



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-SI-19-07

(U) What OIG Audited

(U) The U.S. Government regulates the sale, export, and re-transfer of defense articles and services to safeguard national security and advance U.S. foreign policy objectives. Within the Department of State (Department), the Bureau of Political-Military Affairs, Directorate of Defense Trade Controls (DDTC), is charged with controlling the export of defense articles and services.

(U) At the request of the Bureau of Political-Military Affairs, the Office of Inspector General (OIG) conducted this audit to determine whether DDTC implemented sufficient internal controls to ensure that export license applicants provide complete and accurate information, Department bureaus and offices involved with the application review process are effectually engaged, and the end-use and end-user of exports are appropriately vetted.

~~(SBU)~~ OIG reviewed 21 permanent export license applications and performed tests of DDTC's internal controls. OIG also conducted fieldwork in (b) (7)(F) and (b) (7)(F)

(U) What OIG Recommends

(U) OIG made 11 recommendations that are intended to improve DDTC's internal controls. On the basis of the Bureau of Political-Military Affairs response to a draft of this report, OIG considers all recommendations resolved pending further action. A synopsis of the Bureau of Political-Military Affairs comments to the recommendations and OIG's reply follow each recommendation in the Audit Results section of this report. The Bureau of Political-Military Affairs response to the draft report is reprinted in Appendix C.

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(U) February 2019

(U) OFFICE OF AUDITS

(U) Security and Intelligence Division

(U) Audit of Department of State Directorate of Defense Trade Controls Export Licensing Processes

(U) What OIG Found

(U) OIG found that DDTC did not implement sufficient internal controls to ensure that permanent export license applications included all required information as set forth in its standard operating procedures (SOP). Specifically, Licensing Officers approved 20 of 21 applications (95 percent) reviewed despite the absence of required information, including 5 applications that should have been returned to the applicant without action. OIG also found that DDTC did not always provide Congress with certifications to ensure that proposed licenses met U.S. national security and foreign policy objectives. In addition, OIG found one instance in which the Licensing Officer did not have the authority to issue the license. These deficiencies occurred because DDTC (a) permitted deviations from its SOPs and (b) has not trained Licensing Officers on updated procedures. If these deficiencies are not corrected, DDTC will have limited assurance that licenses issued meet U.S. national security and foreign policy objectives.

(U) In addition, of the 21 applications reviewed, OIG found a single instance in which DDTC did not seek the input of other Department bureaus and offices, as required. The single exception was due to human error. However, during the audit, OIG learned of other instances in which Licensing Officers deviated from Department guidance and did not engage other Department bureaus in licensing decisions. When Licensing Officers fail to engage Department bureaus and offices, Department officials who are most familiar with foreign policy issues specific to the countries or commodities to be exported cannot provide input in the licensing decision.

(U) OIG also found that DDTC appropriately vetted the end-use and end-user of exports associated with applications reviewed for this audit. However, during audit fieldwork, OIG observed an end-use/end-user check that was not conducted in accordance with guidance. This exception occurred, in part, because the Department does not have a standard training program for the overseas Foreign Service Officers who conduct the checks. Furthermore, staff rotations at posts can impact the timeliness of vetting. Without proper vetting, DDTC could fail to safeguard the integrity and security of defense articles.

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