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**United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General**

Office of Audits

**Audit of the Department's
Reporting of Aircraft and Aircraft Parts**

AUD/IP-06-35

September 2006

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Summary

International narcotics trafficking poses a threat to the well-being of U.S. citizens and the security of the United States. The Department of State's (the Department) Bureau of International Narcotics and Law Enforcement Affairs (INL) is responsible for formulating and implementing international counternarcotics policies. INL uses aircraft to help eradicate and stop the flow of illegal drugs, and it operates the second largest air fleet among U.S. civilian agencies.

In August 2005, at INL's request, the Office of Inspector General (OIG) began an audit at INL's Office of Aviation at Patrick Air Force Base in Florida. During this work, OIG learned that the Department might not have reported certain aircraft and parts inventory on its annual financial statements. The potential underreporting of about \$350 million¹ would be material to the Department's financial statements; thus, OIG immediately notified Department officials.

As a result, in September 2005, the Department's Chief Financial Officer notified the users of the FY 2004 financial statements about the potential material misstatement. Additionally, the Chief Financial Officer said that a substantial level of effort would be required to address this issue, including complex determinations of aircraft ownership and valuation.

Because of the magnitude of the unreported assets and to assist the Department, OIG narrowed its work to focus on aircraft and parts. OIG's audit objective was to determine whether INL had appropriate controls to track and report its aircraft and aircraft parts. Additionally, at the request of Leonard G. Birnbaum and Company (LGB), the certified public accountants responsible for auditing the Department's financial statements, OIG's audit work in Colombia² included specific steps to determine the accuracy of the Department's reporting on aircraft and parts.

OIG found that the Department underreported the cost, value, and number of its aircraft and aircraft parts. In fact, the Department's FY 2004 financial statements underreported by \$162 million the cost of its aircraft and aircraft parts. Additionally, the Department did not include ownership of 91 aircraft in its March 2005 report to the General Services Administration. During OIG's audit work, the Department could not accurately report the number of aircraft it owned because it had ineffective controls to track and report its air fleet. As a result, government managers, Congress, and the public did not have accurate and complete information regarding the Department's air fleet.

OIG also found that the Department's listing of aircraft parts provided to LGB was inaccurate. Using the information provided by LGB, OIG tested 108 sample items in Colombia listed at \$1,282,208 to determine the accuracy of the aircraft parts inventory. OIG found that the inventory underreported 14 items listed at \$30,000 and overreported seven items listed at \$527,000. (See Table 3.) However, OIG found that the contractor responsible for maintaining

¹ The \$350 million was a preliminary estimate. Subsequently, the Department determined that a substantial portion of the aircraft parts were below the capitalization threshold and that some aircraft had been recorded and reported.

² See Appendix A for a map of the sites OIG visited in Colombia.

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the aircraft parts inventory properly accounted for these items. OIG was unable to determine why the Department had not provided the correct inventory to LGB.

LGB noted in its report on the FY 2005 financial statements that personal property is a material control weakness, largely because of ineffective controls over aircraft. Unless the Department develops an accurate inventory system for tracking and reporting aircraft and parts, decisionmakers will continue to have inaccurate and incomplete information, and the material control weakness may continue.

OIG recommended that INL designate a senior aviation official with the authority to manage the Department's aircraft and establish an accurate and reliable system to provide timely information on its aircraft and aircraft parts. OIG met with embassy and INL officials to discuss its findings and proposed recommendations. These officials agreed that the Department needed a comprehensive and central set of records pertaining to its aircraft. In response to OIG's draft report, INL agreed with OIG's recommendations and has initiated a review of its aviation programs, structure, and responsibilities with a view toward more centralized management. (See Appendix B.)

Background

Since the 1970s, the United States has supported foreign nations' efforts to reduce drug trafficking activities and stem the flow of illegal drugs entering the United States.

International narcotics trafficking poses an unparalleled transnational threat in today's world, and its suppression is among the most important foreign policy objectives of the United States.*

*Foreign Assistance Act, of 1961, as amended, 22 U.S.C. §2291 (a)(1) (A) (2005)

In 2001, the U.S. and Russian Presidents jointly agreed that "...illegal narcotics trafficking constitutes a serious threat to the health and well-being of individuals and to international security as a whole. The drug trade is one of the principal sources of financial support for international terrorism."³

The Department is the lead agency for international narcotics control and anticrime policy formulation and implementation. The Secretary of State designated INL as the Department's primary focal point for all international narcotics matters. As such, INL designs policies and manages programs to combat international narcotics trafficking. For FY 2005, the two largest program recipients were the Andean Counterdrug Initiative (\$725 million) and

³ Joint Statement by President George W. Bush and President Vladimir V. Putin on Cooperation in Combating Illegal Narcotics Trafficking, Nov. 13, 2001.

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Afghanistan (\$709 million⁴). The Andean Counterdrug Initiative expands the original Plan Colombia,⁵ and programs in Colombia accounted for \$474 million in FY 2004.

Description of Air Fleet

To accomplish its mission, INL maintains an aircraft fleet that is the second largest federal, nonmilitary fleet. INL's fleet consists of 348 aircraft valued at over \$340 million. (See Table 1.) About one-half of the fleet is in Colombia and the rest is in Bolivia, Peru, Pakistan, and the United States. In addition, INL has purchased ten helicopters for deployment in Afghanistan during 2006. INL uses its aircraft for three general functions – eradication, interdiction, and security support under the direction of Air Wing and other INL programs.

Table 1: The Department's Air Fleet

	No. of Aircraft	Acquisition Cost	Net Book Value
Air Wing	253	\$399.3	\$299.3
Other INL aircraft	95	200.6	41.1
Total	348	\$599.9	\$340.4

Source: Supporting data for the 2005 financial statements.

Eradication and interdiction operations are often done in hostile environments, which can place aircraft and personnel under fire. As a result, helicopter gunships and a search and rescue helicopter accompany each aerial spraying. In addition, stores of aircraft parts and maintenance facilities are needed at sites closer to operations. INL contracts with various firms to provide maintenance support depending on the program managed.

The Department owns title to all of the aircraft under these programs and is prohibited from giving title for any aircraft to foreign governments without specific notification to Congress.⁶ In addition, Congress mandated that records be kept of the use of any aircraft provided to a foreign country under international narcotics control programs.⁷

Air Wing Program

INL's Office of Aviation (INL/A) is responsible for operating the Air Wing Program headquartered and managed at Patrick Air Force Base in Florida. The Air Wing assists foreign governments in eradicating illicit drug crops and detecting, monitoring, and interdicting drug trafficking operations. The crops INL/A seeks to eradicate include marijuana, coca, and opium poppy. To accomplish these missions, INL/A uses helicopters and airplanes in South America and Pakistan. Through its contract with DynCorp International (DynCorp), INL/A undertakes aerial eradication of illicit drug crops in Colombia, supports manual eradication of drug crops in Peru and Bolivia, and provides border security in Pakistan.

⁴ Afghanistan's funding includes an \$89 million budget estimate plus a \$620 million supplemental appropriation.

⁵ In 1999, the Colombian government unveiled a comprehensive \$7.5 billion strategy, known as Plan Colombia, to address Colombia's drug and interrelated social and economic troubles.

⁶ 22 U.S.C. §2291c (a).

⁷ 22 U.S.C. §2291d (a).

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As the Air Wing Program's contractor, DynCorp performs major maintenance at Patrick Air Force Base and flies and maintains U.S. aircraft and trains foreign personnel at various locations in Bolivia, Colombia, and Peru. Training for some of the spray aircraft is conducted at Kirtland Air Force Base in New Mexico. The Air Wing Program has 253 aircraft, consisting of 50 airplanes (fixed wing) and 203 helicopters (rotary wing). These aircraft include 10 major makes and models, and the average age of all INL/A aircraft, including nonoperational aircraft, is about 26 years. Many of these aircraft were previously in military service.

DynCorp maintains inventory needed to operate the aircraft. The inventory consists of refurbished parts and parts acquired commercially. DynCorp maintains the Air Wing Information System to track inventory and aircraft parts in its warehouses.

Other INL Aircraft

INL also owns a significant number of aircraft that are managed by other INL offices. In Colombia, these include aircraft used by the Colombian National Police (CNP) Air Service and the Colombian Army. These aircraft are, for the most part, under no-cost, long-term leases to the Colombian government.

CNP has the largest police air fleet in Latin America. CNP's air service, ARAVI, provides security for eradication and interdiction missions and conducts joint missions with the Colombian military against high-value narcotics terrorist targets. INL has provided ARAVI with 20 fixed-wing and 62 rotary-wing aircraft that provide the air mobility needed to support eradication missions from the ground while performing critical interdiction operations. In addition to counternarcotics missions, ARAVI has, with embassy approval, used U.S.-supported assets for humanitarian missions, targeted intelligence gathering, antiterrorism, antiskidnapping, and public order missions. INL contracts with Lockheed Martin to provide maintenance for CNP aircraft, aircraft parts acquisition, facilities maintenance, facilities construction, intrusion detection/physical security, and training of pilots and mechanics.

The Colombian Air Force operates the Air Bridge Denial (ABD) Program using ground and aerial detection assets, including aircraft and radar, to surveil and monitor Colombian air space. ABD seeks to determine whether certain, suspicious aircraft could be primarily engaged in illicit drug trafficking. ABD intercepts the suspicious aircraft and contributes to the capture and destruction of aircraft found to be used in narcotics trafficking. INL contracts with Aeronautical Radio, Inc., to support maintenance and training of the ABD aircraft. The Colombian Army also conducts unilateral and joint counternarcotics operations with the CNP, deploying in areas where the CNP faces a significant guerrilla threat. The Army uses and maintains Department aircraft for surveillance support for these operations.

Reporting

According to federal accounting standards, accounting for federal property is a significant undertaking because of the vast amount and variety of federal property and the wide range of

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uses.⁸ These standards dictate that general property, plant, and equipment, including aircraft, should be recorded at cost and depreciated over the life of the property.

Further, federal agencies owning or operating aircraft are required to report data to the General Services Administration (GSA) regarding their aircraft, aircraft operations, and associated costs.⁹ GSA uses this information to conduct trend and operational analyses and to prepare consolidated information for the Office of Management and Budget (OMB) and Congress.

INL's End-Use Monitoring Report provides information on the disposition and use of program support, including aircraft, provided to foreign governments for a given calendar year. Each post is responsible for defining post-specific procedures for monitoring asset use and assessing the impact of resources provided to foreign governments.

Prior OIG Reports

Over the years, OIG has audited and inspected various aspects of INL operations. Two of these reports contained findings relevant to this report.

- A December 2000 OIG inspection found that the narcotics affairs section (NAS) of Embassy Bogotá lacked an accurate system for tracking funding, procurement, inventory, and end-use monitoring.¹⁰
- A June 2005 OIG inspection found that INL needed to provide the Bureau of Resource Management (RM) with information on the type of financial data the Department should include in its core financial systems in order for INL to meet its financial recording requirements.¹¹

Objectives, Scope, and Methodology

In August 2005, in response to a request from INL, OIG began a survey of INL/A at Patrick Air Force Base. During this survey, OIG became aware that the Department was compiling data on aircraft and aircraft parts because of concerns that these assets had not been reported on its annual financial statements. Estimates of the value of these unreported assets at that time exceeded \$350 million. Because of the magnitude of this issue, OIG narrowed its scope and objectives to reviewing INL's controls to track and report its aircraft property and inventory. Additionally, at the request of LGB, the CPA firm conducting the audit of the FY 2005 financial statements, OIG expanded its work in Colombia to perform specific steps for

⁸ Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment*, para 115 and 116.

⁹ 41 CFR 102-33.390 and OMB Circular A-126, *Improving the Management and Use of Government Aircraft*, paras 13 and 14.

¹⁰ *Report of Inspection: Embassy Bogotá, Colombia* (ISP/I-01-06, Dec. 2000).

¹¹ *Inspection of the Bureau of International Narcotics and Law Enforcement Affairs* (ISP-I-05-14, June 2005, p. 32).

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that audit. These steps consisted of verifying the existence of selected aircraft and parts contained in Department reports provided to LGB¹² and randomly choosing other aircraft and parts onsite and tracing them back to the Department's reports.

Although the scope of the work encompassed the tracking and reporting of all INL aircraft and aircraft parts, OIG focused its work on the aircraft and parts in Colombia because over 45 percent of INL's aircraft fleet is in Colombia.

To determine how the Department's aircraft property control system operated, OIG examined e-mails, memoranda, and related documents at Patrick Air Force Base. OIG also interviewed INL/A and DynCorp officials. Additionally, OIG toured the Air Wing warehouse, which contained spare parts.

OIG traveled to Colombia October 4-28, 2005, and interviewed NAS, INL/A, and DynCorp managers at the El Dorado International Airport in Bogotá. (See Photo 1.) In performing its fieldwork, OIG visited 11 operational and depot sites in 7 cities in Colombia, including Larandia and Tolemaida, where the aircraft and inventory to conduct spray operations were located (see Appendix A), and interviewed DynCorp managers and INL officials at the sites.

Photo 1: OIG Employees With C-27 Aircraft in Colombia



Source: OIG.

¹² LGB selected the sample, identifying 20 aircraft and 49 types of parts (consisting of 108 items) for OIG to verify.

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To keep abreast of the latest property issues, OIG reviewed minutes of meetings between officials from RM and LGB. These meetings included discussions about the ownership and validation of aircraft and parts and the impact of underreporting on the Department's financial statements.

OIG's Office of Audits, International Programs Division conducted fieldwork from August 2005 through January 2006 in accordance with government auditing standards and included such tests and other auditing procedures as were considered necessary under the circumstances. OIG discussed the audit findings with Department officials at Embassy Bogotá on October 26 and 27, 2005, and with an INL official on November 3, 2005. OIG provided a copy of the draft report to INL May 25, 2006. INL officials agreed with OIG's recommendations, and their comments on the draft are included as Appendix B.

Results

Tracking and Reporting of Aircraft Assets

The Department has underreported data on its air fleet and has inaccurate and conflicting records of its aircraft assets. In addition, it has significantly understated these assets on its financial statements from 1996 through 2004 and in reports to GSA. Specifically, the acquisition costs and net book value for the Department's air fleet were understated by \$162 million and \$41 million, respectively, in the 2004 report to Congress and the public. OIG also found that the Department provided an inaccurate parts inventory list to LGB for its audit of the FY 2005 financial statements. However, OIG traced and reconciled all items to Dyncorp's aircraft parts inventory system.

The Department did not have a comprehensive and effective tracking and cost management system to record, maintain, and report timely, reliable data on its aircraft and had not fully implemented other aircraft management requirements established in OMB Circular A-126, *Improving the Management and Use of Government Aircraft*. As a result, government managers were making decisions based on inaccurate and incomplete information. In addition, the financial statement auditors reported property as a material internal control weakness for FY 2005 in large part because of this unreported property. Further, the Department engaged in a tremendous effort to compile and audit the information needed for accurate reporting, spending untold hours and approximately \$205,000 in contractor costs.¹³

Responsibility for aircraft acquisition, management, use, cost accounting, disposal, and reporting vests with the agencies who own and operate the aircraft. OMB and the GSA provide guidance and regulations for the agencies to follow. GSA is also the governmentwide steward for central agency data, including aircraft and its operational data. Agencies are required to comply with the policies prescribed by OMB for aircraft under Circular A-126 and the Federal Management Regulations Title 41, Part 102-33, Management of Government Aircraft.

¹³ Of this amount, \$100,000 was for audit efforts on personal property in general, including aircraft and aircraft parts.

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Circular A-126 requires agencies to have an aircraft information system that conforms to the generic data and reporting standards developed by GSA, including accumulating costs and cost-effectiveness of operating the aircraft. Moreover, among other requirements, the Federal Management Regulations require agencies to:

- document and report the types and number of federal aircraft and the costs of acquiring and operating government aircraft;¹⁴
- appoint a senior aviation management official;
- account for the cost of acquiring, operating, and supporting the aircraft;
- maintain and account for aircraft parts; and
- report inventory, cost, and utilization data.

Financial Statements

The Department significantly understated its airfleet assets in its principal financial statements prior to FY 2005. In fact, except for three items, INL aircraft for programs other than Air Wing was not reported at all. The Department considered these aircraft as donated to local foreign governments through various bilateral agreements. As a result, the Department's assets were understated by \$41 million (after accumulated depreciation) as of September 30, 2004. In addition, the financial statement auditors reported personal property as a material internal control weakness in large part because of this unreported property.¹⁵ (See textbox.) The existence of even one financial statement material weakness is a criterion that indicates an agency has not been successful in improving financial management under the President's Management Agenda.¹⁶

We have identified significant weaknesses related to the recording of personal property and related depreciation expense and accumulated depreciation. The Department does not have a system of controls to identify and record property in the hands of contractors. Further, the Department's controls over aircraft, vehicles, and other personal property are ineffective. Our tests disclosed (1) significant discrepancies between inventories of property reported by posts and bureaus and those maintained centrally and used as a source for reporting for financial statement purposes....

AUD/FM-06-12A

Although officials within RM's Global Financial Operations Directorate were aware of the understated assets as early as March 2005, this information was not reported to OIG or LGB, the CPAs responsible for auditing and opining on the Department's financial statements. During its survey work in August 2005, OIG learned about the underreported property and immediately notified LGB and Department officials. In a September 2, 2005, letter, the Department informed

¹⁴ Federal aircraft means an aircraft that an executive agency owns (i.e., holds title to) or borrows for any length of time. When an executive agency loans or bails any federal aircraft, it is still considered federal aircraft (except DOD bailed aircraft is recorded in the inventory of the bailee). Government aircraft includes federal aircraft or hired commercial aircraft (41 CFR 102-33.20).

¹⁵ *Audit of the U.S. Department of State 2005 and 2004 Principal Financial Statements* (AUD/FM-06-12A, Dec. 2005).

¹⁶ The White House's *Scorecard Standards For Success* for Improved Financial Performance were developed in 2001 and have subsequently been refined (The White House results.gov website, May 2006).

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users of its financial statements that they should not rely upon the FY 2004 comparative financial statements and related audit report.

During FY 2005, officials and staff from RM and INL spent considerable time reviewing files for pertinent documentation and performing physical inventory counts and other tasks to compile the necessary data and records for the financial statements. The Department then acquired the services of a different independent CPA firm to help the compilation process and review the documentation gathered. This firm validated the completeness and existence of the assets, obtained and analyzed acquisition cost information, developed with RM officials an appropriate methodology for depreciating the assets, and computed accumulated depreciation and the net book value. In addition, the firm obtained the total book value and ending balances for accounts related to these assets from the Department's accounting system, the Central Financial Management System (CFMS), for fiscal years ending 2002-05. Finally, it computed the appropriate adjustments needed to reflect accurate balances in the accounting system and the impact on the financial statements for 2003 and 2004.

Analysis of the data compiled showed the need for substantial adjustments to CFMS account balances, especially for the other INL aircraft that had not been capitalized, for the most part, before FY 2005. Table 2 shows the adjustments made to September 30, 2004, CFMS account balances during FY 2005 for acquisition costs and accumulated depreciation related to aircraft and aircraft parts, along with the effects on the net book value for these assets.

Table 2: Adjustments Needed To Correct Department Accounting Records

	<i>Per Audit</i>	<i>Per CFMS</i>	<i>Adjustment</i>	<i>Percent Difference</i>
<i>Air Wing Aircraft Parts</i>				
• <i>Acquisition Costs</i>	\$8.0	0	\$8.0	100
• <i>Accumulated Depreciation</i>	0	0	0	
<i>Net Book Value</i>	\$8.0	0	\$8.0	100
<i>Air Wing Aircraft</i>				
• <i>Acquisition Costs</i>	\$323.0	\$307.7	\$15.3	4.7
• <i>Accumulated Depreciation</i>	74.0	71.7	2.3	3.1
<i>Net Book Value</i>	\$249.0	\$236.1	\$13.1	5.3
<i>Other INL Aircraft</i>				
• <i>Acquisition Costs</i>	\$176.5	\$37.5	\$139.0	78.8
• <i>Accumulated Depreciation</i>	134.4	15.8	118.5	88.2
<i>Net Book Value</i>	\$42.2	\$21.7	\$20.5	48.6
<i>Aggregate of adjustments</i>			\$273.2	
<i>Total Acquisition Cost Changes</i>			\$162.3	
<i>Total Net Book Value Changes</i>			\$41.4	

Note: Dollars in millions; may not sum owing to rounding.
Source: Supporting data for the 2005 financial statements.

As shown in table 2, although the overall changes to net book value may not be material, the Department made significant adjustments to correct its accounts.

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Support for Aircraft Data on the Financial Statements

OIG found that the Department provided an inaccurate parts inventory list to LGB for its audit of the financial statements. However, OIG found that DynCorp maintained an adequate aircraft parts inventory system. RM provided LGB with an inventory listing aircraft parts for the audit of the financial statements. LGB randomly selected 20 part numbers containing 108 items for OIG to test in warehouses in Colombia. OIG attempted to locate all sample parts. As demonstrated in Table 3, OIG found instances where more parts existed than were shown in the inventory and instances where parts could not be found. OIG aggregated the differences to determine a total dollar amount of the overages and shortages.

OIG shared the results detailed in Table 3 with a DynCorp official, who showed OIG that all of the sampled items were correctly reported and tracked within the Air Wing Information System. Thus, there were no actual overages or shortages, just a very inaccurate inventory list. DynCorp officials were unaware of the source of RM's list. OIG interviewed INL and RM officials, but was unable to ascertain the source.

Table 3: Inventory Verification Results From Samples

	<i>Items Sampled</i>	<i>Overages</i>	<i>Shortages</i>	<i>Aggregate Difference</i>	<i>Percent of Sample</i>
<i>Number</i>	108	7	14	21	19.4
<i>Value</i>	\$1,282,208	\$30,380	\$526,694	\$557,074	43.4

Source: Supporting data for the 2005 financial statements.

Reporting Aircraft to GSA

The Department provided incomplete information about its aircraft to GSA. The Department provided data about INL/A aircraft as required by regulations and OMB Circular A-126, but excluded aircraft under the control of other INL offices. For example, the Department did not report five Citation airplanes that cost over \$9 million. (See Photo 2, a Citation that cost \$1.9 million.)

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Photo 2: Citation on Loan to Colombia



Source: OIG.

The director for INL/A told OIG that when INL/A receives requests for information on aircraft assets and operations, INL/A provides data on its Air Wing Program. The director said that most requesters did not realize that there were other programs in INL that used and controlled aircraft. However, those programs were not under INL/A's authority; thus, it did not have information on them. Table 4 demonstrates the number of aircraft in the Department's accounting system versus the number reported to GSA.

Table 4: Department Records Versus Report to GSA

<i>Type of Aircraft</i>	<i>Accounting System^a</i>	<i>Reported to GSA</i>	<i>Difference</i>
<i>Fixed-Wing Planes</i>	73	52	21
<i>Rotary Aircraft</i>	275	205	70
Total	348	257^b	91

^a Accounting system items were used because these items were verified in the audit of the Department's financial statements.

^b Omitted from the total are 15 items reported to GSA that OIG could not reconcile to either the Air Wing or other INL aircraft.

Source: GSA and supporting data for the 2005 financial statements.

GSA uses the data to analyze and identify aircraft management problems either governmentwide or in individual agency programs. GSA also uses this information to identify underutilized aircraft or provide any other centralized management services to operating agencies. OIG learned that the Department is not alone in its underreporting of airfleet data to GSA. In June 2004, the Government Accountability Office found that it was unable to

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accurately determine the composition and costs of the federal aircraft fleet because the governmentwide aircraft database was incomplete, inaccurate, and unreliable.¹⁷

Disparate Aircraft Data

INL had inconsistent information on the total number of Air Wing aircraft and six types of aircraft. (See Table 5.) For example, for Colombia, INL/A’s September 16, 2005, inventory showed 28 Huey IIs, while an INL/A presentation on the same day contained 31 Huey IIs.

Table 5: Disparate Aircraft Data

<i>Aircraft Type</i>	<i>Inventory Dated 9/16/2005</i>	<i>INL/A Presentation 9/16/2005</i>	<i>INL/A Briefing 10/5/2005</i>	<i>Daily Status Report 10/6/2005</i>
<i>Huey IIs</i>	28	31	31	31
<i>Hueys</i>	38	37	38	37
<i>OV-10s</i>	9	7	7	7
<i>AT-802s</i>	7	6	7	6
<i>T-65</i>	4	4	3	3
<i>C-27s</i>	3	3	4	3
<i>Blackhawks</i>	15	15	15	15
<i>K-Maxs</i>	5	5	5	5
<i>C-208s</i>	1	1	1	1
Total	110	109	111	108

Source: INL and Dyncorp officials.

In its response to the draft report, INL stated that the documents in the table above “...were prepared at different times for different purposes. For example, an aircraft that is currently inactive while undergoing a Service Life Extension Program modification may or may not be included depending on the use of the report (or informational PowerPoint presentation).” However, when given to OIG, the documents were purported to detail all of the aircraft assigned to Colombia and two of the documents were dated the same day.

In addition, INL did not consistently report the number and type of aircraft that were under the control of other INL programs, as illustrated by the following case involving Schweizer airplanes in Colombia.

- RM gave the financial statement auditors a list of Department-owned aircraft that included seven Schweizers – three model As and four model Bs.
- An INL procurement official said that the Department had purchased eight Schweizers – four model As and four model Bs.

¹⁷ *Federal Aircraft: Inaccurate Cost Data and Weaknesses in Fleet Management Planning Hamper Cost Effective Operations* (GAO-04-645, June 18, 2004), p. 8.

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- A representative for Schweizer Aircraft Corporation said that there should be six Schweizers – one model A and five model Bs – and that the Colombians had purchased and owned the model A, not the Department.
- A CPA firm compiling and verifying aircraft data for the financial statements determined that the Department only owned four Schweizers – one model A and three model Bs.

OIG examined the different explanations about the Schweizers during its work in Colombia. At first, Department officials told OIG that the aircraft had been given to the U.S. military for use in Colombia. The U.S. military representative told OIG that these Schweizers had been donated to the Colombian government. However, title had not passed to the Colombians; the Schweizers had merely been loaned. Nevertheless, INL and the military treated the Schweizers as if they had been donated. For other INL aircraft, INL officials were not clear on which aircraft the Department owned versus which aircraft the Colombians either owned or had on loan.

Contributing Factors to the Inaccurate Reporting

Several factors contributed to the Department's inaccurate reporting. First, the airfleet program is decentralized. Although over two-thirds of the fleet is under INL/A control, other INL offices manage the rest. Second, no one official has responsibility for reporting on the total airfleet. Each federal agency that owns aircraft is required by regulations to designate an official as having responsibility for reporting on and representing the agency's airfleet.¹⁸ An INL official said that the Department has not designated an agencywide representative. Third, the Department does not have an automated system or a central, comprehensive set of records to track aircraft assets. Regulations require that agencies with federal aircraft must have an aircraft information system that conforms to the generic data and reporting standards developed by GSA.¹⁹ As a result, the Department spent about \$200,000 in contractor costs, and Department staff provided a substantial level of effort to obtain the correct information for the FY 2005 financial statements.

The importance of having accurate and timely information on the air fleet goes beyond financial reporting requirements. For example, the Department must address replacement and refurbishment issues. According to INL, the average age of the Department's aircraft is about 26 years. The Department needs to plan which aircraft to refurbish and continue to use, and which to retire. Additionally, as mission requirements change, the Department may need new types of aircraft. Without accurate and reliable records of the air fleet, managers will be making these decisions based on unreliable data that may have costly results.

Conclusions

To manage federal aircraft programs effectively and comply with federal regulations, officials need accurate and complete data on their aircraft and aircraft parts. Developing

¹⁸ 41 CFR 102-33.25.

¹⁹ OMB Circular A-126, para 13(a)iv.

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accurate information, including cost and usage data, is a critical first step to conducting meaningful assessments of federal aircraft programs.

OIG concluded that inaccurate reporting of the Department's assets resulted from the decentralization of aircraft programs, the absence of one official responsible for aircraft reporting, and the lack of an accurate management information system. Therefore, OIG makes the following recommendations.

Recommendation 1: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs designate a senior aviation management official with the authority to manage all aircraft.

In response to the draft report, INL agreed with the recommendation and said that INL plans to designate the director of the Office of Aviation (INL/A) as its senior aviation management official. INL further said that it is in the process of defining responsibilities and crafting changes in reporting procedures intended to address the shortcomings identified in this report.

On the basis of INL's response, the recommendation is resolved. This recommendation can be closed when INL provides documentation that a senior management official has been designated as responsible for all Department aircraft and given sufficient authority to manage the Department's aircraft.

Recommendation 2: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs develop and maintain a comprehensive information system that produces information needed for reporting and managing its aircraft.

Recommendation 3: OIG recommends that the Bureau of International Narcotics and Law Enforcement Affairs take steps so that information on aircraft parts provided to the auditors of the financial statements originates from the Air Wing Information System.

In response to the draft report, INL agreed with recommendations 2 and 3 and said that INL will take steps to provide full and accurate reporting for all of its aviation programs to comply with requirements of GSA and RM. However, INL said that it may not be feasible to do this through the Air Wing Information System at this time. INL/A is providing aircraft and parts data to RM in a timely and accurate manner. INL recognizes that some other aviation programs outside of INL/A have not been captured in the past, and INL is actively involved with RM to address shortcomings in the property reporting process to provide complete and accurate data for use in preparation of financial statements.

Although having INL report information in compliance with GSA and financial statement requirements is important, OIG considers that it is imperative that Department and INL officials have accurate information to manage the Department's aircraft. Thus, OIG considers a comprehensive information system that contains accurate and complete information about its aircraft vital to providing the needed information to manage and make decisions about the aircraft. Although OIG had recommended using the Air Wing Information System for data on

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INL/A aircraft parts, whatever system works best for maintaining accurate data on aircraft parts is acceptable.

On the basis of INL's response, recommendations 2 and 3 are resolved. These recommendations can be closed when INL provides documentation showing (1) how it will maintain information needed for reporting and managing its aircraft, 2) the steps it is taking to properly report aircraft and aircraft parts data, and (3) how it has changed its reporting to correct the inaccuracies in the aircraft parts data that was provided for the FY 2005 financial statements and to provide the source of its data.

Cities Visited by OIG in Colombia (Circled)



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Held for INL Response
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