safety, logistics, and maintenance and are also designated as GTMs for the DynCorp contract.

## Aviation Program Funding

Aviation assets and activities are funded through various sources, mainly using the International Narcotics Control and Law Enforcement appropriation and the Diplomatic and Consular Program appropriation. Funding from the Diplomatic and Consular Program appropriation is from the Aviation Working Capital Fund (AWCF).<sup>16</sup> INL/A has a yearly budget of approximately \$43 million, primarily to perform administrative duties and to fund the Department's Critical Flight Safety Program.<sup>17</sup> Additional funding is provided for country-specific programs. The

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<sup>15</sup> In November 2017, a Federal court upheld a Department award of an 11-year, \$10 billion contract to AAR Airlift Group, Inc., for worldwide aviation support services. Therefore, DynCorp International will cease to be the main service provider for aviation services to the Department after a transition period of approximately 1 year.

<sup>16</sup> The AWCF was established in 2011, in accordance with 22 U.S. Code § 2684, to fund acquisitions, maintenance, and operations applicable to selected groups of Department-owned aircraft. This decision was intended to allow the Department to consolidate and support general air transportation services, especially in Iraq and Afghanistan, as well as emerging contingencies, and to use Department aircraft at those posts more effectively. The AWCF cost center was developed to allow customers to access air transportation to support programs and activities in high-threat environments and to distribute costs according to usage. The AWCF facilitates management of certain aircraft that are owned or leased by the Department as one consolidated fleet rather than as a series of segregated, mission-specific fleets. The AWCF is funded through reimbursements from users of the aircraft.

<sup>17</sup> The Critical Flight Safety Program is a multi-year program for modernizing the INL air fleet and providing safety upgrades and programmed depot-level maintenance. The Program was established to address the declining condition of aging aircraft (primarily former military aircraft for which no commercial or military support was available) to ensure safety and airworthiness, extend service life, and maximize reliability and availability of aircraft to perform essential missions.

Department's aircraft can be used for many types of missions, which vary by location, and may include support for manual drug eradication, interdiction, reconnaissance, surveillance, command and control, medical evacuation, transportation of personnel or cargo, or other functions.<sup>18</sup> As shown in Table 1, the Department budgeted \$480 million for its aviation country programs in FY 2017.

**Table 1: Description of Country-Specific Aviation Programs and Approximate FY 2017 Funding**

<b>Aircraft Location</b>	<b>Program Description</b>	<b>FY 2017 Funding</b>
Iraq	Provides safe and secure travel for chief of mission (COM) and non-COM personnel or cargo for diplomatic, development, law enforcement, and field support for U.S. embassy operations.	\$183,777,818
Afghanistan	Provides safe and secure travel for COM and non-COM personnel or cargo for diplomatic, development, law enforcement, and field support for U.S. embassy operations.	\$165,716,468
Colombia	Provides logistical support, operational support, maintenance, and training to the Colombian National Police Aviation Service (ARAVI) so it can perform counter-narcotics, humanitarian, and general support missions.	\$55,000,000
Pakistan <sup>1</sup>	Provided aviation support to the Government of Pakistan to strengthen capabilities to combat terrorism; human trafficking; money laundering; corruption; and the smuggling of narcotics, goods, arms, and ammunition.	\$23,380,975
Cyprus <sup>1</sup>	Provided the Department a regional contingency capability with a focus on air bridge support to Embassy Beirut and assisted in the transportation and (if needed) the evacuation of COM personnel from the embassy.	\$18,438,335
Peru	Provides aviation support to the Government of Peru for eradication, interdiction, and law enforcement.	\$17,125,422
Panama	Provides aviation support to the Government of Panama to conduct aviation-supported law enforcement operations against drug trafficking and criminal activities.	\$12,500,000
Guatemala <sup>2</sup>	Will increase the Government of Guatemala's institutional capability to provide aviation support for eradication, interdiction, and law enforcement.	\$3,158,573
<b>Total</b>		<b>\$479,097,591</b>

<sup>1</sup> Operating base was closed during 2017.

<sup>2</sup> Operating base is preparing to open in 2018.

**Source:** OIG generated from information obtained from INL. OIG used multiple sources for the budgetary information, and therefore it is approximate in nature and for background purposes only.

<sup>18</sup> INL/A, Functional Program Plan 2016 – 2020, "INL Aviation Program Overview."

## Overview of the Aviation Asset Life Cycle

The basic life cycle of a Department aviation asset includes acquisition, operational use, maintenance, and disposal.

### *Acquiring Aviation Assets*

INL, through its own contracting office and the Department's Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, and occasionally the Department of Defense, procures all aircraft for the Department, including that funded by other bureaus.<sup>19</sup> INL procures both rotary aircraft and fixed-wing aircraft for its fleet. The FAM states that the AGB must approve all acquisitions and, in planning for the acquisitions, the AGB must evaluate the benefits and costs of all options to arrive at the most effective arrangement possible.<sup>20</sup>

### *Aviation Operations, Training, and Safety Management*



**Figure 2:** Example of safety equipment at INL/A country-specific aviation program forward operating location.

**Source:** OIG photograph taken on August 9, 2017, in Nicanor, Panama.

Although operational control of the aircraft assets falls under COM authority,<sup>21</sup> INL/A is responsible for overseeing procedures governing maintenance, logistics, safety, and operational standards for the Department's entire fleet.<sup>22</sup> As of January 2018, INL/A provided aviation support to aviation programs in Afghanistan, Iraq, Peru, and Panama.<sup>23,24</sup> In some locations, a host government institution conducts operations with and maintains Department-owned aircraft with

<sup>19</sup> "INL Aviation Program Policies and Procedures Handbook," 2015, Section 6, "Acquisition/Procurement Process." INL/A officials stated that, although some aircraft are competitively purchased, most are acquired from the Department of Defense at little to no cost through the GSA excess property process.

<sup>20</sup> 2 FAM 816.1-1, "Planning" and 2 FAM 816.1-2(A), "Conditions Under Which Official Business Aircraft Can Be Purchased."

<sup>21</sup> This is the authority to direct, supervise, and coordinate all U.S. Government executive branch employees in the COM country or area of responsibility. This authority also places the COM in charge of all Executive Branch activities and operations in the Mission.

<sup>22</sup> "INL Aviation Program Policies and Procedures Handbook," 2015, Section 1.2, "Background on INL Aviation Support Programs."

<sup>23</sup> INL/A, Functional Program Plan 2016–2020, "INL Aviation Program Overview."

<sup>24</sup> INL officials stated that Embassy Bogota independently managed the aerial interdiction program in Colombia; however, officials also stated that INL/A was still responsible for the airworthiness of the Department-owned aircraft in Colombia.

assistance and support from INL/A's contractor; however, in other locations the aviation operation is run solely by the contractor.<sup>25</sup>

INL/A has established overarching policies related to operations, training, and safety, and each INL country-specific aviation program is required to establish supplemental policies and procedures to dictate operations, training, and safety for its respective country. For example, each INL country-specific aviation program must establish basic qualifications and currency requirements for pilots and other crewmembers, limitations on duty and flight time, procedures for the creation of flight manifests and complete weight and balance computations, and emergency procedures and equipment for specific missions. INL country-specific aviation programs are also required to establish initial, advanced, and recurrent instructional programs to train U.S. Government, contractor, and host nation rated and non-rated flight and ground support personnel.<sup>26</sup> These instructional programs are supposed to qualify and train the individual in the operational skills relevant to the types of operations conducted. This training should be performed in accordance with an approved training plan accepted by INL/A. In regard to safety, each aviation country program must establish a documented safety program that includes a qualified safety manager, implementation of a risk management program, and an accident prevention program.

### ***Aviation Maintenance and Logistics***

The largest cost for Federal aircraft, aside from acquisition, is maintenance.<sup>27</sup> All operational aircraft are required to be maintained in an airworthy condition, and the Senior Aviation Management Official is the airworthiness authority for all Department-owned aircraft.<sup>28</sup> According to the FAM, INL/A must establish procedures to monitor and comply with multiple military, Federal Aviation Administration, and manufacturer maintenance notices and directives and record and track maintenance actions, inspections, and flight hours for each aircraft.<sup>29</sup> INL's "Aviation Program Policies and Procedures Handbook" states that an aircraft maintenance and inspection program must be established internally or by contract.<sup>30</sup> The INL/A maintenance management program has two essential components—field-level maintenance and programmed depot maintenance (PDM). Field-level maintenance generally includes daily and

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<sup>25</sup> INL/A, Functional Program Plan 2016–2020, "INL Aviation Program Overview."

<sup>26</sup> Rated crewmembers are the pilot, co-pilot, unit trainer, instructor pilot, and maintenance test pilot. Non-rated crewmembers are the aerial observer, crew chief, flight engineer, gunner, flight instructor, standardization instructor, load master, passenger support specialist, and medical support personnel.

<sup>27</sup> GAO-17-73R, October 31, 2016.

<sup>28</sup> "INL Aviation Program Policies and Procedures Handbook," 2015, Section 10.4, "Aircraft Maintenance Standards." Moreover, according to 41 C.F.R. § 102-33.360, civil aircraft must have a valid airworthiness certificate to operate in U.S. airspace. The aircraft must conform to Federal Aviation Administration requirements for it to be eligible for a standard airworthiness certificate.

<sup>29</sup> 2 FAM 816.2-2.

<sup>30</sup> "INL Aviation Program Policies and Procedures Handbook," 2015.

routine maintenance, which is performed by contractor or host nation personnel.<sup>31</sup> Some INL country-specific aviation programs also have a "phase inspection" program, which includes more extensive maintenance than daily and routine maintenance and is also performed in country. OIG noted instances in which this program took more than 5 months to complete. PDM involves maintenance activities requiring skills, equipment, and facilities not normally possessed by in-country operating locations; therefore, specialized contractors in other locations in the United States perform this work. INL/A policy requires that each aircraft in the active inventory undergo PDM on a recurring 5-year cycle.<sup>32</sup>

According to the "INL/A Program Directive," to have an effective maintenance program and operable aircraft, logistics is a key component. Quick, effective, and well-coordinated logistics responses to requirements are crucial to ensuring mission success. Logistics management includes parts and equipment procurement, property management, shipping and receiving, inventory usage and control, warehousing and disposition, base support (i.e., ground services, janitorial support, and facilities maintenance), and support services such as fuel operations.<sup>33</sup>

### ***Disposal and Storage of Non-Operational Aviation Assets***

According to the "INL Aviation Program Policies and Procedures Handbook," aircraft may be disposed of through sale or transfer to other agencies or to other foreign governments, in compliance with the Federal Acquisition Regulation. According to INL/A guidance, all aircraft data plates<sup>34</sup> must be forwarded to INL/A for disposal and documentation of disposition must be updated in the Integrated Logistics Management System (ILMS).<sup>35</sup> Military aircraft must be demilitarized before being disposed of in any fashion, which means the aircraft must be stripped of sensitive items. The INL/A Patrick Air Force Base logistics team generally handles the administrative piece of the disposal process, although contractors perform the actual destruction. The disposals occur both domestically and abroad. The aircraft is either physically destroyed or sold to other U.S. Government agencies, corporations, or private citizens. When aircraft are sold, INL/A works with the General Services Administration (GSA) to administer the sale in accordance with Federal regulations. In general, GSA auctions aircraft and takes a 6-

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<sup>31</sup> Host nation personnel typically includes police or military forces.

<sup>32</sup> 2 FAM 816.1-2(E), "Requirement for Five-Year Reviews."

<sup>33</sup> INL/A Program Directive, Section 5, Chapter 2 "Logistics Management."

<sup>34</sup> Aircraft data plates contain all the vital information about an aircraft. Typically made of metal, aircraft data plates are etched with registration information such as the date of manufacture, model number, serial number, and registration number. The Federal Aviation Administration requires that all aircraft have a data plate. Specific regulatory requirements are found in 14 C.F.R., Part 45, "Identification and Registration Marking."

<sup>35</sup> "INL Aviation Program Policies and Procedures Handbook," 2015, Section 10.2, "INL Aircraft Inventory," and Section 10.9 "Disposal of Aircraft."

percent fee from the sale price. The remaining amount is known as proceeds of sale, which the Department can use to purchase replacement property.<sup>36</sup>

## AUDIT RESULTS

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### **Finding A: The Department of State Is Not Consistently Administering its Aviation Program in Accordance With Federal Requirements or Department Guidelines**

The Department is not consistently administering its aviation program in accordance with Federal requirements or Department guidelines. OIG found that significant aviation activities were undertaken without the knowledge or approval of the AGB, which is required by Department policy.<sup>37</sup> For example, an air shuttle service for Department employees from Kenya to Somalia was initiated in October 2017 by expanding an existing medical evacuation contract without AGB approval.

OIG also found that the AGB does not always evaluate the usage and cost effectiveness of aircraft services, which is required by OMB Circulars A-126 and A-94 and Department guidance.<sup>38</sup> Specifically, for more than 3 years, the Department maintained a substantial regional aviation base in Cyprus without conducting a cost-benefit analysis to determine the aviation capacity needed or the appropriate resource allocation to support the mission.

As the Department's aviation provider and coordinator for all aviation services, INL/A developed a number of policies and procedures that prescribe an oversight framework to meet both Federal and Department requirements for Government aviation programs. OIG found that INL had implemented the prescribed oversight framework in Panama, Iraq, and Afghanistan, but not in Colombia or fully in Peru. Specifically, OIG found differences in how INL administered country-specific aviation programs depending on whether the post used the worldwide aviation support services contract. For example, INL/A did not perform regular inspections of aviation programs or review contractor invoices for posts that did not use the worldwide aviation contract.

The administrative deficiencies identified occurred for several reasons. First, the AGB has not adequately exercised its oversight role. The AGB voting process appears to be merely a

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<sup>36</sup> 40 United States Code 503, "Exchange or sale of similar items," and the related GSA regulations (41 C.F.R. 102-39.80). Proceeds from the sale of personal property are available for obligation only during the fiscal year in which the property was sold and for 1 full fiscal year thereafter. Volume 4 of the Foreign Affairs Handbook in 3 H-327.3, "Use of Proceeds," states: To make maximum use of available resources, proceeds of sale of Department personal property may be applied to a different program or activity within the Department, including to other regional bureaus, offices, or appropriations, as long as the proceeds are used only for the purchase of replacement property. However, most regional and functional bureaus allot the funds for personal property to the post or organization that generated the proceeds.

<sup>37</sup> 2 FAM 815.1, "Aviation Governing Board."

<sup>38</sup> OMB Circular A-126, § 14; OMB Circular A-94, § 4; and 2 FAM 816.1-2(E), "Requirement for Five-Year Reviews."

formality, and often votes are not taken for major Department aviation activities. Second, the AGB Charter has not been updated since 2011 and does not align with the current needs of the aviation program. Third, the Department has not established an adequate strategic plan for its aviation assets and activities. Finally, policies and procedures related to aviation programs that operate outside of INL/A purview are lacking.

As a result of limited AGB oversight and the absence of evaluations to determine the appropriate usage and cost effectiveness of the Department's aircraft operations worldwide, the Department is not effectively managing and using aviation resources that support foreign affairs requirements overseas. For example, with respect to the aviation base that operated in Cyprus for more than 3 years, the Department could have saved nearly \$71 million in potentially unnecessary expenditures had a cost-benefit analysis been prepared and other available aviation resources been considered by the AGB.

### ***Aviation Activities Occurred Without AGB Approval***

The AGB was established in 2011. According to the AGB Charter

With the growth in need for air support for Foreign Affairs agencies in the field, Department-wide management of aviation resources is needed to ensure the proper utilization of [Department] aircraft supporting foreign affairs requirements overseas. The establishment of an [AGB] was proposed to centralize the oversight of aviation assets and activities in the Department in support of both Foreign Assistance and Diplomatic and Consular Program requirements.

The FAM states that the "Departments [AGB]...provides oversight of aviation activities in the Department..."<sup>39</sup> The FAM also states that the "AGB is responsible for approving policies, budgets, and strategic plans for the Department's aviation assets and activities"<sup>40</sup> and that the AGB must approve aircraft acquisitions.<sup>41</sup> The AGB Charter moreover describes a number of specific Board responsibilities, including:

- Exercise oversight over policy issues impacting management of Department aviation assets.
- Approve a Department-wide aviation resource utilization plan to be drafted annually by the Aviation Office on the basis of customer requirements.
- Approve the loan of aircraft, including the terms of the loan when appropriate.
- Make recommendations to the Secretary regarding permanent or indefinite reallocation of aircraft from one post (or storage [facility]) to another.
- Evaluate, with the support of the Aviation Office, existing and future aviation requirements as a part of the annual planning process ... the Board will look at the total number of aircraft worldwide and determine if there is excess capacity and/or

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<sup>39</sup> 2 FAM 811.

<sup>40</sup> 2 FAM 815.1.

<sup>41</sup> 2 FAM 816.1, and 2 FAM 816.1-2(A).

appropriate allocation of resources to missions, and will make recommendations for future aviation investments as a part of the annual plan approval.

OIG found that significant aviation operations were started and that aviation assets were purchased without the AGB's approval, as required by Department policy. Specifically:

- An operational aviation base in Cyprus was activated at an approximate cost of \$20 million annually.
- The Department's aviation assets were used in a joint operation with the Drug Enforcement Agency in Honduras.
- An air shuttle service for Department personnel was established in Africa.
- Three airplanes were obtained for use in the Philippines.

### *Aviation Operations in Cyprus*

From September 2013 through August 2017, INL/A maintained a regional aviation base in Cyprus. Although OIG received no documentation contemporaneous with the base's opening that described its function, a Department memorandum from April 2017 stated that the purpose of the base was to assist Embassy Beirut, Lebanon, with the evacuation of Department personnel if needed. The program operated for more than 3 years with 5 helicopters, approximately 40 contractors, and a Department SAA, at a cost of approximately \$20 million annually. OIG found that, during its existence, the Cyprus aviation base assisted in one evacuation of a Department of Defense Multinational Force and Observer<sup>42</sup> camp in the Sinai. The opening and the closing of the aviation base in Cyprus were not approved by the AGB. Instead, during an October 2013 AGB meeting, which occurred after the aviation base was opened, an INL/A official told the AGB "about the new operations in Cyprus" and explained the types of equipment located there. The Department could not provide OIG with any documentation regarding the base that was contemporaneous to its opening. For example, no documentation could be found explaining the purpose of the base, the anticipated cost of any evacuation services, or the likely extent of its usage. Similarly, no documentation could be found addressing potential alternatives to this facility. Department officials with whom OIG spoke stated that the decision to establish the base was made quickly, possibly as a reaction to rising tensions in the region. On the basis of its work, OIG believes that the then-Under Secretary for Management likely made the decision without consulting INL/A or the AGB.

The Department also did not seek the AGB's approval for closing the aviation operation in Cyprus, which occurred on short notice. The Bureau of Near Eastern Affairs action memorandum dated April 21, 2017, requested closure of the base and noted that the funding for the base was scheduled to run out in May 2017. The April 2017 AGB meeting minutes state "NO FUNDING – Pending final notification to close program." No evidence was provided that the Board voted on the closure of the base prior to the decision being made or had any substantive involvement in the decision.

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<sup>42</sup> The Multinational Force and Observer is an independent international organization whose mission is to supervise the implementation of the security provisions of the Egyptian-Israeli Treaty of Peace.

### *Aviation Operations in Honduras*

INL undertook a joint aviation operation with the Drug Enforcement Agency and the Honduran Government without the approval of the AGB. The operation began in April 2012 as a 90-day pilot program designed to disrupt drug transportation flights from South America to Honduras. The operation included the temporary relocation to Honduras of Department-owned helicopters that were stationed in Guatemala. In Honduras, the aircraft provided transportation and airlift support to law enforcement officers who carried out counter-narcotics interdiction missions on the ground.<sup>43</sup> An SAA from the command center in Honduras participated in the operation, and Drug Enforcement Agency employees and officers from the Honduran National Police comprised the ground team. The program was shut down and all the aviation assets were moved to Guatemala.

OIG found that INL did not seek AGB approval for either initiating or closing the operation that used Department-owned aircraft. According to INL officials, INL's decision was based largely on a perception that it needed to quickly put aviation assets in the field to meet a request from the Drug Enforcement Agency. AGB meeting minutes in 2012 reflect that INL only minimally discussed operations in Honduras with the AGB and did not request or obtain the AGB's approval. Specifically, the September 2012 AGB meeting minutes include only one sentence stating that six additional rotary wing aircraft "will be added for operations in Honduras" and that "a recent operation in Honduras was very successful." The minutes do not recount any vote or further discussion on the topic.

### *Aviation Operations in Kenya*

OIG found that the Bureau of Medical Services began administering an air shuttle service for Department employees from Kenya to Somalia in October 2017 by expanding an existing contract for medical evacuation services.<sup>44</sup> The Bureau of Medical Services did not seek AGB approval for the program.<sup>45</sup> OIG reviewed all AGB meeting minutes and found that the air shuttle service was not mentioned until after the air shuttle service had been activated.

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<sup>43</sup> OIG and the Department of Justice OIG issued *A Special Joint Review of the Post-Incident Responses by the Department of State and Drug Enforcement Administration to Three Deadly Force Incidents in Honduras*, (ESP-17-01, May 2017), which reports on the review of three drug interdiction missions that resulted in death and injuries.

<sup>44</sup> SAQMMA16C0077 was signed on April 4, 2016, and has a ceiling value of \$60 million; the contract has a 2-year base period and 3 option years. The Contracting Officer is a Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, employee, and the COR is a Bureau of Medical Services employee.

<sup>45</sup> OIG findings and recommendations related to this contract are presented in OIG's *Management Assistance Report: Modification and Oversight of the Bureau of Medical Services' Contract for Aeromedical Biocontainment Evacuation Services Violated Federal Requirements*, which OIG anticipates publishing after the release of this report.

### *Aviation Assets Obtained for the Philippine Coast Guard*



**Figure 3:** Aircraft acquired for the Philippine Coast Guard.  
**Source:** Photo obtained from GSA auction website.

OIG determined that the AGB did not approve or have knowledge of an aviation activity related to the Philippines that involved the acquisition of three airplanes for the Philippine Coast Guard. In May 2014, as part of its Southeast Asia Maritime Security Law Enforcement Initiative,<sup>46</sup> INL, in

coordination with the Joint U.S. Military Advisory Group, decided to provide three aircraft to the Philippine Coast Guard. INL began the process to acquire the aircraft; however, in September 2016, before the aircraft were provided to the Philippine Coast Guard, INL and the Philippine Coast Guard reached a mutual understanding that the plans for using the aircraft in the Philippines would be canceled. OIG found that INL did not consult the AGB on these decisions.

### ***AGB Did Not Always Assess the Usage and Cost Effectiveness of Aircraft Assets as Required***

Aviation programs require a significant amount of funding and oversight. Therefore, careful planning is required for making decisions on the use of aviation resources. The FAM states that the AGB must monitor the usage and cost effectiveness of aircraft on a continuing basis, including approving a Department-wide aviation resource use plan to be drafted by INL/A annually.<sup>47</sup> OMB Circular A-94 defines cost-effectiveness as “a systematic quantitative method for comparing the costs of alternative means of achieving the same stream of benefits or a given objective.”<sup>48</sup> OMB Circular A-94 requires agencies to develop a cost-benefit or cost-effectiveness analysis of Federal programs or policies.<sup>49</sup> Furthermore, OMB Circular A-126 requires that agencies “determine the cost effectiveness of various aspects of their aircraft programs.”<sup>50</sup> OIG determined that the AGB is not fulfilling its responsibilities to ensure cost effectiveness as required by the FAM and Federal guidelines.

<sup>46</sup> The Southeast Asia Maritime Security Law Enforcement Initiative program focused on supporting regional interoperability, increasing cooperation on Maritime Law Enforcement, and search and rescue. Using this initiative, INL sought to increase capacity in Southeast Asia through the expansion of regional maritime law enforcement training and non-lethal equipment. The goal was to boost regional capacity to counter transnational organized and other crime.

<sup>47</sup> 2 FAM 816.1-2(E).

<sup>48</sup> OMB Circular A-94, Appendix A, “Definitions.”

<sup>49</sup> OMB Circular A-94, § 4.

<sup>50</sup> OMB Circular A-126, § 14.

As previously discussed, for more than 3 years, the Department maintained a regional aviation base in Cyprus. Although OIG supports the need for evacuation planning, OIG found that a cost-benefit analysis, including an assessment of other available aviation resources, was not performed before the aviation base was opened. In fact, as noted previously, the Department could provide no documentation contemporaneous with the base's opening that explained its purpose; the only documentation addressing these issues was from April 2017 and was associated with the base's closure. Moreover, that document identified alternatives to the Cyprus location—alternatives that may have existed at the time the base was opened. On the basis of this information, OIG concludes that, had the Department conducted a cost-benefit analysis prior to opening the regional aviation base in Cyprus, it may have been able to identify a less costly solution to the potential threats. This conclusion is reinforced by the fact that the Cyprus base assisted with only one evacuation, at a Department of Defense Multinational Force and Observer camp in the Sinai. The quick reaction to open the aviation base in Cyprus, without the preparation and evaluation of a cost-benefit analysis, resulted in potentially unnecessary expenditures of more than \$70.9 million.

For the aircraft that were anticipated to be provided to the Philippine Coast Guard, the Department likewise did not perform a cost-benefit analysis before moving forward with the plan to provide the aircraft. According to INL/A, it was directed to obtain the aircraft, restore them to operating condition, and deploy them to the Philippines, along with a package of repair parts and training. Neither the AGB nor INL/A was involved in identifying the requirements for the aircraft, developing a strategy for using the aircraft, or assessing the benefits of the program when compared to the cost. Essentially, INL/A operated as an acquisition agent. On April 4, 2016, INL/A entered into a \$1.2 million contract to refurbish three aircraft that it had acquired at no cost. When the contractor inspected the aircraft, structural problems and maintenance issues were discovered that significantly increased the estimated cost of repair. Additionally, information surfaced regarding the lack of preparedness of the Philippine Coast Guard to accept, operate, and maintain the aircraft, despite prior assurances. To the contrary, the aircraft were never deployed to the Philippines, and INL/A eventually disposed of the aircraft through the GSA sales process. This unnecessary acquisition could have been avoided had a cost-benefit analysis been performed. The decision to acquire and refurbish aviation assets should be made by persons with aviation expertise. OIG concludes that the \$1.2 million expended for refurbishment provided no benefit to the Department or the Philippine Coast Guard.<sup>51</sup>

OIG also learned of other instances in which the AGB did not adequately assess the cost effectiveness and usage of aircraft in advance. For example, from 2009 through 2011, the Department acquired helicopters<sup>52</sup> that were intended to be converted for use in Embassy Air

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<sup>51</sup> Although the three aircraft were sold through the GSA sales process, the proceeds of the sale were returned to the U.S. Treasury.

<sup>52</sup> The acquisition was funded by the Bureau of South and Central Asian Affairs and the Bureau of Diplomatic Security.

operations in Iraq and Afghanistan.<sup>53</sup> However, after receiving the helicopters, INL/A determined that they were ineffective for the operating environment and sold the 16 helicopters that had not been converted in 2013. In addition, although the Department acquired 31 rotary-wing aircraft to be used for parts, only 13 were used for this purpose, the last in March 2015. As of September 2017, the remaining 18 aircraft had been in storage for more than 3 years, at a cost of \$174,090.<sup>54</sup> Finally, although the Embassy Air operation in Afghanistan included both rotary and fixed-wing support, the fixed-wing assets were only used at approximately 15- to 35-percent capacity during FY 2017.



**Figure 4:** Unneeded aircraft in storage in Tucson, AZ.

**Source:** OIG photograph taken on September 26, 2017, at Tucson, AZ.

### *Inconsistent Oversight of the Aviation Program in Peru and Colombia*

INL/A is the Department's aviation service provider and coordinator of all aviation operations related to AGB-approved acquisitions.<sup>55</sup> INL/A is required to establish cost-effective management control systems to ensure that aviation programs are "managed effectively,

<sup>53</sup> In 2009, INL/A began providing aviation support, known as Embassy Air, to Embassy Baghdad, Iraq, and Embassy Kabul, Afghanistan. Both fleets consist of fixed- and rotary-wing aircraft that provide daily scheduled service and special flight requests. In FY 2017, Embassy Air Iraq and Embassy Air Afghanistan transported 72,040 personnel. Both locations have tenuous security situations that are constantly changing and, often, flying is the only safe way to transport personnel. Furthermore, Embassy Air is an option for recovering or evacuating personnel. INL/A also transports personnel, contractors, and cargo supporting U.S. requirements when commercial operations are not available because of changing threat levels.

<sup>54</sup> The aircraft were disposed of between September and November 2017.

<sup>55</sup> 2 FAM 815.3.

efficiently, economically, and with integrity.”<sup>56</sup> As part of its responsibilities, INL/A has implemented a worldwide aviation support services contract.

To meet both Federal and Department requirements for Government aviation programs, INL/A developed a number of policies and procedures, which also operate as the Department’s Flight Program Standards, as required by 41 C.F.R. Part 102-33.<sup>57</sup> INL/A’s policies and procedures describe an oversight framework for ensuring the worldwide aviation support services contractor complies with all contract requirements and Department aircraft are meeting airworthiness standards. OIG found that INL had fully implemented the oversight framework in Panama, Iraq, and Afghanistan. However, INL’s oversight was not adequate in Colombia or Peru.

Whether a particular post used the worldwide aviation support services contract seemingly contributed to the varying levels of oversight. OIG found differences in INL’s administration of country-specific aviation programs, depending on their contractual status. For example, INL implemented an Aviation Resource Management Survey (ARMS) program to review field operations. The ARMS program is designed to identify deficiencies in the areas of administration and management, training, safety management, logistics, standardization, operations, maintenance, refueling, aviation life support equipment, physical security, and IT. The program is carried out by inspection teams that are composed of subject matter experts from INL Headquarters. INL uses the ARMS program assessment to verify that procedures are being followed, identifies program strengths and weaknesses, and provides a check on contract performance standards.<sup>58</sup> INL’s goal is to carry out these surveys every 18 to 24 months at each location. Furthermore, after 5 years of holding an aircraft, the Department must review its operations, establish a continuing need for the aircraft, and demonstrate that aircraft operations are cost effective.<sup>59</sup> These actions are important management controls; however, INL did not perform the independent ARMS review for programs that had not used the worldwide aviation support services contract, such as Colombia and some aspects of the aviation program in Peru.<sup>60</sup>

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<sup>56</sup> Ibid.

<sup>57</sup> 41 C.F.R. 102-33.145, “Why must we establish Flight Program Standards?” states that “[agencies] must establish Flight Program Standards because [14 C.F.R.] may not cover or address all aspects of your agency’s flight program.” 41 C.F.R. 102-33.155, “How must we establish Flight Program Standards?” goes on to state that to establish Flight Program Standards, the agency must write, publish, implement, and comply with standards that establish policies and procedures for the flight program.

<sup>58</sup> The worldwide aviation support services contract lays out a matrix of requirements, or performance standards, related to significant aspects of the services provided through the contract (referred to as the Performance Work Standards, Statement of Work or Statement of Requirements). The Statement of Requirements is the basis of all contract oversight.

<sup>59</sup> 2 FAM 816.1-2(E), “Requirement for Five-Year Reviews.”

<sup>60</sup> INL Bogota conducted internal ARMS reviews for the ARAVI program; however, INL/A did not independently conduct ARMS reviews of the program.

OIG found that two aircraft used as part of the INL aviation program in Peru had been removed from the worldwide aviation support services contract but were being used for eradication and other counter-narcotics purposes. When this decision was made, INL agreed to send advisors to



**Figure 5:** Department-owned aircraft at Colombian hangar.  
**Source:** OIG photograph taken on August 14, 2017, in Guaymaral, Colombia.

“check in on them once in a while” to verify whether the aviation program in Peru was complying with INL aviation standards. This informal “check in” provided much less oversight than is typical for INL.

In another example of limited oversight, OIG reported<sup>61</sup> IT deficiencies related to the ARAVI<sup>62</sup> network in Colombia in January 2018. Many of these deficiencies were also identified in April 2017 during an inspection conducted by INL’s Information Management Division.<sup>63</sup>

Before 2017, INL had not performed regular assessments of the ARAVI network because the Information Management Division was not aware that INL/A did not oversee the ARAVI program. ARAVI also receives management assistance visits from the INL Office of Resource Management once every 3 years, which is less than the oversight it would receive if INL/A had implemented the ARMS reviews in Colombia.

In addition, because ARAVI is managed separately from INL/A,<sup>64</sup> it does not receive the same level of program oversight and support as the other aviation programs. As a result, ARAVI program officials must oversee all contractor issues at post. The ARAVI program is directly managed by a Foreign Service Officer, who is also designated as the COR for the aviation services contract.<sup>65</sup> The majority of the staff are contractors who support the ARAVI program on

<sup>61</sup> OIG, *Management Assistance Report: The IT Network Supporting the Colombian Aviation Program Requires Attention to Ensure Compliance With Federal Standards* (AUD-IT-18-18, January 2018).

<sup>62</sup> The goal of the INL aviation program in Colombia, known as ARAVI, is to assist the Colombian National Police with establishing an integrated intelligence capability to support counter-narcotics objectives by providing air support to manual eradication, interdiction, illegal mining, and other law enforcement missions of critical importance to U.S. national security interests, as well as to provide airworthiness standards and approvals for Department-owned aircraft used by the Colombian National Police.

<sup>63</sup> The Information Management Division is responsible for assisting INL offices with IT issues.

<sup>64</sup> INL/A has a dedicated contracting division devoted to overseeing all INL/A contracts. The contracting staff handles the approval and rejection of invoices and vouchers when pulling random samples of invoices for testing to validate whether internal procedures are being followed. Furthermore, the INL/A Budget Branch conducts annual Post Payment Invoice Audits, which are intended to ensure that all paid invoices comply with vendor contracts.

<sup>65</sup> INL executed contract SAQMMA12C0200 with PAE Government Services. The original period of performance for the contract was from September 17, 2012, to September 16, 2013. INL exercised 4 option years and an additional 6-month option, which extended the period of performance to March 16, 2018.

behalf of INL Bogota. INL/A communicates with INL Bogota, and the Department's Senior Aviation Management Official certifies the airworthiness of the assets used for the ARAVI program.<sup>66</sup> The ARAVI COR and the SAA stated that ARAVI needs a full-time employee to help oversee the invoicing and other aspects of ARAVI program management. According to the COR, INL Bogota does not have the staffing resources to devote someone to perform a thorough review of contractor invoices.

OIG identified other instances in which INL/A was not involved in decisions regarding aviation operations. For example, as previously described, the Department acquired three aircraft for the Philippine Coast Guard. INL/A was tasked with obtaining the aircraft, restoring them to operating condition, and deploying them to the Philippines, along with a package of repair parts and training. However, INL/A was not involved in identifying the requirements for the aircraft or developing a strategy for using the aircraft; essentially INL/A served as an acquisition agent. INL/A's initial involvement was limited to conducting a preliminary examination of the three aircraft and providing a rough cost estimate for restoring them.

### ***Several Deficiencies Occurred That Hampered Oversight***

OIG found that the deficiencies identified occurred for a number of reasons. For one, the AGB is not executing its oversight authority as set forth in Department policy. Specifically, the AGB does not formally vote to open or close all Department aviation programs and activities. One Board member attributed the lack of oversight to a focus on Embassy Air operations, rather than all Department aviation programs and activities such as counter-narcotics and law enforcement operations. Another Board member stated that the votes, particularly concerning passenger ticket prices in Iraq and Afghanistan, tended to be pro-forma and that INL/A determined the results ahead of time.

In addition, OIG found that the AGB Charter is outdated and had not been revised since 2011, when the AGB was initially created. Department officials from INL and the Bureau of Diplomatic Security stated that the Charter needs to be updated, and the INL Acting Deputy Assistant Secretary confirmed that the Charter does not align with what the AGB is actually doing. During the first AGB meeting, which took place in September 2011, it was noted that INL, the Bureau of Diplomatic Security, the Bureau of Near Eastern Affairs, and the Bureau of South and Central Asian Affairs were designated as voting members because each had funded Department-owned aircraft. However, OIG found that other bureaus in the Department should have a voting role as well. For example, the Bureau of Budget and Planning plays a key role in the administration of AWCF and the budget execution for expenditures related to aviation. Furthermore, the Charter does not provide guidance on the AGB voting process. It does not state who determines the topics or decisions to be voted on, how the members are informed of the votes, how the votes

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<sup>66</sup> According to Embassy Bogota, the Senior Aviation Management Official delegates to the ARAVI SAA the responsibility to serve as the technical airworthiness authority in Colombia. The delegation states that the ARAVI SAA should inform the Senior Aviation Management Official of any changes to the aircraft configuration or emergent airworthiness issues. All final aircraft airworthiness decisions rest with the Department's Senior Aviation Management Official.

are tallied, and what happens if a vote is tied. Creating a clear voting process would make the AGB more transparent.

Another reason for the ineffective administration of the aviation program is that the Department does not have an adequate strategic plan for its aviation assets and activities. GAO states that strategic plans “set the goals and objectives for an entity along with the effective and efficient operations necessary to fulfill those objectives.”<sup>67</sup> Both the FAM and the AGB Charter require the Board to approve strategic plans for the Department’s aviation assets.<sup>68</sup> The AGB Charter requires the Board to evaluate existing and future aviation requirements as a part of the annual planning process. Although the Charter states that the Board should review the total number of aircraft worldwide and determine excess capacity or the appropriate allocation of resources to missions, OIG found that this does not occur. Rather, INL/A develops a strategic plan that only addresses certain portions of the Department’s aviation operations and activities and insufficiently addresses the Department’s aviation activities as a whole.<sup>69</sup> The INL/A 2015–2020 strategic plan states that its “biggest challenge occurs when it is asked to meet new, emerging and urgent requirements without sufficient lead time and advanced funding.”<sup>70</sup> Although the plan may contain an adequate assessment of INL/A’s operational goals and sets plans for the office to meet those goals, it fails to adequately assess the operational risk posed by decisions in other Department bureaus.

GAO states that the risk assessment for a strategic plan should consider all significant interactions both within the organization and with outside parties, including both internal and external environmental changes, as well other internal and external factors to identify risks. Although INL/A identifies internal risks, the AGB, along with INL/A, should develop and implement procedures to identify and address “new, emerging and urgent requirements.”

It is important to note that the same strategic planning deficiencies identified in this audit were also identified more than 10 years ago by GAO. Specifically, GAO’s 2007 report<sup>71</sup> stated that:

- The Department’s Strategic planning for aviation related activities was not comprehensive. Planning efforts did not address long-term aircraft needs of counter-narcotics and counterterrorism activities not managed by the Air Wing, such as Colombia programs.<sup>72</sup>

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<sup>67</sup> GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

<sup>68</sup> Specifically, 2 FAM 815.1, states the responsibilities for the AGB, which include approving policies, budgets, and strategic plans for the Department’s aviation assets and activities.

<sup>69</sup> INL Office of Aviation Function Plan covers 2016–2020 and was most recently updated on December 17, 2015.

<sup>70</sup> INL/A Functional Plan 2016–2020.

<sup>71</sup> GAO, *State Has Initiated a More Systematic Approach for Managing Its Aviation Fleet* (GAO-07-264, February 2, 2007).

<sup>72</sup> Ibid.

- Aviation fleet investments were not systematically justified. INL stated that adherence to Federal guidance is not always practical, as program managers need to respond rapidly to political exigencies by acquiring readily available surplus aircraft.<sup>73</sup>
- Aviation fleet and cost performance were not routinely assessed. INL was unable to assess the performance of its fleet by a lack of comprehensive and reliable aircraft cost and usage data.<sup>74</sup>

Finally, when OIG inquired why the ARAVI program is a separate entity, INL/A personnel indicated that the program had been run that way from its inception, and, because the program had no “major issues,” it had never been brought under INL/A oversight.<sup>75</sup> INL/A personnel stated that the initial decision to remove the two airplanes in Peru from the INL/A contract occurred because, at the time, the AGB did not yet exist and INL leadership did not raise any objections. The SAA explained that the aircraft became too expensive to operate under the INL/A contract and that removing the aircraft from the contract was cheaper. Furthermore, INL Peru felt it could provide proper management and oversight. INL/A personnel stated that if a similar situation were to arise today, it would not be handled in the same manner and that it “would be an INL decision if someone wanted to do that again.” OIG found that the AGB lacks guidance related to whether a post can elect not to use the worldwide aviation support services contract or what steps would be needed to ensure proper management of programs that do not use the contract. If programs can choose not to use the worldwide aviation support services contract, formal guidelines and criteria must ensure the programs are managed effectively, efficiently, and economically.

### ***Weaknesses in Strategic Planning Result in Unnecessary Expenditures***

As a result of limited AGB oversight and the absence of evaluations to determine the appropriate usage and cost effectiveness of the Department’s aircraft operations worldwide, the Department is not effectively managing and using aviation resources supporting foreign affairs requirements overseas. For example, with respect to the aviation base that operated in Cyprus for more than 3 years, the Department could have saved nearly \$71 million had a cost-benefit analysis been prepared and other available aviation resources considered by the AGB at the appropriate time. Furthermore, the lapse in AGB oversight affected fleet planning and funding for operations. For example, the Philippines program resulted in approximately \$1.2 million in expenditures for a program that never benefited the Department or the Philippine Coast Guard. In addition, the 18 Department rotary-wing aircraft that were procured for parts and stored for 3

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<sup>73</sup> Ibid.

<sup>74</sup> Ibid.

<sup>75</sup> In its response to a draft of this report, Embassy Bogota stated, “[m]aintaining the independence of INL Bogota’s police aviation program was a deliberate decision by INL, reviewed and reaffirmed by the INL/[Front Office] in 2016.” The Embassy also stated “[the] INL/[Front Office], INL/A [D]irector, and INL Bogota [D]irector agreed that keeping INL Bogota’s direct operational control over the ARAVI program was the most efficient allocation of INL resources and the most effective way to continue meeting the program objectives.” OIG requested that INL officials provide documentation relating to the decision to keep the entities separate, including evidence of a cost-benefit analysis, but no documentation was provided within the required timeframe.

years at a cost of \$174,090 were never used, which also represents an unnecessary expenditure.<sup>76</sup>

**Recommendation 1:** OIG recommends that the Under Secretary for Management develop and implement a plan to enforce the centralized management and oversight of all Department aviation programs and assets, including oversight of and approval by the Aviation Governing Board, on all decisions related to providing aviation services, in accordance with the Foreign Affairs Manual.

**Management Response:** The Office of the Under Secretary for Management concurred with the recommendation, stating that it “will work with bureaus that currently have aviation assets and responsibilities to develop and implement a plan to strengthen management and oversight of aviation programs.”

**OIG Reply:** On the basis of the Office of the Under Secretary for Management’s concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Under Secretary for Management has developed and implemented a plan to enforce the centralized management and oversight of all Department aviation programs and assets, including oversight of and approval by the AGB, on all decisions relating to aviation services.

**Recommendation 2:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, update the Aviation Governing Board Charter to align with its role and responsibilities outlined in Volume 2 of the Foreign Affairs Manual 800, and implement procedures to effectively manage and use Department aviation resources that support foreign affairs requirements overseas, including updating the voting Board members.

**Management Response:** INL, whose Assistant Secretary is the chair of the AGB, concurred with the recommendation, stating that during the October 2017 AGB meeting “[the AGB] voted to convene a working group to review its charter and identify any areas that need revision.” INL further stated that the AGB “working group is currently developing changes to board composition and membership, the governing structure, the authorities and scope of the AGB, and other areas of the charter and expects to be able to present its recommendations to the AGB in November 2018.”

**OIG Reply:** On the basis of the INL’s concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the AGB, in coordination with INL, has updated the AGB Charter to align with its role and responsibilities outlined in 2 FAM 800 and has implemented procedures to effectively

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<sup>76</sup> OIG notes that it identified additional monetary benefits related to the lapse in AGB oversight, some of which have been or will be addressed in other work as summarized in Appendix A.

manage and use Department aviation resources that support foreign affairs requirements overseas, including updating the voting Board members. In addition to providing comments relating to the recommendation directed to INL, management provided technical comments. OIG reviewed those technical comments and modified the report for clarity when appropriate (see Appendix G).

**Recommendation 3:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement a detailed strategic plan for all of the Department of State's aviation needs, including medical needs and country-specific needs like those of Embassy Bogota. The plan should have clear goals and attainable objectives, both at the headquarters level and for each country of operation.

**Management Response:** INL, whose Assistant Secretary is the chair of the AGB, concurred with the recommendation, stating that it "stands ready to work with other AGB members to develop and implement the strategic plan."

**OIG Reply:** On the basis of INL's concurrence and planned action, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the AGB, in coordination with INL, has developed and implemented a detailed strategic plan for all the Department's aviation needs, including medical needs and country-specific needs like those of Embassy Bogota.

**Recommendation 4:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement procedures requiring that a cost-benefit analysis is performed and its results considered before deciding whether to acquire an aircraft and begin or end aviation operations in a country.

**Management Response:** INL, whose Assistant Secretary is the chair of the AGB, concurred with the recommendation, stating that "in coordination with the AGB, [it] will develop and implement procedures to require a cost-benefit analysis for all new acquisitions and program start-ups." INL further stated that it has "already conducted and documented cost-benefit analysis in many cases."

**OIG Reply:** On the basis of INL's concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the AGB, in coordination with INL, has developed and implemented procedures requiring that a cost-benefit analysis be performed and the results considered before deciding whether to acquire an aircraft and begin or end aviation operations in a country.

**Recommendation 5:** OIG recommends that the Under Secretary for Management review the decision to expend \$70.9 million to operate the Cyprus Air Base and make a

determination as to whether the expenditures were necessary or reasonable considering the lack of benefit to the Department of State.

**Management Response:** The Office of the Under Secretary for Management neither concurred nor non-concurred with the recommendation and requested that "this recommendation be either closed or removed, based on the justification that the decision was made by a previous Under Secretary for Management who is no longer at the Department, and the Cyprus aviation has since been shut down."

**OIG Reply:** On the basis of the Office of the Under Secretary for Management's response that the Cyprus aviation operation has been shut down and the AGB's response to Recommendation 4 that it will develop and implement procedures to require a cost-benefit analysis for all new acquisitions and program start-ups, OIG is closing this recommendation, and no further action is required. However, because of the conclusions set forth in the preceding section and throughout this document, OIG considers the \$70.9 million expended to operate the Cyprus Air Base as funds that could have been put to better use.

**Recommendation 6:** OIG recommends that the Under Secretary for Management review the decision to expend \$174,090 to store aircraft and make a determination as to whether the expenditures were necessary or reasonable considering the lack of benefit to the Department of State.

**Management Response:** The Deputy Under Secretary for Management neither concurred nor non-concurred with the recommendation and requested that "this recommendation be either closed or removed, based on the fact that the decision was made by a previous [Under Secretary for Management] ... and the helicopters have since been disposed of."

**OIG Reply:** On the basis of the Office of the Under Secretary for Management's response that the helicopters in question have been disposed of and the AGB's response to Recommendation 4 that it will develop and implement procedures to require a cost-benefit analysis for all new acquisitions, OIG is closing this recommendation and no further action is required. However, because of the conclusions set forth in the preceding section and throughout this document, OIG considers the \$174,090 expended to store the aircraft as funds that could have been put to better use.

**Recommendation 7:** OIG recommends that the Under Secretary for Management review the decision to expend \$1.2 million to acquire and refurbish three aircraft for the Philippines Coast Guard and make a determination as to whether the expenditure was necessary or reasonable considering the lack of benefit to the Department of State or the Philippine Coast Guard.

**Management Response:** The Office of the Under Secretary for Management did not concur with the recommendation, stating that "the decision to expend these funds, which fall under foreign assistance, was made within INL, which does not fall under the

purview of [the Office of the Under Secretary for Management]. [The Office of the Under Secretary for Management] requests that the recommendation be assigned to INL.”

**OIG Reply:** On the basis of the Office of the Under Secretary for Management’s response, OIG considers this recommendation unresolved. Although the decision to expend the \$1.2 million in funds was under the purview of INL, the Office of the Under Secretary for Management has unique authority to facilitate the resolution and closure of the recommendation because of its visibility into decision-making and processes across the Department with regards to aviation. Accordingly, the Office of the Under Secretary for Management can work in coordination with INL to review the decision. This recommendation will be considered resolved when the Office of the Under Secretary for Management, in coordination with INL, provides details on the steps taken to address the recommendation or provides an acceptable alternative that meets the intent of the recommendation. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the decision to expend \$1.2 million to acquire and refurbish the three aircraft for the Philippines Coast Guard has been examined and a determination is made as to whether the expenditure was necessary or reasonable.

**Recommendation 8:** OIG recommends that the Aviation Governing Board (AGB), in coordination with the Bureau of International Narcotics and Law Enforcement Affairs (INL), revise Volume 2 of the Foreign Affairs Manual (FAM) 800 to clarify that INL is the sole provider of aviation services for the Department of State and any requests for exceptions to, or waiver of this policy, along with a written justification, must be submitted to and approved by the AGB. The FAM revision should include a requirement for a periodic review of the decision to determine whether it remains beneficial.

**Management Response:** INL, whose Assistant Secretary is the chair of the AGB, responded on its behalf. It partially concurred with the recommendation, stating that it “stands prepared to work with the AGB to revise 2 FAM 800.” INL further stated, however, that it is “not currently the sole provider of aviation services to the Department, so the specifics of this policy will need to be worked out with the Office of the Under Secretary of Management and the AGB.”

**OIG Reply:** On the basis of INL’s partial concurrence and planned actions to revise 2 FAM 800 for clarity, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the AGB, in coordination with INL, has revised 2 FAM 800 to clarify that INL is the sole provider of aviation services for the Department and any requests for exceptions to or a waiver of this policy, along with a written justification, must be submitted to and approved by the AGB. The FAM revision should include a requirement for a periodic review of the decision to determine whether it remains beneficial.

## Finding B: Insufficient Accountability Over Aviation Assets

OIG found that INL/A did not fully maintain sufficient accountability over aviation assets. During a physical inventory of aircraft, OIG found that the aircraft at the locations tested<sup>77</sup> were properly reported in ILMS-Asset Management. However, other accountable property, such as aircraft equipment, was not always correctly reported. One reason this occurred is that INL does not have policies and procedures for recording equipment purchased for the host government using INL project funds or equipment obtained from another Federal agency. In addition, INL/A had not performed the required Property Management System Analysis inspections.

OIG also identified deficiencies related to accounting for aircraft. Specifically, OIG found that the initial valuation of aircraft was not always recorded in compliance with the FAM, the costs of major refurbishments were not properly reported, and inactive aircraft were marked as active, which affected depreciation.<sup>78</sup> These issues occurred, in part, because of a lack of adequate policies and procedures. Because the Department does not maintain sufficient accountability for its assets, the aviation program may be at significant risk for fraud, waste, and abuse. Additionally, the deficiencies in accounting for the aircraft may affect the Department's financial statements.

### *Results of Physical Inventory of Aircraft and Aircraft Equipment*

The FAM requires that certain types of personal property, such as aircraft and nonexpendable personal property with an acquisition cost of \$5,000 or more, be treated as accountable property and tracked in property records.<sup>79</sup> Specifically, the FAM requires that all Department bureaus and offices use ILMS-Asset Management to record Department-owned personal property.<sup>80</sup> OIG performed a physical inventory of 184 INL aircraft in Peru, Panama, Colombia, Iraq, Afghanistan, Patrick Air Force Base, and other domestic locations and noted no exceptions regarding the existence of the aircraft.<sup>81</sup>

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<sup>77</sup> These locations were Peru, Panama, Colombia, Iraq, Afghanistan, Patrick Air Force Base, Davis-Monthan Air Force Base, and a contractor facility in Alabama.

<sup>78</sup> According to the "Federal Accounting Standards Advisory Board Handbook of Federal Accounting Standards and Other Pronouncements, as Amended" (June 30, 2017), Statement of Federal Financial Accounting Standards 6, "Accounting for Property, Plant, and Equipment," depreciation is the systemic allocation of the acquisition cost of an asset during its estimated useful life.

<sup>79</sup> According to 14 FAM 411.4, "Definitions," nonexpendable personal property is "property, such as furniture, office machines, IT equipment, and communications equipment, which is: (1) complete in itself, (2) does not lose its identity or become a component part of another item when used, and (3) is of a durable nature with anticipated useful life of more than 2 years." 14 FAM 414.1-1, "Accountability Criteria," states that personal property meeting the definitions listed in 14 FAM 411.4 must be tracked on property records.

<sup>80</sup> 14 FAM 421.1, "Scope."

<sup>81</sup> OIG did not perform physical inventory procedures for 22 aircraft because they were in locations that were not visited during the audit. Because OIG found no exceptions during its inventory procedures for 184 aircraft, OIG determined that additional inventory procedures for the 22 aircraft were not necessary and that the Department maintained sufficient accountability regarding the location and existence of its aircraft.

In contrast, OIG identified deficiencies related to tracking aircraft-related equipment on the Department's records.<sup>82</sup> At INL program locations in Peru and Colombia, OIG found that non-expendable aviation equipment, with an acquisition cost of more than \$5,000, was not consistently recorded in ILMS-Asset Management as required. Specifically, OIG found that none of the aviation equipment located in Colombia, totaling \$8,278,974, was recorded in ILMS-Asset Management. In addition, OIG found that nine assets, including vehicles, used for the aviation program in Peru that were valued at approximately \$356,764 had not been recorded in ILMS-Asset Management.



**Figure 6:** Camera valued at \$789,437 that was not recorded in ILMS-Asset Management.

**Source:** OIG photograph taken on August 17, 2017, in Guaymaral, Colombia.

One explanation for the lack of accountability was INL's failure to provide implementing guidance on how to manage equipment purchased for the host government using INL project funds or equipment obtained from another Federal agency. According to INL officials, assets purchased with INL project funding are generally donated to the host government. The assets donated to host governments are then recorded in the End Use Monitoring module<sup>83</sup> of ILMS rather than in ILMS-Asset Management. However, in this instance, the aircraft equipment that OIG identified was not transferred to the host government, nor was it recorded in either ILMS module.

When asked why the aircraft equipment had not been entered into ILMS-Asset Management, INL personnel and General Services Office staff in Colombia and Peru stated that they were not aware of a requirement to do so. Furthermore, some of the equipment was provided to the Department from other U.S. Government agencies. INL guidance did not explain how to record such equipment. Specifically, the "INL Financial Management Handbook" states:

The post GSO must maintain the inventory for nonexpendable [U.S. Government] titled property (purchased with [Program Development and Support] funds) using ILMS-Asset Management. This service is provided under [International Cooperative Administrative Support Services] and INL requires its field offices to sign up for this service. Program nonexpendable property (purchased with project funds) should be maintained in accordance with INL End Use Monitoring procedures described in the *INL Acquisition and Assistance Policies and Procedures Handbook*. An End

<sup>82</sup> OIG performed inventory procedures for non-expendable aircraft-related equipment, which included items such as generators, hoists, and forklifts. OIG did not perform inventory procedures for items such as engines or helicopter blades because these items would be considered aircraft parts and would not meet the definition of non-expendable property.

<sup>83</sup> End Use Monitoring is used to manage and report on the assets transferred to host government partners to support their missions overseas.

Use Monitoring ... module for ILMS Asset Management is now used for the inventory of property provided by INL and titled to the host government.

These deficiencies also occurred because the role of the Property Administrator within INL/A was vacant during the entirety of the audit. According to the "INL/A Program Directive," the Property Administrator is responsible for tracking all aviation assets and ensuring that ILMS-Asset Management is up to date and accurate. The Property Administrator is also responsible for conducting the Property Management System Analysis inspection at each country-specific aviation program. These inspections include performing a physical inventory of all aviation assets. OIG found that the Property Management System Analysis inspections had not been performed since at least 2014.

Because of the lack of policies, the vacant Property Administrator position, and the lack of Property Management System Analysis inspections, INL does not have an accurate inventory of accountable property at posts, which increases the risk of theft or misappropriation.

### *Deficiencies in Accounting for Aircraft*

OIG also noted several deficiencies in how INL accounts for Department-owned aircraft. Specifically, INL did not always properly account for the initial valuation of the aircraft or the costs of major refurbishments. In addition, inactive aircraft were marked as active, which affects the depreciation applied to the asset.

#### *Valuation of Aircraft at Acquisition*

According to the FAM,

Aircraft (i.e., fixed-wing or rotary aircraft) and aviation program component property is recorded at cost on the purchase/transfer-in date when the title passes or the date placed in service, whichever comes first. The cost basis of the property must be determined by one of three measures, according to the following hierarchy:

- Acquisition (purchase) cost, if known, plus the cost of refurbishment necessary to allow the unit to be placed in service or used as a spare.
- Net book value (NBV) on the books of the transferring agency if acquired from another Federal entity, plus the cost of refurbishment necessary to allow the unit to be placed in service or used as a spare.
- If no other cost information is available, the manufacturer-suggested book value for a refurbished piece of equipment that is operational and placed in service.<sup>84</sup>

OIG found that INL did not always record aircraft obtained from other agencies, such as the Department of Defense, in accordance with FAM requirements. Instead, when an aircraft was

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<sup>84</sup> 4 FAM 736.2-1, "Aircraft."

obtained from another agency, INL used an informal Department policy and recorded the value as 10 percent of the transferring agencies original "acquisition cost" identified in the GSA transfer documentation.<sup>85</sup> This is not an option allowed by the FAM. For example, multiple Sikorsky helicopters were transferred to the Department in 2010 from the Department of Defense. A GSA transfer form for four of the helicopters stated that the original Department of Defense acquisition value was \$1,480,000 and using INL's process of recording 10 percent of the acquisition value included on the form, INL recorded the value of helicopters as \$148,000 each. However, a second shipment of the same type of helicopter was valued at \$14,800, with no documentation explaining why the amount was different. In another example, OIG found that the acquisition cost stated in ILMS-Asset Management for the same type of aircraft varied from \$92,270 to \$3,331,271. Although the valuation of a certain type of aircraft could vary for different reasons, the valuation of operational aircraft of the same make and model should not vary to this extent.

INL did not comply with the FAM policy because of its adherence to the 10 percent rule, which was based on a 2007 decision made by the Bureau of the Comptroller and Global Financial Services (CGFS). The informal policy, which is documented in an email from CGFS, states "[the] recognition was that while it is not exact, it is a standard rule of thumb used so that we can recognize the deflated value...while not having to invest too much time determining the actual value on an individual aircraft." The Department has not updated the FAM to reflect this informal policy. Furthermore, INL did not have a process in place to assess the reasonableness of such calculations. In the example of the Sikorsky helicopters, OIG concluded that the GSA transfer documents may have included incorrect information. INL officials did not perform a "reasonableness" review to determine whether the data being used as part of the estimation methodology were of acceptable quality. Even so, no alternative process allowed another valuation to be developed if the GSA transfer documents had unclear or incorrect information. This resulted in unreasonable estimations of the value of the aircraft acquired, which could affect the Department's financial statements. In addition, incorrect valuations may make it difficult to assess when it is economically feasible to repair an asset rather than retire it.

### *Aircraft Values Are Not Appropriately Modified After Significant Maintenance Occurs*

According to the FAM:

Major/complete overhauls of fixed-wing and rotary aircraft require special accounting treatment when the property requires more than an engine or major component from the spare parts inventory. When an aircraft or other capitalized property is sent to a facility for a complete overhaul, substantial modification, and/or refurbishment, the accounting records will reflect a change to the status of the aircraft, and all depreciation of the property will cease. A disposal will be recorded in accordance with INL information regarding the date the aircraft is taken out of service.

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<sup>85</sup> The GSA transfer document has a field titled "Acquisition Cost," which is completed by the originating agency.

When the aircraft (with [the] same tail number) is subsequently returned and placed in service, all overhaul and/or refurbishment costs to the aircraft, including the cost of shipping to and from the overhaul/maintenance facility, will be recorded as part of the basis for the property. Given the substantial nature of the work performed in the overhaul process, depreciation for the overhauled aircraft will be based on a new useful life and computed in the same manner as a new acquisition of similar property.<sup>86</sup>

OIG found that INL was not complying with FAM requirements when performing PDM on aircraft. PDM, an example of which is shown in Figure 7, involves maintenance activities requiring skills, equipment, and facilities that are not normally available in-country; therefore, the work is performed by specialized contractors in the United States. Aircraft that were undergoing PDM were marked as "In Service" in ILMS-Asset Management, and the valuation was never updated to reflect the refurbishment costs once the PDM process was completed.



**Figure 7:** PDM refurbishment of a helicopter at a contractor location.  
**Source:** OIG photograph taken on September 14, 2017, in Enterprise, AL.



**Figure 8:** Phase maintenance being performed on a helicopter.  
**Source:** OIG photograph taken on August 15, 2017, at Guaymaral, Colombia.

OIG also found that INL was not complying with the FAM when performing "phase maintenance on aircraft." Although not as extensive as PDM, phase maintenance consists of substantial changes and upgrades that can take more than 6 months to perform but that can be performed on site. For example, phase maintenance could include installing a new engine on an aircraft, which can be valued at \$2 million. An example of phase maintenance is shown in Figure 8. OIG confirmed that the value of certain aircraft that had gone through the phase maintenance process had not been updated in ILMS-Asset Management.

CGFS, which is responsible for ensuring that property is properly recorded in the Department's financial management system, stated that INL does not keep it timely informed as to when aircraft go out of service or of the total

<sup>86</sup> 4 FAM 736.2-2, "Repairs and Improvement to Bureau of International Narcotics and Law Enforcement Affairs (INL) Aircraft."

costs of significant maintenance. In fact, CGFS officials were not familiar with the term “phase maintenance” and were only aware of PDM refurbishments. Furthermore, according to CGFS, INL does not always provide, or does not provide in a timely manner, a copy of the DS-127, Receiving and Inspection Report, which provides detailed cost information for the PDM. This information is needed to update the valuation of the aircraft. CGFS officials attribute this issue to a lack of communication from INL.

CGFS officials stated that they asked INL to work with them to standardize the process for properly accounting for major refurbishments of aircraft. However, INL elected to revise its process without CGFS assistance. In October 2017, INL informed CGFS that it had set up a new process in July 2017 to account for major aircraft refurbishments. INL/A confirmed that it had created a working group that included representatives from all functional areas in INL/A and had developed a new process to provide CGFS with the information needed to properly record the status of the aircraft in the property management and financial management systems.

According to INL/A officials, the new process should ensure that CGFS receives the DS-127 form before the aircraft goes to PDM. CGFS can then change the asset’s status and list it as temporarily “disposed” in the financial management system. When INL notifies CGFS that the aircraft is leaving PDM,<sup>87</sup> CGFS should record the aircraft at the correct value, which is the original value plus the refurbishment costs. The aircraft would receive a new in-service date once it is returned from PDM. CGFS officials stated that, once a quarter, they also obtain all the invoices associated with the PDM process to verify the amounts reported by INL/A on the DS-127 form. Although the new process may address the deficiencies identified, according to CGFS officials, INL did not provide CGFS with information on the new process and did not provide a planned schedule of PDM. Furthermore, the new process only relates to PDM, not to phase maintenance. OIG was unable to find any specific guidance on the phase maintenance process.

As a result of the lack of guidance on recording aircraft maintenance and the lack of communication between INL and CGFS, Department aircraft are being removed from service and undergoing extensive maintenance that is not reflected in the aircraft valuation in ILMS-Asset Management. This could result in incorrect financial statements and increase the risk for fraud, waste, and abuse.

### *Status of Aircraft Is Not Correctly Reported*

The FAM states that aircraft will have a useful life of 10 years and be depreciated on a straight-line basis, with a 10-percent salvage value.<sup>88</sup> Within ILMS-Asset Management, the “Status” box can be marked “In Service” or “Received.” Assets marked as “In Service” are depreciated, but assets marked as “Received” are not depreciated. If depreciation is not accurately recorded, it affects the net book value of the asset within the Department’s financial system, which, in turn, may affect the Department’s decision to dispose of and replace an asset.

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<sup>87</sup> This is done when the Contracting Officer overseeing the PDM contract signs off that the work is complete.

<sup>88</sup> 4 FAM 736.2-1(c).



**Figure 9:** Inactive, Department-owned helicopter identified as “In Service” in ILMS-Asset Management.

**Source:** OIG photograph taken on June 8, 2017, in Sanford, FL.

Upon review of INL/A aircraft inventory from ILMS-Asset Management, OIG found that the status of 60 (29 percent) of 206 aircraft was incorrect in ILMS-Asset Management. For example, 37 aircraft listed as being “In Service” were actually in inactive, non-flyable storage in Sanford, FL.<sup>89</sup> Figure 9 shows an example of a helicopter (without blades) that was listed as being “In Service.” OIG found 20 other aircraft categorized as “In Service” that were undergoing PDM. Aircraft undergoing PDM should not be

considered “In Service” because the PDM process requires the aircraft to be completely dismantled and can take more than 1 year to complete.

OIG determined this issue occurred, in part, because of insufficient policies and procedures related to when an asset should be marked as “In Service” versus “Received.” The employee responsible for updating the aircraft status in ILMS-Asset Management does not have formal policies or procedures on how to input the information but instead relies on emails sent from various INL/A personnel advising about specific procedures. The aircraft with an incorrect status are not being depreciated accurately. Therefore, the overall accuracy of the Department’s financial statements and records may be affected.

**Recommendation 9:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) update the “INL Financial Management Handbook” to include guidance related to recording assets purchased with INL project funding or transferred to INL from another agency that are not being donated to a host government in the Integrated Logistics Management System.

**Management Response:** INL concurred with the recommendation, stating that it “will review and update its Financial Management Handbook accordingly.”

<sup>89</sup> The INL/A Program Directive defines long-term storage as storage lasting more than 180 days.

**OIG Reply:** On the basis of INL's concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has revised the "INL Financial Management Handbook" to include guidance related to recording assets purchased with INL project funding or transferred to INL from another agency that are not being donated to a host government in ILMS.

**Recommendation 10:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) implement a process to ensure it performs Property Management System Analysis inspections of INL operations in all countries with aviation programs.

**Management Response:** INL concurred with the recommendation, stating that it "will implement such a process."

**OIG Reply:** On the basis of INL's concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has implemented a process to ensure that INL performs Property Management System Analysis inspections of its operations in all countries with aviation programs.

**Recommendation 11:** OIG recommends that Embassy Bogota, Colombia, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Colombia that meet the definition of accountable property and record them in the Integrated Logistics Management System.

**Management Response:** Embassy Bogota concurred with the recommendation but stated that it was "incomplete." Specifically, Embassy Bogota stated, "INL Bogota has consistently tracked and accounted for all required property in accordance with 14 FAM 414.1-2a." Embassy Bogota further stated that INL Bogota is "expediting [the] transfer of all required accountable property data to INL/A for inclusion in the ILMS-Asset Management module." INL also concurred with the recommendation, stating that it will "review/update its current process."

**OIG Reply:** On the basis of Embassy Bogota's and INL's concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Bogota, in coordination with INL, has identified all Department-owned aviation assets in Colombia that meet the definition of accountable property and recorded them in ILMS. In addition to providing comments relating to the recommendation directed to Embassy Bogota, the Embassy provided technical comments. OIG reviewed the technical comments provided and modified the report for clarity when appropriate (see Appendix G).

**Recommendation 12:** OIG recommends that Embassy Lima, Peru, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Peru that meet the definition of accountable property and record them in the Integrated Logistics Management System.

**Management Response:** Both Embassy Lima and INL concurred with the recommendation and stated that they will “review/update [their] current process.”

**OIG Reply:** On the basis of Embassy Lima’s and INL’s concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Lima, in coordination with INL, has identified all Department-owned aviation assets in Peru that meet the definition of accountable property and recorded them in ILMS.

**Recommendation 13:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop updated formal policies, procedures, and implementing guidance to ensure that Department of State aviation assets, including assets donated by other agencies, are accurately valued when initially obtained and the correct value is recorded in the accounting system.

**Management Response:** CGFS concurred with the recommendation, in an informal response to this report, and stated “we generally concur with all of the recommendations, especially with the spirit and intent of the recommendations which is to review and update our policies, procedures and guidance in this area.”<sup>90</sup> INL also concurred with the recommendation, stating that it “stands prepared to assist CGFS in establishing and implementing policies, procedures, and guidance on valuation of aviation assets.”

**OIG Reply:** On the basis of CGFS and INL’s concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CGFS, in coordination with INL, has established formal policies, procedures, and implementing guidance to ensure that Department aviation assets, including assets donated by other agencies, are accurately valued when initially obtained and the correct value is recorded in the accounting system.

**Recommendation 14:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop policies, procedures, and implementing guidance to update

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<sup>90</sup> Because of its informal nature, the CGFS response is not included as a separate appendix to this report.

the valuation of an aircraft after undergoing other-than-routine maintenance, including both programmed depot maintenance and phase maintenance.

**Management Response:** CGFS concurred with the recommendation, and INL partially concurred with the recommendation. INL concurred with the need to develop policies and procedures but did not agree with the inclusion of phase maintenance. INL stated that "INL/A considers phase maintenance to be routine maintenance that does not significantly affect the value of aircraft." It stated that the incident described in the report was an anomaly and that, typically, phase maintenance is not equivalent to an "upgrade."

**OIG Reply:** On the basis of CGFS's concurrence and INL's partial concurrence and planned actions, OIG considers this recommendation resolved pending further action. As part of its efforts to address the recommendation, CGFS, in coordination with INL, should specifically make a determination as to whether phase maintenance changes the value of the aircraft for accounting purposes. That is, the new policy should delineate what types of maintenance are considered to be other-than-routine and therefore affect aircraft valuation. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CGFS, in coordination with INL, developed policies, procedures, and implementing guidance to update the valuation of an aircraft after undergoing other-than-routine maintenance. The policy should address both PDM and phase maintenance and state what is considered to be "other-than-routine."

**Recommendation 15:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement policies, procedures, and implementing guidance to determine when an aircraft should be considered "In Service" and "Not in Service" and to update the status of the aircraft in the Integrated Logistics Management System.

**Management Response:** CGFS and INL concurred with the recommendation; INL stated that it is "prepared to assist CGFS in developing policies, procedures, and guidance for categorizing aircraft and updating status in [ILMS]."

**OIG Reply:** On the basis of CGFS and INL's concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CGFS, in coordination with INL, has developed and implemented policies, procedures, and implementing guidance to determine when an aircraft should be considered "In Service" and "Not in Service" and updated the status of each aircraft in ILMS.

**Recommendation 16:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, review and update all aircraft valuations, including accumulated depreciation, taking into account the acquisition value, the amount of any refurbishments, and the impact of any periods the aircraft was not in service.

**Management Response:** CGFS and INL concurred with the recommendation; INL stated that it is "prepared to work with CGFS in reviewing and updating all aircraft valuations."

**OIG Reply:** On the basis of CGFS and INL's concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CGFS, in coordination with INL, has reviewed and updated all aircraft valuations, including accumulated depreciation, taking into account the acquisition value, the amount of any refurbishments, and the impact of any periods the aircraft was not in service.

### **Finding C: Aviation Assets Are Not Always Disposed of in Accordance With Administrative Requirements**

OIG found that the Department's aviation assets were not always disposed of in accordance with Department requirements. For example, the proper disposal documentation was not completed for any of the 31 disposals OIG tested. OIG also found instances in which overseas disposals were recorded in ILMS-Asset Management before the disposals actually took place. Additionally, OIG reviewed sales of aircraft and found that in 9 of 17 instances (53 percent), the funding received as the proceeds of sale has not been re-allotted for use within the Department, as is allowed. OIG determined that these deficiencies occurred, in part, because INL/A does not have sufficient guidance that describes the disposal process. More specifically, the aircraft disposal policies include incorrect guidance about the forms that should be used to document disposals and also lack guidance concerning the manner and timing in which to record the disposal of the assets.

Furthermore, INL interpreted the guidance for the use of proceeds of sale narrowly. The failure to develop clear disposal procedures increases the risk that: a) aviation assets will be improperly disposed of or misappropriated, b) the Department's accounting records are incorrect, and c) \$8.3 million in funds will be remitted to the Department of the Treasury that could be used by the Department for other authorized purposes.

#### ***Required Documentation Was Not Completed for Aviation Asset Disposals***

In general, if U.S. Government personal property is no longer needed for official business or requires replacement, such property should be identified and timely reported for disposition processing. Generally, unneeded aircraft are either sold, destroyed or scrapped,<sup>91</sup> or donated or transferred.<sup>92</sup> The Foreign Affairs Handbook (FAH) lays out procedural requirements for the

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<sup>91</sup> Aviation assets that are military in nature must comply with Department of Defense Manual 4160.28 Volume 3, which sets requirements for demilitarization of the assets.

<sup>92</sup> 14 FAH-1 H-720, "Disposal Procedures for Department and Field Offices," provides information on the various methods that the Department can use to donate or transfer excess property to other Federal agencies or other organizations.

disposal of accountable personal property,<sup>93</sup> both at post and domestically.<sup>94</sup> According to the FAH, various forms are required, depending on the type of disposal, most notably:

- Property Disposal Authorization and Survey Report (DS-132): This form is used for documenting the disposal of property no longer needed (14 FAH-1 H-413.2-3).
- Transfer Order to Excess Personal Property (SF-122): This form is used to record transfers of property between Federal agencies (14 FAH-1 H-413.2-2).
- Inventory Disposal Schedule (SF-1428): This form is used for contractor-held property. The contractor is to use the form to list U.S. Government-held property that is no longer needed to support the contract (14 FAH-1 H-725).
- Domestic Excess Property (DS-1882): This form is used to document assets disposed of by scrap or salvage (14 FAH-1 H-723.5).

Proper completion of these forms ensures that the Department has a clear record of the reason for disposal as well as the method of disposal. Both have implications for appropriate accounting and represent a meaningful aspect of internal controls necessary to ensure that proper approvals were obtained prior to disposing of high-value assets.

OIG selected a sample of 31 of 96 aircraft disposals that occurred during FYs 2016 and 2017 and found that INL/A was not adhering to Department guidelines for disposing of personal property. Specifically, OIG found that INL/A was not completing the correct forms to authorize the disposal of the aircraft domestically or abroad. For example, OIG found that Department officials never completed the DS-132 for aircraft disposals, even though the form should have been completed for all 31 disposals tested. Furthermore, OIG found that each disposal was documented using an inconsistent mix of various forms (although never the forms required by the FAH).

Documentation was not completed in part because INL/A lacks clear and sufficient guidance on procedures for the disposal of aviation assets. Specifically, the "INL/A Aviation Program Policies and Procedures Handbook" states that "documentation of [aircraft] disposition must be accomplished on a signed DS-584." This INL/A policy, however, is inconsistent with the FAH, which states that the DS-584 should be used for relocation or redistribution of personal property within the Department. Additionally, OIG found that both INL-specific FAM chapters (2 FAM 800 and 1 FAM 535) lack any guidance describing procedures for documenting the disposal of an aviation asset. Furthermore, the INL Program Directive and the "INL Aviation Program Policies and Procedures Handbook" included limited information on disposal procedures. Additionally, in a review of the six posts that OIG visited, OIG found that the INL country-specific aviation policies and procedures lacked sufficient procedural guidance for the disposal of aviation assets. In fact, five of the posts did not have *any* guidance for documenting asset disposals.

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<sup>93</sup> 14 FAM 411.4 explains that aircraft are considered accountable personal property and, therefore, must be tracked on property records.

<sup>94</sup> 14 FAH-1 H-710, "Disposal Procedures at Post," and 14 FAH-1 H-720, "Disposal Procedures For Department and Field Offices."

OIG determined that revising and updating the property guidance would improve compliance with the Department's internal controls over the disposal of assets. Without guidance on the proper paperwork or approvals required, the risk of misappropriating aviation assets increases because the assets could be misappropriated without prevention or detection. This, in turn, could affect the Department's accounting system. For example, OIG found that INL officials working in Afghanistan and Pakistan disposed of aircraft locally and the disposals were recorded before the disposal actually took place. Specifically, INL/A marked two aircraft as disposed of in ILMS-Asset Management in September 2016, but the assets were not actually disposed of until July and August 2017. In another instance, INL/A marked one aircraft in Pakistan as disposed of in ILMS-Asset Management in June 2016 but did not actually dispose of the aircraft until October 2016. The Federal Accounting Standards Advisory Board states that in the period of disposal, general property and equipment "shall be removed from the asset accounts along with associated accumulated depreciation/amortization."<sup>95</sup>

INL/A did not record assets accurately or use the correct forms because it did not adhere to Department guidance addressing proper disposal of assets. Specifically, 14 FAH-1 H-710, "Disposal Procedures at Post," provides that the property disposal officer should provide the accountable property officer with the DS-132 once "all items on the form have been disposed of."<sup>96</sup> After receiving the form, the accountable property officer must also ensure that property is removed from the "property records."<sup>97</sup> In the case of the aircraft disposed of in Afghanistan and Pakistan, the DS-132 was never used, resulting in the accountable property officer recording the asset disposals in the prior fiscal year. Because aircraft information is not being removed from the inventory system at the correct time, the inventory information on aircraft in the Department is incorrect and aviation assets may not be appropriately accounted for in the Department's accounting system.

### ***Proceeds of Sales Were Not Used for Replacement Property***

Federal regulations permit an executive agency to exchange or sell similar items and apply the exchange allowance or proceeds of sale in part or in whole to the property acquired.<sup>98</sup> This

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<sup>95</sup> Federal Accounting Standards Advisory Board, "FASAB Handbook of Federal Accounting Standards and Other Pronouncements, as Amended" (June 30, 2017), Technical Release 14, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant, & Equipment."

<sup>96</sup> 14 FAH-1 H-714.3, "Property Disposal Officer (PDO) Final Action."

<sup>97</sup> 14 FAH-1 H-716.8, "Accountable Property Officer (APO) Final Action."

<sup>98</sup> 41 C.F.R. 102-33.240 "What must we consider before disposing or replacing aircraft and aircraft parts?"; 41 C.F.R. 102-33.245 "May we report as excess, or replace (i.e., by exchange/sale), both operational and non-operational aircraft?"; 41 C.F.R. 102-33.275, "What should we consider before replacing our aircraft through exchange/sale?"; 41 C.F.R. 102-39.65, "What conditions apply to the exchange/sale of personal property?"

authorization applies to all personal property, including airplanes.<sup>99</sup> To use the authority, an agency must meet certain conditions: (a) the property that is exchanged or sold is similar to the property that is acquired, (b) the property is not excess or surplus and the agency has a continuing need for similar property, (c) the property was not acquired for the principal purpose of exchange or sale, and (d) the proceeds from the disposition of property can only be used to offset the cost of the replacement property.<sup>100</sup> The proceeds are to remain available during the fiscal year of the sale and for 1 year after. Any proceeds of sale that are not applied to replacement purchases must be deposited with the Department of the Treasury as miscellaneous receipts.<sup>101</sup>

According to the FAH, "to make maximum use of available resources, proceeds of sale of Department personal property may be applied to a different program or activity within the Department, including to other regional bureaus, offices, or appropriations, so long as the proceeds are used only for the purchase of replacement property. However, most regional and functional bureaus allot the funds for personal property to the post or organization that generated the proceeds."<sup>102</sup> The FAH<sup>103</sup> also states that:

A key element in proceeds of sale is the concept of similarity of replacement items procured. Items are deemed similar when one of the following conditions exists:

- They are identical in all material respects and characteristics, excluding condition, year, model, size or capacity, and manufacturer.
- They are designed or adapted for the same specific purpose.
- They constitute parts of (or parts for) similar assembled items defined above.

Of the 31 disposals selected for review, 17 (55 percent) were sold to other agencies and had associated proceeds of sale. Of the 17, INL/A used the proceeds of sale related to 8 (47 percent) aircraft to obtain replacement property, such as UH-60 helicopters and aircraft spare parts. However, as shown in Table 2, INL/A has not used the proceeds of sales related to nine aircraft that were sold in FY 2017,<sup>104</sup> and those funds are likely to be returned to the Department of the Treasury.

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<sup>99</sup> Aircraft parts and hazardous materials must also comply with additional regulations per 41 C.F.R. Parts 101-42, "Disposition of Personal Property With Special Handling Requirements," and 41 C.F.R. 102-33, "Management of Government Aircraft." If an agency does not use the exchange or sale authority, the property can be declared excess and disposed of through the normal disposal process as discussed in 41 C.F.R. 102-36.45(e), "What are our responsibilities in the management of excess personal property?"

<sup>100</sup> 41 C.F.R. 102-39.65, "What conditions apply to the exchange/sale of personal property?"

<sup>101</sup> 41 C.F.R. 102-39.80, "What are the accounting requirements for exchanging allowances or proceeds of sale?" and 4 FAH-3 H-327.3, "Use of Records."

<sup>102</sup> 4 FAH-3 H-327.3.

<sup>103</sup> 4 FAH-3 H-327.4-3, "Use (Obligation) of Sale Proceeds for Replacement Property."

<sup>104</sup> According to C.F.R. requirements, the funds for these sales would only be available until September 30, 2018.

**Table 2: Summary of Aircraft Sales From FY 2017 in Which Proceeds of Sale Have Not Been Used**

Aircraft	Date of Sale	Proceeds of Sale	Status
C-23B	12/12/2016	\$404,200	This aircraft was related to the Philippine Aviation Program, which no longer exists.
C-23B	12/12/2016	\$366,835	This aircraft was related to the Philippine Aviation Program, which no longer exists.
AT 802	02/28/2017	\$1,034,470	This aircraft was related to the ARAVI program.
AT 802	02/28/2017	\$847,800	This aircraft was related to the ARAVI program.
AT 802	02/28/2017	\$728,500	This aircraft was related to the ARAVI program.
AT 802	5/16/2017	\$701,240	This aircraft was related to the ARAVI program.
DC 3	05/16/2017	\$3,807,940	This aircraft was related to various INL/A aviation programs, most recently in Panama.
C-23B	12/13/2016	\$411,955	This aircraft was related to the Philippine Aviation Program, which no longer exists.
UH-1H	07/11/2016	\$39,301	INL/A provided this transaction to OIG on a listing of aircraft sales but later told OIG that "they had no record of this action."
<b>Total</b>		<b>\$8,342,241</b>	

Source: OIG generated from ILMS and INL/A data and responses.

INL's Office of Resource Management has determined that the proceeds of sale for each transaction in Table 2 should be returned to the Department of the Treasury. According to INL/A officials, INL's Office of Resource Management has determined that an aviation asset is only considered "replacement property" if aviation assets can be purchased for the same country-specific aviation program for which the asset was originally acquired. This determination is not in accordance with FAH guidance. OIG also found that INL/A lacked sufficient guidance on how to address proceeds of sale. For example, INL/A lacks guidance for determining when funds can be used to purchase replacement property. As a result, INL/A may have been able to use proceeds of sale to procure replacement property in certain instances. Unless INL takes quick action, \$8.3 million in funds that can be used to acquire replacement property must be remitted to the Department of the Treasury because the funds will no longer be available for use on other aviation programs.

**Recommendation 17:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process for overseas aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**Management Response:** INL concurred with the recommendation, stating that it "will work with [the Bureau of Administration, Office of Logistics Management] to develop and implement the overseas aviation asset disposal policy and process." The Bureau of Administration stated that it "has drafted and implemented guidance per FAR 45.6 and

14 FAM 400, updating the INL/A Program Directive on the process of overseas aviation asset disposals, and using the proper forms.”

**OIG Reply:** On the basis of INL’s concurrence and planned actions, OIG considers this recommendation resolved pending further action. OIG recognizes that the Bureau of Administration updated the FAM with regard to overseas asset disposal; however, this recommendation identified the need for INL to develop and implement aviation-specific overseas asset disposal policies and procedures. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL, in coordination with the Bureau of Administration, has developed and implemented a policy and implementing guidance on the process for overseas aviation asset disposal to include clear instructions on the appropriate forms and approvals that are needed.

**Recommendation 18:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process for domestic aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**Management Response:** INL concurred with the recommendation, stating that it “will work with [the Bureau of Administration, Office of Logistic Management] to develop and implement the domestic aviation asset disposal policy and process.” The Bureau of Administration stated that it “has drafted and implemented guidance per FAR 45.6 and 14 FAM 400, and updat[ed] the INL/A Program Directive on the process of overseas aviation asset disposals, and using the proper forms.”

**OIG Reply:** On the basis of INL’s concurrence and planned actions, OIG considers this recommendation resolved pending further action. OIG recognizes that the Bureau of Administration updated the FAM with regard to domestic asset disposal; however, this recommendation identified the need for INL to develop and implement aviation-specific domestic asset disposal policies and procedures. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL, in coordination with the Bureau of Administration, has developed and implemented a policy and implementing guidance on the process for domestic aviation asset disposal to include clear instructions on the appropriate forms and approvals that are needed.

**Recommendation 19:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of the Comptroller and Global Financial Services, develop and implement an action plan to use the \$8,303,020 identified in this report as funds that could be put to better use to replace similar property needed at other locations.

**Management Response:** INL partially concurred with the recommendation, stating that it is “closely reviewing information relative to this recommendation ... and will work with CGFS and [the Office of the Legal Advisor] to further develop its policy.” INL further

stated that it "intends to continue to examine the situation regarding each sale to determine whether the remaining funds can legally be used as recommended, understanding that it might not be possible in all cases." CGFS concurred with the recommendation, stating that it will assist INL in its implementation.

**OIG Reply:** On the basis of INL's partial concurrence and planned actions, as well as CGFS's concurrence, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has developed and implemented an action plan to use, to the extent legally permissible, the \$8,303,020 identified in this report as funds that could be put to better use to replace similar property needed at other locations.

**Recommendation 20:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of the Comptroller and Global Financial Services, develop and implement guidance to use proceeds of sale from aviation assets for replacement property.

**Management Response:** INL concurred with the recommendation, stating that it "will work with CGFS to develop and implement policy for the use of proceeds of sale." CGFS also concurred with the recommendation, stating that it will assist INL in its implementation.

**OIG Reply:** On the basis of INL and CGFS's concurrence, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL, in coordination with CGFS, has developed and implemented guidance to use proceeds of sale from aviation assets for replacement property.

## **Finding D: Sufficient Oversight Mechanisms in Place Related to Aircraft Operations and Maintenance, but Attention Is Needed To Transition Programs Effectively**

OIG found that INL/A had sufficient oversight mechanisms in place to maintain the airworthiness of aircraft at the locations tested for this requirement, namely Patrick Air Force Base, FL; Peru; Panama; Iraq; and Afghanistan. INL/A established procedures to monitor aircraft for compliance with airworthiness standards, provided oversight to ensure contractors were complying with maintenance requirements, and recorded and tracked maintenance actions. The locations tested had been successful at overseeing aircraft maintenance in part because they used an automated contract oversight tool, SeeSOR. Although using SeeSOR is a best practice, OIG found that not all INL locations overseas, such as the ARAVI program in Colombia, used the tool. Furthermore, even though OIG found that INL/A complied with requirements for the oversight of aircraft maintenance, OIG identified opportunities for INL/A to enhance performance standards by obtaining feedback from those responsible for implementing them. By implementing effective mechanisms to oversee the operations and maintenance program, INL/A has developed

streamlined processes to minimize the need for extensive infrastructure at the location in question, while still ensuring that all Department aircraft are airworthy and meet required standards.

OIG also found that INL's goal of increasing the institutional capability of host nations to eventually operate and maintain, or "nationalize," certain aviation programs without INL support remains elusive. These efforts have faltered primarily because transition plans, including benchmarks, have not been developed and executed with the host countries. Until these plans are implemented, INL will be unable to fully assess and address the obstacles hindering the realization of this fundamental foreign assistance goal.

### ***INL/A Complied With Requirements for the Oversight of Aircraft Operations and Maintenance***

OIG found that INL/A complied with Federal aircraft operations and maintenance standards at the locations tested during this audit.<sup>105</sup> In the field, aircraft operations and maintenance are performed either by contractors or host country personnel, depending on the country. If host country personnel perform the maintenance or operate the aircraft, contractors perform oversight of the maintenance and flight processes. Therefore, to determine the extent to which Department aircraft were operated and maintained in accordance with applicable standards, OIG focused its testing on mechanisms that INL/A had in place to oversee the operations and maintenance-related efforts of its contractors. OIG found that INL/A has multiple layers of oversight in place at selected locations to monitor adherence to contractual operations and maintenance requirements. Specifically, INL/A established procedures to monitor aircraft for compliance with airworthiness standards, provided oversight to verify contractors complied with maintenance requirements, and recorded and tracked maintenance actions.

### ***INL/A Developed Operations and Maintenance Policies and Procedures***

The FAM requires INL/A to establish procedures to monitor and comply with Federal Aviation Administration airworthiness directives or mandatory manufacturer notices.<sup>106</sup> OIG found that the INL/A Program Directive contains basic guidance for all INL/A aircraft maintenance and engineering management and provides a framework that outlines essential direction and procedures to operate aircraft safely and effectively. The Program Directive defines and requires the establishment and maintenance of airworthiness throughout the entire aircraft life cycle and establishes the INL/A Director as the Department's Airworthiness Determination Official. It also establishes the INL/A aircraft maintenance management program, which comprises two essential components—Field or Unit Level Maintenance and PDM. According to the Program Directive, all maintenance will be conducted in accordance with INL directives and policies;

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<sup>105</sup> OIG conducted fieldwork related to INL/A maintenance operations in Patrick Air Force Base, FL; Peru; Panama; Iraq; and Afghanistan. OIG also conducted fieldwork in Colombia and Pakistan; however, OIG did not test INL/A maintenance operations in either location.

<sup>106</sup> 2 FAM 816.2-2, "Maintenance."

INL/A-approved contractor policies, procedures, and plans; original manufacturer standards; and Federal Aviation Administration and Department of Defense standards, as applicable.

*INL/A Provided Sufficient Oversight of Contractors Performing Maintenance Activities and Operating Aircraft*

Federal regulations require agencies to provide oversight to ensure that the contractor providing the aircraft has maintenance and inspection programs that comply with applicable maintenance requirements, procedures for operating aircraft with inoperable instruments and equipment, and technical support.<sup>107</sup> These regulations also state that an agency must provide oversight to ensure that the contractor operating the flight program has procedures to implement a risk assessment before each flight and ensure pilots meet basic qualifications and currency requirements, as well as manifests that are documented and appropriately reconciled.<sup>108</sup>

OIG found that INL/A had numerous processes in place to oversee the contractors performing maintenance activities and operating the aircraft. For example, during the ARMS inspections (discussed in more detail in Finding A of this report), INL/A assesses compliance with maintenance requirements. INL/A has established an evaluation checklist for INL/A Headquarters staff to use to review each subject area, one of which is maintenance. INL/A developed the checklists using a variety of Federal and Department aviation guidelines. For example, the checklists incorporate Federal criteria from the C.F.R., the Occupational Safety and Health Administration, and the Federal Aviation Administration and internal guidance, such as the INL/A Program Directive and the INL Guide to Aviation Training and Standardization.<sup>109</sup> According to INL/A officials, they measure compliance through interviews, observations, evaluations, and reviews of on-site records. Any identified safety violations must be corrected immediately. Other recommendations stay open until the concern is remedied. The contractor is responsible for tracking compliance with the recommendations.

To evaluate the ARMS process, OIG reviewed the most recent ARMS reports for the four selected posts and conducted an analysis of the results to identify systematic issues. OIG found that all four countries received a rating of "satisfactory" and had no significant findings. Maintenance issues identified through the ARMS process included improper storage of parts, improper towing of aircraft, and improper parts management. When metrics were not met, INL/A sought to remedy the deficiencies in a timely fashion using a compliance process as well as re-inspecting those areas in the next ARMS cycle.

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<sup>107</sup> 41 C.F.R. §102-33.170, "What standards must we establish or require (contractually, where applicable) for maintenance of our Government aircraft?"

<sup>108</sup> 41 C.F.R. §102-33.165, "What standards must we establish or require (contractually, where applicable) for the operation of our flight program?"

<sup>109</sup> INL/A Guide to Aviation Training and Standardization, March 4, 2014.

In addition to ARMS, INL/A uses a trimester report as a tool to assess the extent to which the contractor is meeting the performance standards outlined in the Statement of Requirements.<sup>110</sup> The trimester report is developed using a compilation of SeeSOR results, corrective action reports, inspections, field input, and trip reports. The seven areas that are individually scored are management and administration; safety; operations, training, and mission support; logistics and property management; maintenance and aircraft availability; process improvements; and discretionary. Scores for each section are awarded, for a total overall possible score of 100. OIG reviewed the trimester report dated July 11, 2017, and determined that the contractor received an overall rating of 89 (satisfactory)<sup>111</sup> for maintenance and aircraft availability worldwide. Specific issues that negatively affected the overall rating included the inability to obtain parts for repairs in Iraq and the contractor's failure to perform 11 required inspections in Afghanistan.

Additionally, INL/A requires GTMs to conduct program audits on a weekly, monthly, quarterly, semi-annual, and annual basis.<sup>112</sup> After the contractor completes the required audits, GTMs are required to complete their own audits in the same area on a regular basis. Inspections generally use a rating scale of 0–10, with 10 being the best. A score of 0–6 can generate a corrective action report on the basis of certain criteria.<sup>113</sup> OIG reviewed the results of the GTM audits at each location tested. When at the location, OIG selected GTM audits that had recently been completed and conducted walk-throughs with INL/A GTMs to gain an understanding of how the program audits were completed and to confirm the results that had been documented. In addition, OIG reviewed the reports from the GTM audits related to maintenance for July through November 2017 for the four posts selected to assess whether the audits had been completed appropriately and in a timely manner.

OIG found that generally the GTM audits had been performed as required. OIG noted that the GTMs had determined that the contractors had not always achieved their performance standards; GTMs documented the deficiencies and a plan was established to correct the deficiencies. For example, INL/A GTMs identified issues in three countries related to maintenance. The INL country-specific aviation program in Afghanistan issued a corrective action report to the contractor because of three serious violations—the last one involved the failure of a mechanic to use an aerial work platform properly and, as a result, led to damage to the aircraft, which had to be grounded for 8 days. The INL country-specific aviation program in Iraq also reported an incident in which an aircraft component bearing assembly was not torqued to the specifications outlined in the standard operating procedures.

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<sup>110</sup> Some of the maintenance standards include: a) Having no more than 2 percent scheduled missions during the reporting period being canceled because of required maintenance of the aircraft; b) 100 percent of maintenance activity tracked in AWIS; and c) 100 percent compliance with all maintenance directives, technical data, and standard operating procedures.

<sup>111</sup> A satisfactory score means the contractor quantitatively demonstrates that its performance relating to aircraft maintenance and availability meets, on average, the established goals and objectives of the Statement of Requirements and other agreed-upon performance measures.

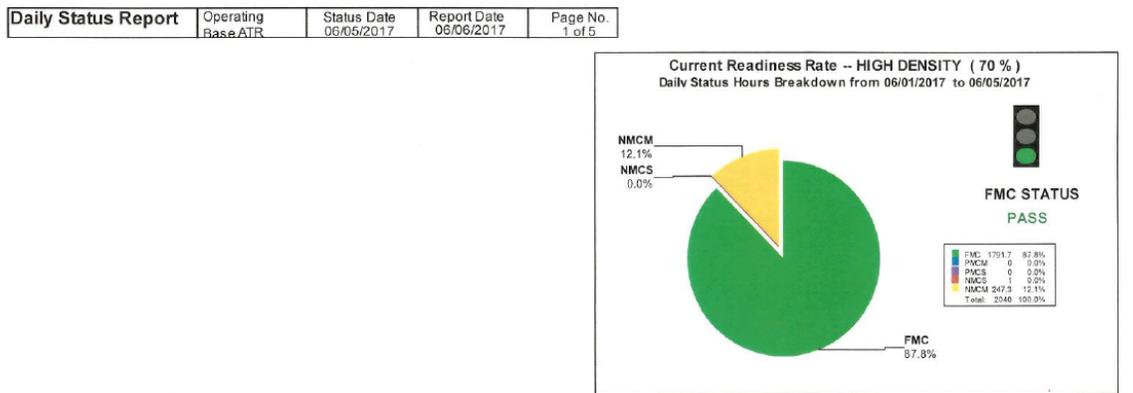
<sup>112</sup> "INL/A Program Directive," 147.

<sup>113</sup> Such criteria would include repeat findings within 1 year.

*INL/A Ensures Contractors Record and Track Operations and Maintenance Actions*

The C.F.R. provides that an agency must ensure that the contractor has procedures for recording and tracking maintenance actions.<sup>114</sup> OIG found that INL/A requires its contractors to produce daily reports that describe, among other things, each mission and the operating status of each aircraft (an example is provided in Figure 10). The SAAs at selected locations stated that they use the daily report to ensure that they have a complete understanding of all aviation activities and the maintenance status of each aircraft. OIG found that the daily reports are shared at various levels within INL/A and can be obtained from the INL/A network, where they are maintained. After reviewing a daily report, the SAA follows up with the contractor on any questions. The daily report also provides an assessment of whether the contractor is meeting the performance standard related to the percentage of aircraft that are in "Fully Mission Capable" status, which is a direct reflection of the effectiveness of the aircraft maintenance operations.

**Figure 10: Example of Daily Report**



Source: Obtained from INL on June 7, 2017.

<sup>114</sup> 41 C.F.R. §102-33.170.

### *Sufficient Operations and Maintenance Oversight due to Effective Oversight Tool*

The posts that OIG audited had been successful at overseeing aircraft operations and maintenance in part because of INL/A's use of SeeSOR. SeeSOR is a collaborative contract management software that automates inspection scheduling, performance monitoring, performance metrics, and trends. INL/A uses SeeSOR as a performance management tool. The program has the ability to track performance standards by location.<sup>115</sup> SeeSOR is used as a tool to facilitate compliance with the Statement of Requirements, the quality assurance plan,<sup>116</sup> and the inspection schedule and to facilitate action on the inspection results. In addition, it provides automatic notification of low scores to the Quality Assurance Manager,<sup>117</sup> who reviews the system daily for new reports and pending issues.<sup>118</sup> OIG used SeeSOR extensively during audit fieldwork and found that SeeSOR allows for effective and efficient on-the-ground and remote contract oversight essential for ensuring that a highly technical contract is meeting the minimum contract requirements. The tool also allows contract oversight personnel to easily combine results from all field locations to identify trends and areas of concern that must be immediately remedied. Although using SeeSOR is a best practice, OIG found that not all INL locations overseas, including the ARAVI program in Colombia, use the tool.

Although OIG found that INL/A complied with requirements for the oversight of aircraft operations and maintenance, OIG identified opportunities for INL/A to enhance the performance standards by obtaining feedback from those responsible for implementing them. For example, an INL official in Peru questioned the performance standard requiring the percentage of canceled missions<sup>119</sup> to be less than 2 percent. The INL official stated that it is not possible for the total canceled mission number to be anything other than zero because the office does not schedule flights if an aircraft is not available; therefore, the performance standard is meaningless. Another INL official similarly expressed concern regarding the performance standard for mission declinations.<sup>120</sup> The standard provides that mission declinations must be 0 percent, but the INL official explained that this is not helpful because the contractor would not decline a mission; therefore, giving it credit for this is unreasonable.

Some INL SAAs and GTMs attributed their concerns with the performance standards to a lack of outreach from INL/A Headquarters. These INL officials at posts thought that Headquarters should seek to obtain feedback from field operations about the usefulness of the performance standards. Other SAAs and GTMs disagreed and stated that they found INL/A officials at Headquarters willing to listen to their concerns. INL/A Headquarters officials stated that they

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<sup>115</sup> Such an example of localized monitoring would be for an air traffic control subcontract, specific to Iraq.

<sup>116</sup> The contractor is required to develop a quality assurance plan to monitor and document compliance with all contract requirements.

<sup>117</sup> The Quality Assurance Manager is the INL/A official who is responsible for ensuring that SeeSOR oversight requirements are being performed in all field locations, in accordance with policy.

<sup>118</sup> Pending issues can include late inspections as well as potential corrective action reports.

<sup>119</sup> A canceled mission is when the contractor cancels a mission for causes including no available aircraft because of a lack of coordination with the contractor.

<sup>120</sup> A mission declination means the contractor declines to provide service.

hold regular conference calls with the SAAs, and issues with performance standards can be raised in that forum. However, INL/A Headquarters officials admitted that it was difficult to make changes to the performance standards because of ongoing contract litigation and approvals needed for contract modifications. Considering that the Department is in the process of transitioning to a new, worldwide aviation services contract, OIG believes this is an opportune time for INL/A to review the process for establishing maintenance and operations contract performance standards.

### ***The Department Has Not Successfully Nationalized Country-Specific Foreign Assistance Aviation Programs***

Section 481 of the Foreign Assistance Act of 1961 governs Department foreign assistance provided for anti-narcotics programs.<sup>121</sup> The Act states that the President is authorized to furnish assistance to any country for the control of narcotic drugs. This includes INL country-specific aviation programs, whose goal is generally to increase the host nation's institutional capability and eventually operate and maintain, or nationalize, the aviation program; more specifically, the particular goal of these programs is to donate the aviation assets so that the host nation can operate the program without U.S. Government assistance.

OIG found that this goal remains elusive. For example, INL unsuccessfully attempted to nationalize the aviation program in Guatemala in 2013. The most recent INL program in Guatemala began in 2008 and the aircraft were nationalized in October 2013. By 2016, INL/A found, during an ARMS assistance visit, that the Government of Guatemala had been unable to sustain the airworthiness of the helicopters that it previously provided. Specifically, INL/A found that five of the six helicopters that had been provided had serious maintenance issues. The ARMS inspection also identified other issues, including pilots having to buy their own helmets and gunners who lacked sufficient ammunition to stay current on their certifications. In 2017, to address the issues identified during the ARMS review, the INL aviation program in Guatemala proposed to create a new aviation program that would repair the donated helicopters and provide additional helicopters and training to the Guatemalan Government. In June 2017, the ambassador signed a Letter of Agreement (LOA) with the Government of Guatemala authorizing a \$49 million, 5-year extension of the program.<sup>122</sup> As of November 2017, these plans were on hold because of vetting requirements for the program funds and disputes over PDM expenses for the grounded helicopters.

In another example, the INL aviation program in Peru started in the 1980s with a focus on eradicating coca leaves. INL officials in Peru stated that they would like to nationalize the aviation program within 5 years; however, they had no written plan to do this. Furthermore, INL officials in Peru stated that no formal planning procedures were in place to start transferring

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<sup>121</sup> Public Law 87-195.

<sup>122</sup> OIG, *Inspection of Embassy Guatemala City, Guatemala* (ISP-I-18-16, May 2018) stated that the LOA included a requirement to develop benchmarks for the Government of Guatemala's progress in improving administrative, technical, and operational capabilities. However, the LOA did not identify any established benchmarks or monitoring plans.

more control of the program to the Peruvian Government. INL officials in Peru also noted that the program frequently has staffing shortfalls of mechanics and pilots and once these staff members are trained, they frequently leave for better pay.

The INL aviation program in Panama began in 2014, using the assets previously stationed in Honduras. INL officials in Panama believe that the program has been successful, as measured by increases in Panamanian drug interdictions. The U.S. Government does not have a plan for continuing aviation operations beyond 2019, which INL officials in Panama attributed to the Panamanian election cycle and the uncertainty of U.S. Government funding. INL officials in Panama stated that nationalization may be a challenge in 2019 because of host nation difficulties with performing maintenance and logistics. Specifically, the host nation may not have sufficient personnel to perform the maintenance function nor sufficient funding to secure a reliable supply chain of equipment and parts to maintain the aircraft.

In each country with an INL aviation program, INL's in-country staff locally manage the program with the host nation government. At the outset of each aviation program, an LOA is developed, which defines the terms under which the aviation program will be carried out. The "INL Financial Management Handbook"<sup>123</sup> states that the LOA is the primary implementing agreement used with foreign governments. It is considered a bilateral agreement between the U.S. Government and the host country government that defines the terms under which a specific project or projects will be carried out.<sup>124</sup> The LOA is the instrument that obligates INL funds to finance a project, obligates the host government to meet project goals and objectives, defines host government contributions, and contains a summary of the scope of the project with a list of goals and objectives.

One reason that the nationalization efforts have not been successful is that the LOAs do not contain a plan, including benchmarks, for nationalization. OIG found that the LOAs for Guatemala, Peru, and Panama did not discuss nationalizing the aviation programs; each lacked a timeline, milestones, and goals for host country nationalization of aviation assets. Furthermore, the LOAs did not always include benchmarks or, if included, they were unrealistic. For example, the Guatemala LOA called for an increase of 200 percent of seizures and arrests and a 50-percent increase in eradication. According to Department officials, these are unrealistic benchmarks because the program is not operating near those amounts, even with U.S. Government assistance. OIG also found that the LOA with Guatemala did not include sufficient benchmarks or goals to ensure that Guatemala was prepared to run the aviation program independently. Regarding the INL Panama program, OIG found that it was operating without a long-term strategic plan. Although the "INL Financial Management Handbook" provides guidance for the development of LOAs, no specific guidance relates to the nationalization of aviation programs.

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<sup>123</sup> "INL Financial Management Handbook," June 2014.

<sup>124</sup> The "INL Financial Management Handbook" defines a project as "a discrete undertaking, to accomplish stated purposes, leading to a defined goal, with specific resources, over a definite period of time. A project generally has only one source of funding and encompasses only one functional activity. A project should have a beginning, middle, and end," 73.

By implementing effective mechanisms to oversee the maintenance program, INL/A has developed streamlined processes that minimize requirements when it operates in areas without extensive infrastructure while, at the same time, ensuring that all Department aircraft are airworthy and meet required standards. Notwithstanding these strengths, because the Department has not successfully nationalized country-specific aviation programs, it has not succeeded in permanently increasing host nations' institutional capability so that they can operate programs without U.S. Government assistance. Efforts to nationalize the aviation programs within these countries have faltered primarily because transition plans, including benchmarks, have not been developed and executed with the host countries. Until these plans are implemented, INL will be unable to fully assess and address the obstacles hindering the realization of this fundamental foreign assistance goal.

**Recommendation 21:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement a methodology for obtaining systematic input from each Senior Aviation Advisor and Government Technical Monitor when developing statements of requirements, performance standards, and the quality assurance plan for contractors performing maintenance of aircraft and incorporating, as appropriate, the input into the new worldwide aviation support services contract.

**Management Response:** INL concurred with the recommendation, stating that it "will develop and implement an appropriate methodology."

**OIG Reply:** On the basis of INL's concurrence and planned action, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has developed and implemented a methodology for obtaining systematic input from each SAA and GTM when developing statements of requirements, performance standards, and the quality assurance plan for contractors performing maintenance of aircraft and incorporating, as appropriate, the input into the new worldwide aviation support services contract.

**Recommendation 22:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all country-specific aviation programs use SeeSOR for quality assurance oversight.

**Management Response:** INL partially concurred with the recommendation, stating that it is "actively exploring the feasibility of using SeeSOR for all INL aviation programs not on the INL/A Worldwide Aviation Services Contract."

**OIG Reply:** On the basis of INL's partial concurrence and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that it has developed and implemented policies and procedures requiring that all country-specific aviation programs use SeeSOR for quality assurance oversight.

**Recommendation 23:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all foreign assistance aviation programs have documented nationalization plans with clear goals and attainable objectives, both at the headquarters level and for each country of operation.

**Management Response:** INL partially concurred with the recommendation, stating that "clear policies and procedures should be developed and implemented requiring that all foreign assistance aviation programs that are intended to be nationalized have documented nationalization plans with clear goals and attainable objectives." INL additionally stated "there are occasions when INL establishes an aviation program but, due to national security concerns, does not intend to nationalize it for various reasons. Planning to nationalize, or not nationalize, is a policy decision based in part on the interests and commitment of the host government, an assessment of the benefits of transferring the aviation assets to the host country rather than retaining U.S. [G]overnment ownership, the possibility of redeploying the aviation assets to a different country, [c]ongressional approval, and a number of other factors."

**OIG Reply:** On the basis of INL's partial concurrence and planned actions, OIG considers this recommendation resolved pending further action. Because INL agrees that policies and procedures are appropriate but acknowledges that specific circumstances may preclude nationalization, OIG construes INL's planned actions as meeting the intent of this recommendation. This recommendation will be closed when OIG receives and accepts documentation demonstrating that INL has developed and implemented policies and procedures requiring that all foreign assistance aviation programs have documented plans with clear goals and attainable objectives, both at the headquarters level and for each country of operation.

**Recommendation 24:** OIG recommends that Embassy Panama City, Panama, develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program.

**Management Response:** In a joint response, INL and Embassy Panama City did not concur with the recommendation, stating that "current plans are for the INL aviation program in Panama to sunset by early calendar year 2019, with the aircraft being withdrawn."

**OIG Reply:** On the basis of the INL and Embassy Panama City response and statement that the INL aviation program in Panama will "sunset" in 2019, OIG considers this recommendation resolved pending further action. Because the aviation program in Panama will end in 2019, no documented nationalization plan is required. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the INL aviation program in Panama has ended.

**Recommendation 25:** OIG recommends that Embassy Lima, Peru, develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program.

**Management Response:** Embassy Lima acknowledged the recommendation and stated that it is “prepared to implement [the recommendation] if and when the Government of Peru formally agrees to nationalization.” Embassy Lima further stated that “INL Lima has no mandate to nationalize the aircraft in Peru under the current bilateral [LOA]. Embassy Lima and the Ministry of the Interior are engaged in ongoing discussions on nationalization. If and when Peru agrees to accept INL's offer to nationalize the aircraft, a new LOA will be drafted setting the conditions, parameters, actions and timelines in order for nationalization to take place.”

**OIG Reply:** On the basis of the Embassy Lima’s response and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that Embassy Lima developed and implemented a documented nationalization plan with clear goals and attainable objectives for the aviation program. Alternatively, if Peru’s Ministry of the Interior does not accept INL’s offer to nationalize the aircraft, this recommendation will be closed when Embassy Lima develops and implements a documented action plan with clear goals and attainable objectives addressing the future of the aviation program.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Under Secretary for Management develop and implement a plan to enforce the centralized management and oversight of all Department aviation programs and assets, including oversight of and approval by the Aviation Governing Board, on all decisions related to providing aviation services, in accordance with the Foreign Affairs Manual.

**Recommendation 2:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, update the Aviation Governing Board Charter to align with its role and responsibilities outlined in Volume 2 of the Foreign Affairs Manual 800, and implement procedures to effectively manage and use Department aviation resources that support foreign affairs requirements overseas, including updating the voting Board members.

**Recommendation 3:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement a detailed strategic plan for all of the Department of State's aviation needs, including medical needs and country-specific needs like those of Embassy Bogota. The plan should have clear goals and attainable objectives, both at the headquarters level and for each country of operation.

**Recommendation 4:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement procedures requiring that a cost-benefit analysis is performed and its results considered before deciding whether to acquire an aircraft and begin or end aviation operations in a country.

**Recommendation 5:** OIG recommends that the Under Secretary for Management review the decision to expend \$70.9 million to operate the Cyprus Air Base and make a determination as to whether the expenditures were necessary or reasonable considering the lack of benefit to the Department of State.

**Recommendation 6:** OIG recommends that the Under Secretary for Management review the decision to expend \$174,090 to store aircraft and make a determination as to whether the expenditures were necessary or reasonable considering the lack of benefit to the Department of State.

**Recommendation 7:** OIG recommends that the Under Secretary for Management review the decision to expend \$1.2 million to acquire and refurbish three aircraft for the Philippines Coast Guard and make a determination as to whether the expenditure was necessary or reasonable considering the lack of benefit to the Department of State or the Philippine Coast Guard.

**Recommendation 8:** OIG recommends that the Aviation Governing Board (AGB), in coordination with the Bureau of International Narcotics and Law Enforcement Affairs (INL), revise Volume 2 of the Foreign Affairs Manual (FAM) 800 to clarify that INL is the sole provider of aviation services

for the Department of State and any requests for exceptions to, or waiver of this policy, along with a written justification, must be submitted to and approved by the AGB. The FAM revision should include a requirement for a periodic review of the decision to determine whether it remains beneficial.

**Recommendation 9:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) update the "INL Financial Management Handbook" to include guidance related to recording assets purchased with INL project funding or transferred to INL from another agency that are not being donated to a host government in the Integrated Logistics Management System.

**Recommendation 10:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) implement a process to ensure it performs Property Management System Analysis inspections of INL operations in all countries with aviation programs.

**Recommendation 11:** OIG recommends that Embassy Bogota, Colombia, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Colombia that meet the definition of accountable property and record them in the Integrated Logistics Management System.

**Recommendation 12:** OIG recommends that Embassy Lima, Peru, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Peru that meet the definition of accountable property and record them in the Integrated Logistics Management System.

**Recommendation 13:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop updated formal policies, procedures, and implementing guidance to ensure that Department of State aviation assets, including assets donated by other agencies, are accurately valued when initially obtained and the correct value is recorded in the accounting system.

**Recommendation 14:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop policies, procedures, and implementing guidance to update the valuation of an aircraft after undergoing other-than-routine maintenance, including both programmed depot maintenance and phase maintenance.

**Recommendation 15:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement policies, procedures, and implementing guidance to determine when an aircraft should be considered "In Service" and "Not in Service" and to update the status of the aircraft in the Integrated Logistics Management System.

**Recommendation 16:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, review and update all aircraft valuations, including accumulated depreciation, taking into

account the acquisition value, the amount of any refurbishments, and the impact of any periods the aircraft was not in service.

**Recommendation 17:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process for overseas aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**Recommendation 18:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process for domestic aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**Recommendation 19:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of the Comptroller and Global Financial Services, develop and implement an action plan to use the \$8,303,020 identified in this report as funds that could be put to better use to replace similar property needed at other locations.

**Recommendation 20:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of the Comptroller and Global Financial Services, develop and implement guidance to use proceeds of sale from aviation assets for replacement property.

**Recommendation 21:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement a methodology for obtaining systematic input from each Senior Aviation Advisor and Government Technical Monitor when developing statements of requirements, performance standards, and the quality assurance plan for contractors performing maintenance of aircraft and incorporating, as appropriate, the input into the new worldwide aviation support services contract.

**Recommendation 22:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all country-specific aviation programs use SeeSOR for quality assurance oversight.

**Recommendation 23:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all foreign assistance aviation programs have documented nationalization plans with clear goals and attainable objectives, both at the headquarters level and for each country of operation.

**Recommendation 24:** OIG recommends that Embassy Panama City, Panama, develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program.

**Recommendation 25:** OIG recommends that Embassy Lima, Peru, develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) is administering its aviation program, including key internal controls related to aviation asset accountability, aviation asset disposal, and aircraft operations and maintenance, in accordance with Federal requirements and Department guidelines.

The Office of Audits conducted this audit from June 2017 to January 2018. Audit work was performed in the Washington, DC, metropolitan area; Charleston, SC; Patrick Air Force Base, FL; Enterprise, AL; Tucson, AZ; Embassy Bogota, Colombia; Embassy Lima, Peru; Embassy Panama City, Panama; Embassy Baghdad, Iraq; Embassy Kabul, Afghanistan; and Embassy Islamabad, Pakistan. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

To obtain background information, including criteria, OIG researched and reviewed Federal laws and regulations as well as policies relating to the Department's aviation program. Specifically, OIG reviewed the Code of Federal Regulations, the Federal Acquisition Regulation, Office of Management and Budget circulars, the Foreign Affairs Handbook, and the Department of State Acquisition Regulation. OIG also communicated with key personnel, including individuals from the Bureau of International Narcotics and Law Enforcement Affairs, Office of Aviation (INL/A); the Bureau of Administration, Office of Logistics Management; and the Bureau of Diplomatic Security.

Domestically, OIG interviewed individuals from various bureaus, including the Bureau of International Narcotics and Law Enforcement Affairs (INL), the Bureau of Diplomatic Security; the Bureau of Administration, Office of Logistics Management; the Bureau of Near Eastern Affairs; the Bureau of South and Central Asian Affairs; and the Bureau of the Comptroller and Global Financial Services. OIG also reviewed and analyzed documentation, such as information obtained from the Integrated Logistic Management System (ILMS). At overseas posts, OIG interviewed various post personnel, such as aviation program staff, Regional Security Office staff, and Financial Management Office staff. OIG also reviewed and analyzed hard-copy files at posts, such as budget and inventory documentation. Furthermore, OIG performed physical inspections of aircraft facilities and aviation operations at five<sup>1</sup> of the overseas posts visited. In addition, OIG performed physical inventories of aviation assets domestically and at five overseas posts.

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<sup>1</sup> OIG staff interviewed INL aviation officials at Embassy Islamabad, but was unable to visit INL/A's facilities in Pakistan because of the high-threat security posture at the location.

## Prior Reports

During this audit, OIG issued a Management Assistance Report<sup>2</sup> related to selected intelligence analysts who support the Department's aviation program but do not have access to information that is essential to meet their job requirements. The intelligence analysts are contractually required to monitor intelligence sources to develop operational reports and flight plans that describe and mitigate threats. These selected intelligence analysts, however, do not have access to the necessary types of intelligence required to complete their work. OIG made two recommendations and, as of June 2018, both are considered resolved pending further action.

During this audit, OIG issued a second Management Assistance Report<sup>3</sup> related to the contractor-operated INL Colombian National Police Aviation Program (ARAVI) IT network used to support the INL aviation program, which did not fully comply with Federal IT standards. Specifically, in August 2017, during audit fieldwork in Colombia, OIG discovered that neither INL nor its contractor, PAE Government Services, had addressed all the deficiencies identified in a June 2017 report prepared by INL's Information Management Division. OIG determined that these deficiencies occurred for three primary reasons. First, the IT portion of the current contract did not contain adequate requirements to ensure that the ARAVI network was maintained by the contractor in a manner that complies with Federal IT standards. Second, the Contracting Officer's Representative (COR) and the COR's support staff did not have the technical expertise to oversee the IT portion of the contract. Finally, prior to 2017, INL had not performed regular assessments of the ARAVI network. OIG made three recommendations and, as of June 2018, all are considered resolved pending further action.

During this audit, OIG developed a third Management Assistance Report<sup>4</sup> related to a Bureau of Medical Services (MED) sole-source contract, which was awarded on the basis of the contractor's unique capability to conduct aeromedical biocontainment evacuations but was never used to conduct an aeromedical biocontainment evacuation. The contract was then inappropriately modified to change its purpose to provide an air shuttle service, which became the primary use of the aircraft. OIG also found that MED did not comply with Federal aviation regulations or Department aviation policies. OIG found that these deficiencies occurred for a number of reasons. First, the need for aeromedical biocontainment evacuations subsided when the Ebola crisis ended in 2016. According to the COR, rather than have the two aeromedical aircraft sit idle, the Department decided that the aircraft—one of which is based in the United States and the other in Africa—would be used for other purposes. Second, MED believed that using the aircraft for such other purposes would allow for cost savings and provide other value to the Department. However, MED's cost analysis and value-added analysis did not support these

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<sup>2</sup> OIG, *Management Assistance Report: DynCorp Intelligence Analysts Supporting the Embassy Air Program Lack Access to Information Needed To Fully Identify Risks and Mitigate Threats* (AUD-SI-18-23, January 2018).

<sup>3</sup> OIG, *Management Assistance Report: The IT Network Supporting the Colombian Aviation Program Requires Attention To Ensure Compliance With Federal Standards* (AUD-IT-18-18, January 2018).

<sup>4</sup> OIG, *Management Assistance Report: Modification and Oversight of the Bureau of Medical Services' Contract for Aeromedical Biocontainment Evacuation Services Violated Federal Requirements*, which OIG anticipates publishing after the release of this report.

conclusions. Finally, the deficiencies occurred because MED was not prepared or adequately versed in Federal aviation regulations and did not have sufficient contract oversight officials. As a result, the Department did not take advantage of aviation assets that it owned and that could have been used for air taxi services in Africa. OIG estimated that the Department could put approximately \$24 million in taxpayer funds to better use by not exercising the next 2 option years of contract SAQMMA16C0077. Additionally, the lack of oversight provided by an individual with technical aviation expertise poses safety risks to Department personnel. OIG made seven recommendations in the draft Management Assistance Report.

In addition, in a July 2015 OIG audit report<sup>5</sup> that was conducted to determine whether invoice review and approval procedures were in place to ensure accuracy and completeness of costs, the contractor's work was adequately monitored, and the contractor was performing in accordance with contract terms and conditions for Air Wing operations in Iraq. In its findings, OIG identified \$932,644 in questioned costs associated with INL/A's insufficient invoice review process. OIG also found that INL/A adequately monitored the contractor's performance across a variety of mission functions and administrative operations and that the contractor generally met its service delivery performance goals associated with aviation services, including scheduled flights, medical evacuations, and flights for "very important persons," but struggled to meet aircraft availability goals. OIG made 11 recommendations in this report and, as of August 2018, 4 are considered resolved pending further action and 7 have been implemented and closed.

## Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the audit objectives. For example, OIG reviewed and assessed INL/A's "Program Directive" and "Aviation Program Policies and Procedures Handbook," as well as post-specific aviation guidance. OIG also reviewed Government-wide criteria pertaining to aviation, such as Office of Management and Budget Circulars, the Code of Federal Regulations, and the Foreign Assistance Act of 1961. OIG used this information to develop procedures to test internal controls related to the Department's aviation program and to develop an understanding of the processes within INL/A and at overseas posts. Both domestically and at overseas posts, the team tested internal controls related to the accountability and reporting, safety and operations, and maintenance and logistics of aviation assets. When OIG identified inadequate internal controls, it added audit procedures to address those issues. Issues related to internal controls identified during the audit are detailed in the Audit Results section of this report.

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<sup>5</sup> OIG, *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq* (AUD-MERO-15-35, July 2015).

## Use of Computer-Processed Data

During the audit, OIG used various types of electronically processed data, including information from ILMS-Asset Management,<sup>6</sup> the Air Wing Information System (AWIS),<sup>7</sup> and SeeSOR.<sup>8</sup>

### *Integrated Logistics Management System*

OIG obtained access to ILMS-Asset Management to independently review records associated with the Department's aviation assets. OIG assessed the reliability of ILMS data by reviewing existing information about the data, interviewing officials knowledgeable about the data, and comparing the number of aviation assets obtained from ILMS to the number of aviation assets on a list provided by post and the number of aviation assets found during OIG's physical inventory at post. Specifically, OIG reviewed the "ILMS User Account Access Guide" to obtain an understanding of ILMS and met with the Office of Logistics Management to gain an understanding of ILMS recordkeeping for aviation assets.

OIG obtained information from ILMS-Asset Management on the number of aviation assets reported for each post selected for review and requested that the posts provide a full inventory of all aviation assets. OIG then conducted a physical inventory of Department aviation assets at each post to assess the accuracy of the data obtained from ILMS-Asset Management and post. For aircraft, OIG found that aviation asset information was not always input correctly into ILMS-Asset Management and that the data fields were not always accurate or complete. In addition, OIG found that aircraft-related equipment was not always recorded in ILMS-Asset Management. Although ILMS-Asset Management data, by itself, were not always reliable, OIG concluded that the data used in conjunction with hardcopy records and testimonial evidence provided by aviation advisors and post officials provided a reasonable basis for determining the deficiencies identified in the Audit Results section of this report.

### *Air Wing Information System*

OIG obtained access to AWIS to independently review records associated with the Department's aviation assets. OIG assessed the reliability of AWIS data by reviewing existing information about the data, interviewing officials knowledgeable about the data, and comparing AWIS information to the number of aviation assets obtained from ILMS-Asset Management. Specifically, OIG reviewed the "Supplement to Functional User's Manual for the Air Wing Information System" to obtain an understanding of AWIS and met with INL/A officials to gain an understanding of AWIS recordkeeping.

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<sup>6</sup> According to the Department, ILMS is the backbone of the Department's logistics infrastructure and provides for the requisition, procurement, distribution, transportation, receipt, asset management, and tracking of goods and services domestically and overseas.

<sup>7</sup> AWIS is the management information system developed by DynCorp that is used in conjunction with other Government and contractor systems to capture and validate data supporting all aspects of INL/A operations that were carried out by DynCorp.

<sup>8</sup> SeeSOR is a commercially available contract monitoring tool used by INL.

OIG obtained maintenance information and other information related to aviation assets from AWIS. OIG compared the AWIS information to information from records obtained from post and from ILMS-Asset Management and identified discrepancies relating to the disposal of aircraft and to inventory. However, OIG did not identify discrepancies related to maintenance records. Although AWIS data alone were not always reliable, OIG concludes that the data used in conjunction with hardcopy records and testimonial evidence provided by aviation advisors and post officials provide a reasonable basis for the deficiencies identified in the Audit Results section of this report.

### ***SeeSOR Contract Monitoring Tool***

OIG obtained access to SeeSOR to independently review records associated with the Department's oversight of the aviation program. OIG assessed the reliability of SeeSOR data by reviewing existing information about the data, interviewing officials knowledgeable about the data, and comparing the information in the system to actual results when at overseas posts. Specifically, OIG reviewed the "SeeSOR.NET User's Guide" to obtain an understanding of SeeSOR and met with INL/A to gain an understanding of the contract monitoring tool. In addition, OIG interviewed individuals at each post to determine how they used SeeSOR. OIG obtained information about inspections performed at each post and re-performed the inspection to assess accuracy. OIG found that the data within SeeSOR are sufficiently reliable to support the conclusions in this report.

### **Detailed Sampling Methodology**

The objectives of the sampling process were to select samples of capitalized aviation assets at each overseas location included in the audit to conduct a physical inventory, contract performance standards to determine to what extent they were achieved, and aircraft disposals for review. OIG reviewed aviation operations at all posts that had such operations to determine how posts were administering the aviation program. OIG employed both a non-statistical random sampling method and a risk-based selection process to gather appropriate evidence for review during audit fieldwork. Specifically, OIG selected a judgmental sample of capitalized aircraft assets at each post where work was performed and inventoried the equipment to determine the extent to which the assets were recorded in ILMS-Asset Management. OIG also selected a subset of recent aircraft disposals to determine the extent to which the Department had appropriately disposed of aircraft.

### ***Capitalized Aviation Assets Selection Methodology***

Prior to performing fieldwork at each location, OIG requested and obtained the total number and cost of aviation assets from INL/A as well as from a representative at each post. OIG decided to perform inventory procedures for 100 percent of the aircraft at each location and for a subset of other capitalized assets related to the aircraft, such as equipment. OIG performed inventory procedures in two ways at each location—by selecting items from ILMS-Asset Management and physically verifying their existence and by randomly selecting assets in the locations and confirming whether the assets were recorded in ILMS-Asset Management. The second method is

known as “floor to book” inventory procedures. For the other capitalized assets reviews, samples were selected differently at each site because the data sets differed, as shown in Table A.1.

**Table A.1: Capitalized Aviation Assets Inventoried and Selection Method**

Location	Number of Items	
	Inventoried	Selection Methodology
Peru	12	Peru was the pilot site for the audit. OIG had not originally planned to test capitalized aviation equipment until OIG performed some spot checks and determined that not all assets were recorded in ILMS-Asset Management. OIG judgmentally selected eight assets listed in ILMS-Asset Management and performed floor to book procedures for four additional assets.
Panama	22	All items in ILMS-Asset Management were selected for inventory procedures.
Colombia	50	No capitalizable equipment was recorded in ILMS-Asset Management. OIG used a contractor inventory listing to select 30 items for inventory procedures. OIG judgmentally selected 20 additional assets for floor to book inventory procedures.
Iraq	40	Thirty pieces of capitalized equipment were selected from ILMS-Asset Management. OIG judgmentally selected 10 additional assets for floor to book inventory procedures.
Afghanistan	44	Twenty-nine pieces of capitalized equipment were selected from ILMS-Asset Management. OIG judgmentally selected 10 assets from AWIS, as well as five additional assets for floor to book inventory procedures.
Pakistan	0	Inventory procedures were not performed because OIG was not able to travel to the forward operating location where the equipment was located.
Patrick Air Force Base	36	Thirty pieces of capitalized equipment were selected from ILMS-Asset Management. OIG judgmentally selected six additional assets for floor to book inventory procedures.
<b>Total</b>	<b>204</b>	

**Source:** OIG generated from audit fieldwork performed during the audit by location.

OIG determined that a sample size of 30 would be sufficient to test the accuracy and completeness of the Department’s records with respect to aviation assets for those locations that had 30 assets to test. For Colombia, Iraq, Afghanistan, and Patrick Air Force Base, the data were split into two groups: high-dollar (that is, greater than or equal to \$200,000) and low-dollar (that is, less than \$200,000). All high-dollar items were reviewed. In addition, enough items were selected from the low-value category to achieve a sample of 30 items. For the low-dollar value category, items were selected using a non-statistical, simple random sampling design (i.e., random numbers were determined and the corresponding items were selected for testing).

### *Performance Standards Selection Methodology*

OIG obtained and reviewed the contract Statement of Requirements and identified related performance standards for each of the following areas of the aviation program: safety, operations, maintenance, and logistics. OIG judgmentally selected two performance standards from each program area and location to independently verify whether an inspection had been completed and whether the related performance standard was achieved.

### *Aircraft Disposal Selection Methodology*

OIG obtained an AWIS-generated listing from INL/A of 96 aircraft disposals that occurred in FYs 2016 and 2017. OIG also generated a list of disposals for the same time frame, using ILMS-Asset Management, compared the two listings, and found significant differences. OIG selected aircraft disposals from each list for a total review of 31 items to assess a cross-section of aircraft disposal methods, as shown in Table A.2.

**Table A.2: Summary of Aircraft Disposals**

<b>Disposal Method</b>	<b>Number of Items</b>	<b>Number Selected for Review</b>
Donation	43	2
Sale	35	17
Scrap	16	10
Accident	1	1
Interagency Transfer	1	1
<b>Total</b>	<b>96</b>	<b>31</b>

**Source:** OIG generated using information obtained from INL/A.

## APPENDIX B: BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS RESPONSE

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United States Department of State

Washington, D.C. 20520

UNCLASSIFIED

September 11, 2018

**MEMORANDUM FOR NORMAN P. BROWN, ASSISTANT INSPECTOR GENERAL FOR AUDITS**

FROM: INL – Erin M. Barclay, Executive Director *EMB*

SUBJECT: INL Response to the Draft Report, Audit of the Department of State’s Administration of its Aviation Program (AUD-SI-18-XX, August 2018)

As requested, the Bureau of International Narcotics and Law Enforcement Affairs (INL) is providing the comments below in response to the subject report. Due to time constraints, INL was unable to coordinate responses with the members of the Aviation Governing Board (AGB) or Charleston Global Financial Services (CGFS), so this response reflects only the INL position.

**Recommendation 2:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, update the Aviation Governing Board Charter to align with its role and responsibilities outlined in Volume 2 of the Foreign Affairs Manual 800, and implement procedures to effectively manage and use Department aviation resources that support foreign affairs requirements overseas, including updating the voting Board members.

**INL Response (September 2018):** INL concurs with this recommendation. In its meeting on October 24, 2017, the Department’s Aviation Governing Board (AGB) voted to convene a working group to review its charter and identify any areas that need revision. The working group is currently developing changes to board composition and membership, the governing structure, the authorities and scope of the AGB, and other areas of the charter and expects to be able to present its recommendations to the AGB in November 2018.

**Recommendation 3:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement a detailed strategic plan for all of the Department

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of State's aviation needs, including medical needs and country-specific needs like those of Embassy Bogota. The plan should have clear goals and attainable objectives, both at the headquarters level and for each country of operation.

**INL Response (September 2018):** INL concurs with this recommendation and stands ready to work with other AGB members to develop and implement the strategic plan.

**Recommendation 4:** OIG recommends that the Aviation Governing Board, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement procedures requiring that a cost-benefit analysis is performed and its results considered before deciding whether to acquire an aircraft and begin or end aviation operations in a country.

**INL Response (September 2018):** INL concurs with this recommendation and, in coordination with the AGB, will develop and implement procedures to require a cost-benefit analysis for all new acquisitions and program start-ups. INL has already conducted and documented cost-benefit analysis in many cases, to include the most recent UH-60 Helicopter Acquisition Aviation Business Case Summary which was provided to the AGB.

**Recommendation 8:** OIG recommends that the Aviation Governing Board (AGB), in coordination with the Bureau of International Narcotics and Law Enforcement Affairs (INL), revise Volume 2 of the Foreign Affairs Manual (FAM) 800 to clarify that INL is the sole provider of aviation services for the Department of State and any requests for exceptions to, or waiver of this policy, along with a written justification, must be submitted to and approved by the AGB. The FAM revision should include a requirement for a periodic review of the decision to determine whether it remains beneficial.

**INL Response (September 2018):** INL partially concurs with this recommendation and stands prepared to work with the AGB to revise 2 FAM 800. INL is not currently the sole provider of aviation services to the Department, so the specifics of this policy will need to be worked out with the Office of the Under Secretary of Management and the AGB.

**Recommendation 9:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) update the "INL Financial Management Handbook" to include guidance related to recording assets purchased with INL

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project funding or transferred to INL from another agency that are not being donated to a host government in the Integrated Logistics Management System.

**INL Response (September 2018):** INL concurs with this recommendation and will review and update its Financial Management Handbook accordingly.

**Recommendation 10:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs (INL) implement a process to ensure it performs Property Management System Analysis inspections of INL operations in all countries with aviation programs.

**INL Response (September 2018):** INL concurs with this recommendation and will implement such a process.

**Recommendation 11:** OIG recommends that Embassy Bogota, Colombia, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Colombia that meet the definition of accountable property and record them in the Integrated Logistics Management System.

**INL Response (September 2018):** INL concurs with this recommendation and will review/update its current process.

**Recommendation 12:** OIG recommends that Embassy Lima, Peru, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Peru that meet the definition of accountable property and record them in the Integrated Logistics Management System.

**INL Response (September 2018):** INL concurs with this recommendation and will review/update its current process.

**Recommendation 13:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop updated formal policies, procedures, and implementing guidance to ensure that Department of State aviation assets, including assets donated by other agencies, are accurately valued when initially obtained and the correct value is recorded in the accounting system.

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**INL Response (September 2018):** INL concurs with the recommendation and stands prepared to assist CGFS in establishing and implementing policies, procedures, and guidance on valuation of aviation assets.

**Recommendation 14:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop policies, procedures, and implementing guidance to update the valuation of an aircraft after undergoing other than routine maintenance, including both programmed depot maintenance and phase maintenance.

**INL Response (September 2018):** INL concurs with the recommendation that policies and procedures be developed for updating valuation of an aircraft undergoing other than routine maintenance but does not agree with the inclusion of phase maintenance. INL/A considers phase maintenance to be routine maintenance that does not significantly affect the value of aircraft. See additional comments under Finding B below.

**Recommendation 15:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, develop and implement policies, procedures, and implementing guidance to determine when an aircraft should be considered “In Service” and “Not in Service” and to update the status of the aircraft in the Integrated Logistics Management System.

**INL Response (September 2018):** INL concurs with this recommendation and is prepared to assist CGFS in developing policies, procedures, and guidance for categorizing aircraft and updating status in the Integrated Logistics Management System.

**Recommendation 16:** OIG recommends that the Bureau of the Comptroller and Global Financial Services, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, review and update all aircraft valuations, including accumulated depreciation, taking into account the acquisition value, the amount of any refurbishments, and the impact of any periods the aircraft was not in service.

**INL Response (September 2018):** INL concurs with the recommendation and is prepared to work with CGFS in reviewing and updating all aircraft valuations.

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**Recommendation 17:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process for overseas aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**INL Response (September 2018):** INL concurs with this recommendation and will work with A/LM to develop and implement the overseas aviation asset disposal policy and process.

**Recommendation 18:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process for domestic aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**INL Response (September 2018):** INL concurs with this recommendation and will work with A/LM to develop and implement the domestic aviation asset disposal policy and process.

**Recommendation 19:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of the Comptroller and Global Financial Services, develop and implement an action plan to use the \$8,303,020 identified in this report as funds that could be put to better use to replace similar property needed at other locations.

**INL Response (September 2018):** INL partially concurs. INL is closely reviewing information relative to this recommendation, and will work with CGFS and L to further develop its policy. INL intends to continue to examine the situation regarding each sale to determine whether the remaining funds can legally be used as recommended, understanding that it might not be possible in all cases. INL will provide updates as its policy further develops.

**Recommendation 20:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of the Comptroller and Global Financial Services, develop and implement guidance to use proceeds of sale from aviation assets for replacement property.

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**INL Response (September 2018):** INL concurs with this assessment and will work with CGFS to develop and implement policy for the use of proceeds of sale.

**Recommendation 21:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement a methodology for obtaining systematic input from each Senior Aviation Advisor and Government Technical Monitor when developing statements of requirements, performance standards, and the quality assurance plan for contractors performing maintenance of aircraft and incorporating, as appropriate, the input into the new worldwide aviation support services contract.

**INL Response (September 2018):** INL concurs with this recommendation and will develop and implement an appropriate methodology.

**Recommendation 22:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all country-specific aviation programs use SeeSOR for quality assurance oversight.

**INL Response (September 2018):** INL partially concurs with this recommendation and is actively exploring the feasibility of using SeeSOR for all INL aviation programs not on the INL/A Worldwide Aviation Services Contract.

**Recommendation 23:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all foreign assistance aviation programs have documented nationalization plans with clear goals and attainable objectives, both at the headquarters level and for each country of operation.

**INL Response (September 2018):** INL partially concurs with this recommendation. INL agrees that clear policies and procedures should be developed and implemented requiring that all foreign assistance aviation programs *that are intended to be nationalized* have documented nationalization plans with clear goals and attainable objectives. However, there are occasions when INL establishes an aviation program but, due to national security concerns, does not intend to nationalize it for various reasons. Planning to nationalize, or not nationalize, is a policy decision based in part on the interests and commitment of the host government, an assessment of the benefits of transferring the aviation assets to the host country rather than retaining U.S. government ownership, the

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possibility of redeploying the aviation assets to a different country, Congressional approval, and a number of other factors. To further clarify INL's perspective, Section 484(a)(1) of the Foreign Assistance Act requires that aircraft made available to a foreign country primarily for narcotics-related purposes shall be provided only on a lease or loan basis, unless a determination is made that retention of title would be "contrary to the national interest of the United States" and appropriate congressional committees are notified.

**Recommendation 24:** OIG recommends that Embassy Panama City, Panama, develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program.

**INL Response (September 2018):** INL does not concur with this recommendation based on the national security and legislative criteria provided in response to the previous recommendation. INL does not have an agreement with the government of Panama to nationalize the six Huey-II helicopters in country and does not intend to nationalize them. Current plans are for the INL aviation program in Panama to sunset by early calendar year 2019, with the aircraft being withdrawn.

**Recommendation 25:** OIG recommends that Embassy Lima, Peru develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program.

**INL Response (September 2018):** INL concurs with this recommendation and is prepared to implement it once the Government of Peru formally agrees to nationalization. INL-Lima has no mandate to nationalize the aircraft in Peru under the current bilateral Letter of Agreement (LOA), and Embassy Lima and the Peruvian government are engaged in ongoing discussions on nationalization. If and when Peru agrees to accept INL's offer to nationalize the aircraft, a new LOA will be drafted setting the conditions, parameters, actions, and timelines. INL suggests OIG's recommendation be for Embassy Lima to "develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program *once the Government of Peru formally agrees to pursue nationalization.*"

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**Additional Items in the Report Narrative Warranting Comment/Clarification:**

**Highlights Page:**

- “Efforts to nationalize these aviation programs have faltered primarily because transition plans, including benchmarks, have not been developed and executed with the host countries.” As previously mentioned, there are mandated criteria by which the nationalization of aircraft is governed based on Section 484(a)(1) of the Foreign Assistance Act.

**Finding A:**

- Page 12: In regard to the aviation operations in Honduras, the report incorrectly states that “the program was shut down and all the aviation assets were moved to Panama.” Upon completion of the temporary deployment, the aviation assets were returned to Guatemala.
- Page 14, last paragraph: It should be noted that the acquisition of helicopters for Iraq and Afghanistan was not without a documented cost-benefit analysis, but options were limited due to time constraints for fielding the aircraft. It was only later that excess DoD CH-46 aircraft became available and were obtained and employed due to delays in S-61 production and delivery. Once CH-46s were fielded, they proved to be better suited for the Afghanistan environment which led to eventual disposal of the S-61N helicopters. The H-3 aircraft that were acquired at no cost from DoD for use as airframes and parts for S-61 production were taken as a lot, to allow for selection of the best aircraft and parts, and were retained until it was determined that they were no longer needed. The availability of these aircraft considerably defrayed the cost of S-61 production. The 18 aircraft referred to in the narrative were all disposed of through the GSA process by December 2017.
- Discussion of strategic planning (pages 18 – 20): INL believes the degree to which strategic planning has been conducted with regard to requirements and the composition of the aircraft fleet is understated, based on the following:
  - INL/A contracted out fleet studies including cost benefit analysis in 2008 (prior to AGB existence) and 2013. The 2013 results were

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- briefed (in summarized form) to the AGB and the full study was shared with the AGB.
- INL/A did an internal follow-on study and briefed the OIG in October 2015.
  - INL/A presented a UH-60 fleet modernization proposal to AGB in April 2016 and received approval.
  - At each AGB meeting INL/A has briefed on progress towards reducing the fleet size and the overall composition of, and plans for, the entire fleet of aircraft.
  - In 2017 INL/A again did a complete fleet study and briefed on conclusions to the AGB and obtained AGB approval of the recommendations in October of that year.
  - All of the above actions/presentations are fully documented in AGB minutes, to include accompanying slides/reports.
  - INL/A has a cost-benefit analysis on file for each aircraft acquisition that occurred subsequent to the first contracted fleet study (with one exception – the excess C-23s, which were a special case).

**Finding B:**

- Page 26, first paragraph, regarding OIG's position that aircraft values should be modified after completion of phase maintenance: INL does not consider it to be necessary or appropriate to adjust aircraft valuation based on the accomplishment of phase maintenance events. Phase maintenance entails detailed inspection and repair at a particular interval and is routine, field level maintenance. To clarify, aircraft phase maintenance events are analogous to taking a vehicle in for a 30,000 mile service – more than a mere oil change, but far short of disassembling, reassembling, rebuilding, renovating, and upgrading the vehicle. Performing this normal maintenance does not affect the value of the aircraft in any significant way. While the OIG identified an aircraft that was in phase inspection for an extended period, that was an anomaly. The average time for phase inspection completion would be on the order of three to four weeks. Engines and other major components are not automatically replaced during phase maintenance. The replacement of components is dictated by time remaining on the component (Time Before Overhaul or "TBO") or failure of the component. For efficiency, TBO replacements may be scheduled to coincide with the phase inspection but they do not always occur during a phase. Replacement

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of engines is a necessary part of maintaining the aircraft, and a cost of doing business – not an upgrade that increases value of the aircraft.

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## APPENDIX C: DEPUTY UNDER SECRETARY FOR MANAGEMENT RESPONSE

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United States Department of State

Washington, D.C. 20520

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September 11, 2018

### **ACTION MEMO FOR THE DEPUTY UNDER SECRETARY FOR MANAGEMENT**

**FROM:** M/PRI – Janice L. deGarmo, Senior Bureau Official

**SUBJECT:** Response to draft Audit of the Department of State’s Administration of its Aviation Program

**BLUF:** The OIG assigned M four recommendations regarding oversight of the Department’s Aviation Program. The attached response concurs with the first recommendation but asks the other three be removed and/or reassigned due to the issues in question being outside the scope of M’s responsibility.

#### **Recommendation**

That you approve the attached response to the Office of the Inspector General’s (OIG) draft Audit of the Department of State’s Administration of its Aviation Program.

(Approve/Disapprove by 9/17/18)

A handwritten signature in blue ink, followed by the date "9/11/18" written in blue ink.

#### **Background**

The OIG issued a draft audit report on the Department’s Aviation Program, currently managed by the Bureau of International Narcotics and Law Enforcement (INL). Overall, the report found lack of oversight and enforcement of existing protocols for managing contracts and use of the Department’s aviation assets. Responsibilities for these contracts are diffused throughout the Department. There are four recommendations assigned to the Under Secretary for Management (M). The first recommendation is that M develop and implement a plan to enforce centralized management and oversight of all Department aviation programs and assets.

The other three recommendations ask that M examine the decision made to disperse funds on aviation programs that are now defunct, or for which M does not have responsibility. The attached response asks the OIG to remove two of these recommendations as they concern programs and/or assets that are no longer in existence, and reassign the third to INL, who had the responsibility for that expenditure.

#### **Attachments:**

Tab 1 – M Response to draft Audit of the Department of State’s Administration of its Aviation Program

Tab 2 – Draft Audit of the Department of State’s Administration of its Aviation Program

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Approved: M/PRI – Janice DeGarmo (JDG)  
Drafted: M/PRI – Katie Kirkpatrick, ext. 7-4725  
Cleared: M/PRI: Ana Larkin OK  
M\_Clearance: Pam Bentley OK

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United States Department of State

Washington, D.C. 20520

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September 11, 2018

TO: OIG/AUD – Norman Brown

FROM: D U/S-M – William E. Todd

SUBJECT: (U) Response to draft Audit of the Department of State's Administration of its Aviation Program

The Office of the Under Secretary for Management (M) has reviewed the draft OIG Audit Report. We provide the following comments in response to the recommendations from the OIG.

**OIG Recommendation 1:** OIG recommends that the Under Secretary for Management develop and implement a plan to enforce the centralized management and oversight of all Department aviation programs and assets, including oversight of and approval by the Aviation Governing Board, on all decisions related to providing aviation services, in accordance with the Foreign Affairs Manual.

**Management Response:** The Office of the Under Secretary for Management (M) concurs with this recommendation. M will work with bureaus that currently have aviation assets and responsibilities to develop and implement a plan to strengthen management and oversight of aviation programs.

**OIG Recommendation 5:** OIG recommends that the Under Secretary for Management review the decision to expend \$70.9 million to operate the Cyprus Air Base and make a determination as to whether the expenditures were necessary or reasonable considering the lack of benefit to the Department of State.

**Management Response:** The Office of the Under Secretary for Management (M) neither concurs nor non-concurs with this recommendation, but requests this recommendation be either closed or removed, based on the justification that the decision was made by a previous Under Secretary for Management who is no longer at the Department, and the Cyprus aviation has since been shut down. Therefore, there appears to be no further action for the current M.

**OIG Recommendation 6:** OIG recommends that the Under Secretary for Management review the decision to expend \$174,090 to store aircraft and make a determination as to whether the expenditures were necessary or reasonable considering the lack of benefit to the Department of State.

**Management Response:** The Office of the Under Secretary for Management neither concurs nor non-concurs with this recommendation, but requests this recommendation be either closed or removed, based on the fact that the decision was made by a previous M, and the helicopters have since been disposed of. Therefore, M considers this issue closed.

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**Recommendation 7:** OIG recommends that the Under Secretary for Management review the decision to expend \$1.2 million to acquire and refurbish three aircraft for the Philippines Coast Guard and make a determination as to whether the expenditure was necessary or reasonable.

**Management Reponse:** The Office of the Under Secretary for Management does not concur with this recommendation. The decision to expend these funds, which fall under foreign assistance, was made within INL, which does not fall under the purview of M. M requests that the recommendation be assigned to INL.

The point of contact for this memorandum is Katie Kirkpatrick, at [kirkpatrickkg@state.gov](mailto:kirkpatrickkg@state.gov) or 202-647-4725

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## APPENDIX D: BUREAU OF ADMINISTRATION RESPONSE

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United States Department of State

Washington, D.C. 20520

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September 12, 2018

### MEMORANDUM

TO: OIG/AUD – Regina M. Meade

FROM: A/LM – Jennifer A. McIntyre *J.A. McIntyre*

SUBJECT: *Audit of the Department of State's Administration of its Aviation Program* (AUD-SI-18-XX)

Thank you for the opportunity to provide a compliance update on the subject audit report.

**Recommendation 17:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process of overseas aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**Management Response to Draft Report:** A/LM/PMP has drafted and implemented guidance per the FAR 45.6 and 14 FAM 400, updating the INL/A Program Directive on the process of overseas aviation asset disposals, and using the proper forms. These are accessible via the following link(s): <http://arpsdir.a.state.gov/fam/14fam/14fam0410.html> and <https://www.acquisition.gov/?q=browsefar>. Currently this process has been implemented and completed.

**Recommendation 18:** OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Bureau of Administration, develop and implement a policy and implementing guidance on the process of domestic aviation asset disposal, which should include clear instructions on the appropriate forms and approvals that are needed.

**Management Response to Draft Report:** A/LM/PMP has drafted and implemented guidance per the FAR 45.6, 14 FAM 400, and updating the INL/A Program Directive on the process of domestic aviation asset disposals, and using the proper forms. These are accessible via the following link(s): <http://arpsdir.a.state.gov/fam/14fam/14fam0420.html> and <https://www.acquisition.gov/?q=browsefar>. Currently this process has been implemented and completed.

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Drafter: A/LM/PMP – Caroline Harley: 703-875-4993

Cleared:	A/LM	Jennifer A. McIntyre	9/11/18
	A/LM/PMP	Cecilia Coates	9/10/18
	A/LM/PMP/PM	Caroline E. Harley	9/10/18
	M	Michael D. Lampel	9/12/18
	M/PRI	Sandra M. Cimino	9/12/18
	A Front Office	Ricard B. Heaton	9/12/18

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## APPENDIX E: EMBASSY BOGOTA RESPONSE

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EMBASSY OF THE  
UNITED STATES OF AMERICA  
OFFICE OF THE AMBASSADOR

September 7, 2018

Mr. Norman P. Brown  
Assistant Inspector General for Audits  
Office of the Inspector General  
1700 N. Moore St.  
720 (SA-39)  
Arlington, VA 22209

Dear Mr. Brown:

Thank you for your August 28 letter requesting comments on the draft report of the Office of the Inspector General (OIG) Audit of the Department's Administration of its Aviation Program.

My overall assessment after four years as the United States Ambassador to Colombia is that INL Bogota's aviation program (ARAVI) is fundamental to the Colombian National Police's (CNP) counternarcotics and citizen security successes in support of U.S. and Colombian objectives. The success of INL Bogota's aviation program depends on the sustained independence and flexibility that have enabled it to build Colombian skills and respond quickly and effectively to Colombia's evolving strategic and operational needs, while always meeting INL/Aviation (INL/A) standards.

As you requested, I note the following areas of significant concern to our program in Colombia that warrant a response of our agreement or disagreement with the recommendations addressed, and actions taken or planned.

### **Inconsistent Oversight of the Aviation Program in Colombia**

Page 15, para 2: "However, INL's oversight was not adequate in Colombia..." **Disagree. INL Bogota works closely with INL/A to ensure policies and procedures are carried out, and all aviation standards meet those required by INL/A.** In 2017, an INL/A-directed Airworthiness Assessment precluded the necessity of doing an ARMS inspection in Colombia during that cycle. INL/A will conduct an ARMS inspection in Colombia in calendar year 2019.

Page 16, para 1: "These actions are important management controls; however, INL did not perform the ARMS review for programs that had not used the worldwide aviation support services contract, such as Colombia..." **Disagree. The INL Bogota aviation program conducts internal ARMS inspections in accordance with INL/A guidance and uses updated checklists and procedures provided by INL/A specifically for this purpose.** Although the Worldwide Aviation Support (WAS) services contract is not in operation in Colombia, the INL

Bogota aviation services contract functions under the oversight of INL Bogota and follows the same management controls as the WAS contractor does under INL/A.

Page 17, para 1: “Before 2017, INL had not performed regular assessments of the ARAVI network because the Information Management Division was not aware that INL/A did not oversee the ARAVI program.” Page 47, para 2: “Specifically, in August 2017, during audit fieldwork in Colombia, OIG discovered that neither INL nor its contractor, PAE Government Services, had addressed all the deficiencies identified in a June 2017 report prepared by INL’s Information Management Division. ... OIG made three recommendations and, as of June 2018, all are considered resolved pending further action.” **Agree. INL Bogota is working with INL/RM/IM-IT Programs and Policies to install an approved information management system for its police aviation program by the end of 2018.**

Page 17, para 2: “INL/A communicates with INL Bogota, and the Department’s Senior Aviation Management Official (SAMO) certifies the airworthiness of the assets used for the ARAVI program.” **Agree, but incomplete. The SAMO delegates to the ARAVI Senior Aviation Advisor (SAA) responsibility to be the Technical Airworthiness Authority in Colombia. As required by the delegation, the ARAVI SAA informs the SAMO of any changes to aircraft configuration or emergent airworthiness issues so the SAMO is aware of any airworthiness issues that may affect INL aircraft in Colombia and can take action as he sees fit. All final aircraft airworthiness decisions rest with the Department’s SAMO.**

Page 17, para 2: “The ARAVI COR and the SAA stated that ARAVI needs a full-time employee to help oversee the invoicing and other aspects of ARAVI program management. According to the COR, INL Bogota does not have the staffing resources to devote someone to perform a thorough review of contractor invoices.” **Agree. INL Bogota is developing requirements to fill a Quality Assurance position.**

Page 19, para 4: “Finally, when OIG inquired why the ARAVI program is a separate entity, INL/A personnel indicated that the program had been run that way from its inception, and, because the program had no ‘major issues,’ it had never been brought under INL/A oversight.” **Disagree. Maintaining the independence of INL Bogota’s police aviation program was a deliberate decision by INL, reviewed and reaffirmed by the INL/FO in 2016.** The INL/FO, INL/A director, and INL Bogota director agreed that keeping INL Bogota’s direct operational control over the ARAVI program was the most efficient allocation of INL resources and the most effective way to continue meeting the program’s objectives. For over 17 years, INL Bogota has operated the ARAVI program while the Department’s Senior Aviation Management Official (SAMO; Director, INL/A) is the airworthiness authority.

#### **Results of Physical Inventory of Aircraft and Aircraft Equipment**

Page 22, para 3: “Specifically, OIG found that none of the aviation equipment located in Colombia, totaling \$8,278,974, was recorded in ILMS-Asset Management.” Page 23, para 2: “When asked why the aircraft equipment had not been entered into ILMS-Asset Management, INL personnel and General Services Office staff in Colombia and Peru stated that they were not aware of a requirement to do so.” Page 28: “Recommendation 11: OIG recommends that

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Embassy Bogota, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Colombia that meet the definition of accountable property and record them in the Integrated Logistics Management System.” **Agree, but incomplete: INL Bogota has consistently tracked and accounted for all required property in accordance with 14 FAM 414.1-2.a. INL Bogota is expediting transfer of all required accountable property data to INL/A for inclusion in the ILMS-Asset Management module.**

**Finding D: Sufficient Oversight Mechanisms in Place Related to Aircraft Operations and Maintenance, but Attention Is Needed To Transition Programs Effectively**

Page 34, para 1: “Although using SeeSOR is a best practice, OIG found that not all INL locations overseas, such as the ARAVI program in Colombia, used the tool.” .... Page 42: “Recommendation 22: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all country-specific aviation programs use SeeSOR for quality assurance oversight.” **Agree. INL Bogota is implementing SeeSOR for its aviation support services contract.**

Page 35, para 1: “OIG also found that INL’s goal of increasing the institutional capability of host nations to eventually operate and maintain, or “nationalize,” certain aviation programs without INL support remains elusive. These efforts have faltered primarily because transition plans, including benchmarks, have not been developed and executed with the host countries.” Page 42: “Recommendation 23: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and implement policies and procedures requiring that all foreign assistance aviation programs have documented nationalization plans with clear goals and attainable objectives, both at the headquarters level and for each country of operation.” **Agree. INL Bogota will develop a police aviation program nationalization plan that takes full advantage of the strong institutional capabilities it has built in the CNP. Thanks to the unique and extraordinarily close partnership between INL Bogota ARAVI and the CNP – the result of on-the-ground, independent management of the relationship – the CNP already has many of the capabilities it will eventually need to fully operate and maintain the program, though it lacks the funding to do so on its own.**

I appreciate OIG’s review of this program, and we are of course prepared to provide additional information or comments if needed.

Sincerely,

A handwritten signature in black ink, consisting of a stylized, cursive 'K' followed by a horizontal line extending to the right.

Kevin Whitaker

## APPENDIX F: EMBASSY LIMA RESPONSE

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*Embassy of the United States of America*

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September 7, 2018

**MEMORANDUM FOR NORMAN P. BROWN,  
ASSISTANT INSPECTOR GENERAL FOR AUDITS**

FROM: Ambassador Krishna R. Urs *KR*

SUBJECT: Embassy Lima/INL Section Response to the Draft Report, Audit of the Department of State's Administration of its Aviation Program (AUD-SI-18-XX, August 2018)

As requested, the International Narcotics and Law Enforcement Affairs (INL) Section at the American Embassy in Lima, Peru is providing the comments below in response to the subject report. This response has been coordinated with the INL Bureau.

**Recommendation 12:** OIG recommends that Embassy Lima, Peru, in coordination with the Bureau of International Narcotics and Law Enforcement Affairs, identify all Department-owned aviation assets in Peru that meet the definition of accountable property and record them in the Integrated Logistics Management System.

**INL Lima Response (September 2018):** INL Lima concurs with this recommendation and will coordinate with INL/A to review/update its current process.

**Recommendation 25:** OIG recommends that Embassy Lima, Peru develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program.

**INL Lima Response (September 2018):** INL acknowledges this recommendation and is prepared to implement it if and when the Government of Peru formally agrees to nationalization. At the present, INL Lima has no mandate to nationalize the aircraft in Peru under the current bilateral Letter of

Agreement (LOA). Embassy Lima and the Ministry of the Interior are engaged in ongoing discussions on nationalization. If and when Peru agrees to accept INL's offer to nationalize the aircraft, a new LOA will be drafted setting the conditions, parameters, actions and timelines in order for nationalization to take place. INL Lima suggests the OIG's recommendation be for Embassy Lima, Peru to "develop and implement a documented nationalization plan with clear goals and attainable objectives for the aviation program *once the Government of Peru formally agrees to pursue nationalization.*"

## APPENDIX G: OIG'S REPLY TO THE BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS AND EMBASSY BOGOTA'S TECHNICAL COMMENTS

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(U) In addition to responding to the recommendations offered in this audit report, the Bureau of International Narcotics and Law Enforcement Affairs (INL) and Embassy Bogota provided general comments regarding the audit findings (see Appendices B and E, respectively). Below is a summary of INL's and Embassy Bogota's comments and the Office of Inspector General's (OIG) reply.

### **INL General Comment**

INL stated that, "In regard to the aviation operations in Honduras, the report incorrectly states that 'the program was shut down and all the aviation assets were moved to Panama.' Upon completion of the temporary deployment, the aviation assets were returned to Guatemala."

### **OIG Reply**

OIG agrees and modified the sentence to read, "[the] program was shut down and all the aviation assets were moved to Guatemala."

### **INL General Comment**

INL stated that "it should be noted that the acquisition of helicopters for Iraq and Afghanistan was not without a documented [cost-benefit] analysis, but options were limited due to time constraints for fielding the aircraft."

### **OIG Reply**

OIG determined that the AGB did not adequately assess the cost effectiveness and usage of the acquisition of helicopters for Iraq and Afghanistan in advance. Furthermore, the unneeded aircraft had been in storage for more than 3 years, at a cost of \$174,090. OIG made no changes to the report on the basis of this comment.

### **INL General Comment**

INL "believes the degree to which strategic planning has been conducted with regard to requirements and the composition of the aircraft fleet is understated."

### **OIG Reply**

OIG recognizes that INL performs aviation strategic planning; however, as set forth in the report, we found that the strategic plan only addressed certain portions of the Department's aviation

operations and activities and insufficiently addressed the Department's aviation activities as a whole. For example, the strategic plan did not address Colombian National Police Aviation Service (ARAVI) operations. OIG made no changes to the report on the basis of this comment.

### **INL General Comment**

INL stated that it does "not consider it to be necessary or appropriate to adjust aircraft valuation [on the basis of] accomplishment of phase maintenance events." INL further stated that the average time for a phase inspection completion is 3 to 4 weeks and that engines and other major components are not automatically replaced.

### **OIG Reply**

OIG noted instances in which phase maintenance took more than 5 months to complete and that major components could be replaced during phase maintenance. For example, at the ARAVI program facility in Colombia, officials stated that, as part of phase maintenance, they could perform all levels of maintenance except stripping paint. During phase maintenance work at that location during 2017, OIG noted that various components, including flooring, hose assembly, and a main drive shaft, were installed. Recommendation 14 addresses this concern, and, in addressing that recommendation, the Department will therefore need to determine whether phase maintenance changes the value of the aircraft for accounting purposes and document this decision in a policy.

### **Embassy Bogota General Comment**

Embassy Bogota disagreed that INL oversight was inadequate in Colombia, stating that "INL Bogota works closely with INL/A to ensure policies and procedures are carried out ... and all aviation standards meet those required by INL/A." The Embassy also stated that "INL Bogota aviation program conducts internal [Aviation Resource Management Surveys (ARMS)] inspections in accordance with INL/A guidance and uses updated checklists and procedures provided by INL/A specifically for this purpose."

### **OIG Reply**

As described in the report, OIG found that INL did not perform the same level of oversight of aviation operations in Colombia as it did in aviation operations in other countries such as Iraq and Panama. For example, although ARAVI conducted internal reviews, INL/A had not performed independent ARMS since 2014, even though such inspections occurred in other countries. OIG added a footnote to clarify this point.

### **Embassy Bogota General Comment**

Embassy Bogota agreed with a statement in the report regarding the Department's Senior Aviation Management Official (SAMO) but stated that it was incomplete, as "SAMO delegates to

the ARAVI Senior Aviation Advisor (SAA) responsibility to be the Technical Airworthiness Authority in Colombia. As required by the delegation, the ARAVI SAA informs the SAMO of any changes to aircraft configuration or emergent airworthiness issues so the SAMO is aware of any airworthiness issues that may affect INL aircraft in Colombia and can take action as he sees fit. All final aircraft airworthiness decisions rest with the Department's SAMO.”

**OIG Reply**

OIG agrees with the clarification and added a footnote to this effect to the report.

**Embassy Bogota General Comment**

Embassy Bogota disagreed with OIG’s characterization of the reasons that ARAVI is separate from INL/A. It stated, “[maintaining] the independence of INL Bogota's police aviation program was a deliberate decision by INL, reviewed and reaffirmed by the INL/[Front Office] in 2016. The INL/[Front Office], INL/A [D]irector, and INL Bogota [D]irector agreed that keeping INL Bogota's direct operational control over the ARAVI program was the most efficient allocation of INL resources and the most effective way to continue meeting the program's objectives.”

**OIG Reply**

OIG asked INL officials for documentation of the decision to keep the entities separate, including evidence of a cost-benefit analysis. No documentation was provided to OIG. A footnote to this effect was added to the report.

## ABBREVIATIONS

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AGB	Aviation Governing Board
ARAVI	Colombian National Police Aviation Service
ARMS	Aviation Resource Management Survey
AWCF	Aviation Working Capital Fund
AWIS	Air Wing Information System
C.F.R.	Code of Federal Regulations
CGFS	Bureau of the Comptroller General and Global Financial Services
COM	Chief of Mission
COR	Contracting Officer's Representative
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
GAO	Government Accountability Office
GSA	General Services Administration
GTM	Government Technical Monitor
ILMS	Integrated Logistics Management System
INL	Bureau of International Narcotics and Law Enforcement Affairs
INL/A	Bureau of International Narcotics and Law Enforcement Affairs, Office of Aviation
LOA	Letter of Agreement
MED	Bureau of Medical Services
OIG	Office of Inspector General
OMB	Office of Management and Budget
PDM	programmed depot maintenance
SAA	Senior Aviation Advisor

## OIG AUDIT TEAM MEMBERS

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Regina Meade, Director  
Security and Intelligence Division  
Office of Audits

Kathleen Sedney, Audit Manager  
Security and Intelligence Division  
Office of Audits

Laura Miller, Management Analyst  
Security and Intelligence Division  
Office of Audits

Meredith Needham, Management Analyst  
Security and Intelligence Division  
Office of Audits

Samantha Carter, Audit Manager  
Middle East Region Operations  
Office of Audits

Laura Noordhoek, Audit Manager  
Information Technology Division  
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Jason Staub, Evaluations Officer  
Office of Evaluations and Special Projects

Soraya Vega, Audit Manager  
Security and Intelligence Division  
Office of Audits

Suzana Chowdhury, Senior Auditor  
Middle East Region Operations  
Office of Audits

Connor Geiran, Management Analyst  
Security and Intelligence Division  
Office of Audits

Amy Lowenstein, Senior Auditor  
Middle East Region Operations  
Office of Audits

Christopher Yu, Management Analyst  
Security and Intelligence Division  
Office of Audits

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P.O. Box 9778 • Arlington, VA 22219

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