



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-MERO-19-33

What OIG Audited

The Embassy Air program was established in 2009 to provide aviation support to Embassies Kabul, Afghanistan, and Baghdad, Iraq. Since 2012 in Afghanistan and 2011 in Iraq, Embassy Air operations have been funded via the Aviation Working Capital Fund (AWCF), which is overseen by the Aviation Governing Board (AGB). For FY 2019, the costs of Embassy Air services totaled approximately \$321.7 million—almost \$170 million in Afghanistan and \$152 million in Iraq.

Generally, supplies and services purchased under the Department Working Capital Fund are reimbursed at rates that will approximate the expense of operations (known as “full cost recovery”). However, OIG determined that the Department’s AWCF is not required to operate as a traditional working capital fund because Congress permitted Embassy Air to operate on either a reimbursable or a non-reimbursable basis. Accordingly, OIG conducted this audit to determine the extent to which Embassy Air services were managed to effectively support embassy operations and mission.

What OIG Recommends

OIG made three recommendations to the AGB. The Under Secretary of State for Management, the Bureau of International Narcotics and Law Enforcement Affairs, and Embassy Baghdad provided written responses to a draft of this report. On the basis of Management’s response, OIG considers all three recommendations resolved, pending further action. A synopsis of the Department’s response to the recommendations offered and OIG’s reply follow each recommendation in the Audit Results section of this report. Department responses are reprinted in Appendices B, C, and D. The Under Secretary for Management also provided technical comments to the draft of this report; those comments and OIG’s response are presented in Appendix E.

September 2019

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of Cost Management of Embassy Air in Afghanistan and Iraq

What OIG Found

According to the Mission Security Travel Policies for Embassy Kabul and Embassy Baghdad, Embassy Air is required for air travel within these countries because of the tenuous security environment. OIG accordingly does not question the overall need for Embassy Air services, but OIG identified concerns regarding the management of the program. In particular, the Department has not applied a consistent methodology and lacks procedures for making certain decisions in this area.

First, despite the authority to operate on either a reimbursable (i.e., full cost recovery) or a non-reimbursable basis, the AGB incrementally increased Embassy Air ticket fees with the goal of covering a larger percentage of operational costs via ticket fee collections. That is, it sought to achieve full cost recovery via ticket fees. To analyze whether Embassy Air services were managed to support embassy operations and mission, OIG assessed the services by reviewing data to determine whether the rising ticket fees affected ridership levels. On the basis of this assessment, OIG found that, when the AGB increased Embassy Air ticket fees with the goal of covering a larger percentage of operational costs, ridership declined. As an alternative to Embassy Air, some passengers, who were able to do so, used other means of transportation such as the Department of Defense’s aviation program (Military Air) or commercial air, thereby causing Embassy Air services to become significantly underused.

Moreover, the high cost of ticket fees harmed embassy operations. For example, some officials told OIG that their bureaus could not afford ticket fees and that, as a result, they were unable to travel to conduct site visits of Government projects and programs under their purview.

Finally, OIG found that the frequency of Embassy Air flights and the number of aircraft in country were not routinely adjusted to align with demand. Until this is done, the Department will continue to pay for significant costs associated with Embassy Air operations that are underused in addition to paying the costs associated with alternative modes of transportation.