UNITED STATES DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS
OFFICE OF INSPECTOR GENERAL

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Audit of Personal Property Accountability at U.S. Mission Iraq

United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

Norman P. Brown
Assistant Inspector General
for Audits

Acronyms

A/LM	Bureau of Administration, Office of Logistics Management
A/LM/PMP	Bureau of Administration, Office of Logistics Management, Office of Program Management and Policy
APO	Accountable Property Officer
CAP	contractor-acquired property
CMMS	Computerized Maintenance Management System
COM	Chief of Mission
DoD	Department of Defense
DS	Bureau of Diplomatic Security
DS/PSP/DEAV	Bureau of Diplomatic Security, Office of Physical Security Programs, Defensive Equipment and Armored Vehicles Division
FAH	*Foreign Affairs Handbook*
FAM	*Foreign Affairs Manual*
GFE	Government-furnished equipment
GSO	General Services Officer
ILMS	Integrated Logistics Management System
NEA	Bureau of Near Eastern Affairs
OIG	Office of Inspector General
PBUSE	Property Book Unit Supply Enhanced
PMO	Property Management Officer
RSO	Regional Security Office
S-ILMS	Secure Integrated Logistics Management System

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Executive Summary

In December 2011, the United States transitioned from a predominantly military-led mission to a civilian-led mission in Iraq, with the Department of State (Department) assuming full responsibility for leading U.S. operations in Iraq from the Department of Defense (DoD). One logistical challenge for U.S. Mission Iraq in completing the transition included identifying, inventorying, and disposing of the vast quantities of DoD and DoD-contractor property left behind, while simultaneously managing approximately $287 million of personal property under the Mission's custody. In July 2012, Office of Inspector General (OIG) senior managers conducted consultations with U.S. Embassy Baghdad managers who reported concerns regarding property accountability for U.S. Mission Iraq as a result of the military drawdown that took place in late 2011. OIG conducted this audit to determine the extent to which the Department and U.S. Mission Iraq's policy, procedures, controls, and personnel were in place and operating as intended to ensure property was recorded, monitored, and disposed of properly.

The Department did not have accurate property records for its personal property located throughout Iraq because the Department and U.S. Mission Iraq lacked processes to ensure that property records were consistently and accurately updated in a timely manner. OIG could not verify the existence of 142 of 2,023 (7.0 percent) of sampled Iraq-specific personal property items, valued at approximately $2.7 million, that were maintained in Department and Department of the Army property databases, including three sensitive special protective equipment items reported by post as "lost, damaged, or destroyed;" 5 generators; 2 motor vehicles; 92 pieces of information technology equipment; and 9 pieces of property on loan from the U.S. Army.[1] In addition, OIG could not trace 124 of 969 (12.8 percent) selected property items that should have been recorded in the Department's property databases. Inaccurate and incomplete records prevented us from projecting the results of these tests beyond the selected samples and making general statements about all Department property in Iraq.

Property records for Iraq were inaccurate and incomplete for several reasons, including the fact that the Department and U.S. Mission Iraq lacked effective processes for ensuring inventories were updated and items were tracked. We found that a Mission-wide Accountable Property Officer (APO) located in Baghdad relied on General Services Officers (GSOs) at other Iraq locations that were not within the direct chain of command of the APO and did not have access to Department property databases to provide property updates. We also found that the Bureau of Diplomatic Security (DS), Office of Physical Security Programs, Defensive Equipment and Armored Vehicles Division (DS/PSP/DEAV), updated its master database of sensitive special protective equipment annually, rather than on a real-time basis. Moreover, the General Services Office in Baghdad did not establish a system for monitoring the use of property loaned by the Department of the Army; and the Regional Security Office (RSO), which used the equipment, did not always report to the GSO when items were assigned or relocated. Furthermore, the Mission did not have procedures and did not properly plan for accepting property transferred by DoD during the transition to civilian-led operations. Finally, during

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[1] Records for property on loan to U.S. Mission Iraq from the U.S. Army are maintained by the U.S. Army.

2009–2012, the Mission had not properly reconciled on-hand property and property databases during required annual inventories, which compounded undetected errors over multiple years. As a result, the Department and U.S. Mission Iraq cannot be assured of the integrity of property inventories or the disposition of property, and the potential exists for property to be lost, stolen, or misused.

During the course of the audit, the Department and U.S. Mission Iraq took actions to account for excess Government property located in containers on Chief of Mission (COM) sites in Baghdad, Basrah, and Erbil, much of which was abandoned by the U.S. military when it withdrew forces from Iraq in 2011. The actions included identifying, assessing, inventorying, and disposing of unserviceable and serviceable property. Additionally, Department officials stated they were developing lessons learned related to the accountability of excess property in Iraq for Afghanistan, where the U.S. military is currently planning its exit strategy. However, OIG found that several of U.S. Mission Iraq's requests to abandon or transfer foreign excess personal property that were approved by the Bureau of Administration, Office of Logistics Management, Office of Program Management and Policy (A/LM/PMP), did not contain required estimated transportation cost analyses. As a result, OIG could not validate that the approved property transfers were in the best interest of the U.S. Government.

OIG is recommending that Embassy Baghdad implement revised procedures for property accountability to ensure staff consistently and accurately update personal property records on a timely basis; establish a tracking system to record and monitor the physical location and condition of loaned personal property; and investigate and report to DS the location and status of the three sensitive special protective equipment items reported as "lost, damaged, or destroyed" as well as any corrective actions taken. OIG is recommending that DS revise Secure Integrated Logistics Management System (S-ILMS) accountability procedures to record and report, in real time, changes in physical locations of sensitive special protective equipment. OIG is also recommending that the Bureau of Administration, Office of Logistics Management (A/LM), develop monitoring guidance to ensure that approved foreign excess personal property dispositions include all documentation, as required by volume 14 of the *Foreign Affairs Manual* (FAM) and the Department's *Site Closure and Foreign Excess Personal Property Disposition Guide for Iraq and Afghanistan*, and that the guidance address procedures for documenting justifications for any deviations from the requirements.

OIG did not receive Embassy Baghdad's response to the draft report within the comment period;[2] therefore, a response has not been included in this report. A/LM concurred with the one recommendation addressed to it in the draft report (see A/LM's May 8, 2014, response in Appendix B). DS concurred with the one recommendation addressed to it in the draft report (see DS's May 9, 2014, response in Appendix C). OIG also received a response from the Bureau of International Narcotics and Law Enforcement Affairs, which is included in its entirety at Appendix D.

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[2] OIG received Embassy Baghdad's response to the draft report while OIG was finalizing the report. Embassy Baghdad concurred with two recommendations, but disagreed with the third. OIG will follow up with Embassy Baghdad during the compliance process to ensure implementation of the recommendations.

Based on the responses received, OIG considers two of the five recommendations resolved, pending further action, and three recommendations unresolved, pending further action. Management's responses and OIG's replies to those responses are included after each recommendation.

Background

The FAM and the *Foreign Affairs Handbook* (FAH) require the Department to maintain accountable property records for all personal property abroad.[3] Personal property includes the following, regardless of cost: motor vehicles; aircraft; heritage assets; leased property; firearms, aiming, and night vision optics; sensitive items, such as ammunition, explosives, information technology equipment with memory capability, cameras, and communication equipment; classified or unclassified central processing units, monitors, and laptop computers; and two-way mobile radio systems.[4] Other items that must be tracked on property records include capitalized property,[5] serialized property with an acquisition cost of $500 or more, and nonexpendable personal property with an acquisition cost of $5,000 or more.[6]

OIG identified inadequate controls over property accountability in audit and inspection reports and independent auditors' reports dating back to 2005 for both the Department and U.S. Mission Iraq. In November 2012,[7] the independent auditor reported that the Department's internal control structure exhibited several deficiencies that negatively affected the Department's ability to account for real and personal property in a complete, accurate, and timely manner. Specific deficiencies cited by the independent auditor included lack of controls to ensure that real and personal property acquisitions and disposals were recorded timely and accurately; incomplete contractor-held property and Government-furnished equipment records; and inaccurate and incomplete personal property records for DoD-transferred assets in Iraq. In addition, the independent auditor noted that weaknesses in property had initially been reported in the audit of the Department's FY 2005 financial statements and subsequent audits.

In July 2009, OIG reported that Embassy Baghdad did not have adequate control of Government personal property, that it possessed a large amount of property that had been received but not entered into inventory, and that the property management unit had not established or documented standard operating procedures for managing personal property.[8] In April 2010, OIG reported that Embassy Baghdad had difficulty controlling and accurately

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[3] 14 FAM 411.1, "Scope"; 14 FAM 414.1-1, "Accountability Criteria"; 14 FAH-1 H-411, "Accountability Requirements at Post"; and 14 FAH-1 H-412, "Accountability Criteria."
[4] 14 FAM 411.4, "Definitions."
[5] 14 FAM 411.4 states that capitalized property "has an acquisition cost of $25,000 or more and estimated service life of 2 years or more and must be reported in the agency's financial statements."
[6] 14 FAM 411.4.
[7] OIG, AUD-FM-13-08, *Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Financial Statements*, November 2012.
[8] OIG, ISP-I-09-30A, *Report of Inspection, Embassy Baghdad, Iraq*, July 2009.

accounting for millions of dollars' worth of vehicles, nonexpendable items such as household furnishings and office equipment, and expendable supplies, including medical equipment and pharmaceuticals.[9] In May 2013, OIG reported that general services sections in Baghdad, Basrah, and Erbil were inventorying Department property and reconciling missing items, but that inaccurate and incomplete records of DoD-transferred property complicated accountability, and that consulates general in Basrah and Erbil did not have complete access to the Integrated Logistics Management System (ILMS) as required by 14 FAM 414.2-1.[10] All recommendations related to accountability and management control of personal property made in these prior reports have been either closed or resolved.

In December 2011, the United States transitioned from a predominantly military-led mission to a civilian-led mission in Iraq, with the Department assuming full responsibility for leading U.S. operations in Iraq. That transition was an unprecedented undertaking, highly complex in nature and scope, with extensive requirements for staff, budgets, and organization. One logistical challenge for U.S. Mission Iraq in completing the transition included identifying, inventorying, and disposing of the vast quantities of excess DoD and DoD-contractor property that transferred to the mission,[11] while simultaneously managing approximately $287 million of personal property under the mission's custody.[12]

Property Management Record Systems

The FAM requires that all nonexpendable property be recorded and maintained within the Asset Management application of ILMS.[13] ILMS is a Web-based information system used for managing the Department's logistical operations, including procurement, warehousing, transportation, and diplomatic pouch functions. The Asset Management application within ILMS is designed to track procurement, receipt, and disposal of the Department's domestic and overseas personal property. The application tracks specific information for personal property items, including the following:

- a unique identifier, such as an asset identification number, serial number, or vehicle identification number
- the type and description of the asset
- the cost, which includes purchase, transportation, and installation
- the date the asset was received at post

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[9] OIG, MERO-A-10-07, *Audit of Property Accountability at Embassy Baghdad*, April 2010.

[10] *Inspection of Embassy Baghdad and Constituent Posts, Iraq* (ISP-I-13-25A, May 2013).

[11] In May 2011, DoD authorized the transfer equipment to the Department in support of the U.S. Mission in Iraq via loan or permanent transfers.

[12] According to 40 U.S. Code Section 702 and 704, as determined by the heads of executive agencies, foreign excess personal property may be: returned to the U.S. if in the interest of the U.S.; disposed of by sale, exchange, lease, or transfer for cash, credit, or other property; exchanged for foreign currency or credit; abandoned, destroyed, or donated if the property has no commercial value or if estimated care and handling costs exceed estimated sale proceeds.

[13] 14 FAM 414.2-1, "Approved Property Record Systems."

- asset status, indicating whether the asset has been received, is in service, has been disposed of, or was transferred elsewhere
- the business unit responsible for managing and using the asset
- the location of the asset

Records for Department-owned sensitive property, such as firearms, optics, and aiming devices, are maintained by DS/PSP/DEAV in S-ILMS. DS also maintains the Computerized Maintenance Management System (CMMS)—used to track unclassified capitalized and noncapitalized security equipment, such as radios, x-ray machines, and countermeasure equipment installed in vehicles—as well as the classified-CMMS, which tracks all classified security equipment. All records for capitalized security equipment in unclassified and classified versions of CMMS are also stored in ILMS and S-ILMS; however, noncapitalized security equipment is not recorded in ILMS.

The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, maintains records for contractor-acquired property (CAP), or property that contractors purchased with contract funds, and Government-furnished equipment (GFE), or Department-owned property provided to contractors in support of a contract. On a quarterly basis, the Office of Acquisitions Management receives CAP and GFE records from contractors, reviews them for completeness and accuracy, and submits the validated data to the Bureau of the Comptroller and Global Financial Services for financial-statement reporting purposes. However, CAP records are not included in ILMS because they represent contractor-purchased rather than Department-purchased property.

Finally, records for property that the Department of the Army loaned to U.S. Mission Iraq are maintained by the Department of the Army in its Property Book Unit Supply Enhanced (PBUSE) system. This property is not owned by the Department of State and does not appear on its accountable property records. An October 5, 2011, Memorandum of Agreement between the Department of the Army and the Department of State relating to the loan of Army equipment in support of the Department of State's Mission in Iraq delineates responsibility for personal property accountability. Although the Department of State is required to have an accountability system for all loaned equipment, the accountability and responsibility for property record keeping for the loaned equipment remained with the Department of the Army.

Property Management Responsibilities

A/LM/PMP oversees the Department's personal property management program worldwide. Accordingly, it is responsible for establishing policy for the management and control of property, reviewing property management regulations and procedures, and providing guidance in areas such as property accountability, inventory management, property utilization, and disposal.[14] Overall responsibility for personal property at overseas posts resides with the

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[14] 14 FAM 411.2, "Responsibilities."

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Property Management Officer (PMO), usually the highest-ranking Management Officer. The PMO is responsible for all property management functions but is authorized to delegate responsibilities for ordering, receiving, assigning, and disposing property, and conducting the annual inventories, among other activities.[15] A post's APO, usually a GSO, is responsible for the custody, care, and safekeeping of all property under control of the post;[16] maintenance of all required property records; the accomplishment and reconciliation of the physical inventory and the completion of required certification reports; preparation of reports documenting inventory shortages and overages; and supervision and training of personnel who are assigned these duties.[17] The post's Property Disposal Officer (PDO) is responsible for selecting the method of disposal of personal property and the preparation and distribution of disposal documents.[18]

Objective

The audit objective was to determine the extent to which the Department and U.S. Mission Iraq's policies, procedures, controls, and personnel are in place and are operating as intended to ensure that property is recorded, monitored, and disposed of properly.

Audit Results

Poor Management Processes Resulted in Inaccurate and Incomplete Property Records for U.S. Mission Iraq

The Department did not have accurate property records for its personal property located throughout Iraq. OIG could not verify the existence[19] of 142 of 2,023 (7.0 percent) of sampled property that had a total value of approximately $2.7 million. In addition, based on completeness testing,[20] we could not trace 124 of 969 (12.8 percent) selected property items to the Department's property records. Inaccurate and incomplete records prevented us from projecting the results of these tests beyond the selected samples to formulate general statements about all Department property in Iraq. Property records for Iraq were inaccurate and incomplete for several reasons, including the fact that the Department and U.S. Mission Iraq lacked processes to manage property adequately. By not complying with property accountability requirements, the Department and U.S. Mission Iraq cannot be assured of the disposition of the property, and the potential exists for this property to be lost, stolen, or misused. During the course of this audit, U.S. Mission Iraq and the Department took actions to:

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[15] 14 FAM 411.2-1, "Property Management Officer (PMO)."

[16] 14 FAH-1 H-412, "Accountability Criteria," states that, generally, DS centrally accounts for security-related personal property that is program-funded and that the post accounts for property funded by the post.

[17] 14 FAM 411.2-2, "Accountable Property Officer (APO)."

[18] 14 FAM 411.2-3, "Property Disposal Officer (PDO)."

[19] Existence testing is conducted by tracing an item from the property records to its physical location to confirm the item exists.

[20] Completeness testing is conducted by selecting an item from its physical location and tracing it to an inventory system to verify the property records are complete and include the selected item.

- reconcile Department property records, some of which had not been reconciled since 2009

- account for the property in 2,637 containers and for 2,441 surplus vehicles found on COM sites in Baghdad, Basrah, and Erbil

- dispose of unserviceable property from the containers

- use, transfer, auction, or otherwise dispose of serviceable property

The Mission plans to complete these efforts and establish a new inventory baseline by the end of summer 2014.

OIG Could Not Verify Existence of All Sampled Personal Property

To determine whether U.S. Mission Iraq could account for the assets in ILMS, CMMS, S-ILMS, CAP, GFE, and PBUSE, we selected a sample of items from each system to verify their existence through direct observation or supporting documentation.[21] This procedure is commonly referred to as existence or list-to-floor testing. We selected 2,023 of the 105,238 items reported in the six databases. See Appendix A for a full description discussion of the sampling and existence-testing methodology.

In all, we verified the existence of 1,881 of 2,023 sample items (93.0 percent), which were valued at $284.7 million.[22] We could not verify the existence of 142 (7.0 percent) sample items valued at $2.7 million. Of the 2,023 sample items, 944 (47.0 percent) were selected from the ILMS database. We could not verify the existence of 116 (12.3 percent) of the 944 ILMS items, which had a combined value of approximately $2.1 million. The ILMS items we could not verify included the following:

- 4 generators

- 2 motor vehicles

- 92 pieces of information technology equipment, including 16 computers (one of which was used to process classified information), 2 laptops,[23] 44 monitors, 12 uninterruptable power supplies, 12 printers, and 6 other computer-related items

- 21 other types of property, such as a television, a transfer switch, a forklift, and 13 "miscellaneous" items worth approximately $641,000 that transferred from DoD to the Department during the final drawdown of U.S. forces

We also could not verify the existence of 11 security-related or sensitive items from the CMMS and S-ILMS databases, including 3 radios, 5 electronic countermeasures components,

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[21] OIG used stratified random sampling for selecting items to verify. See Appendix A for a description of this sampling technique.

[22] Dollar amount does not include value of S-ILMS items, which were not provided to OIG.

[23] OIG did not observe the 16 computers and 2 laptops and could not determine whether the devices were in use or what, if any, data was processed or maintained on them.

and 3 pieces of sensitive special protective equipment. According to Embassy Baghdad RSO officials, the three sensitive special protective equipment items were reported to DS/PSP/DEAV as lost, damaged, or destroyed. Specifically, Embassy Baghdad RSO officials indicated that two had been reported in 2007, but the officials did not know when the third item had been reported. However, neither Embassy Baghdad RSO officials nor DS/PSP/DEAV officials could provide OIG with documentation to support that the three items had actually been reported as lost, damaged, or destroyed.[24]

In addition, we could not verify the existence of five contractor-acquired property items—one generator, two transformers, and two vehicles—and one trailer recorded in the GFE database. Finally, we could not verify the existence of five biometric collection units and four generators that the Department of the Army loaned to the Department of State. Table 1 displays the number and value of the assets, by property system and asset type, that were not verified by OIG during existence testing.

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[24] OIG provided specific identifying information for the sample of sensitive special protective equipment items to Embassy Baghdad RSO officials in April 2013 and to DS/PSP/DEAV in August 2013.

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Table 1. Number and Value of Assets, by Property System and Type, Not

ILMS					
Aircraft and Related Assets	49	49	1	2.0%	$199,470
Motor Vehicles	1,863	239	2	0.8%	$214,593
Information Technology Equipment	11,562	273	92	33.7%	$71,219
All Other Personal Property	77,774	383	21	5.5%	$1,604,380
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Sensitive Special Protective Equipment	**12,049**	**275**	**3**	**1.1%**	**n/a***
Sensitive Non-special Protective Equipment	**4**	**4**	–	–	–
CMMS**	728	350	8	2.3%	$305,964
CAP	160	97	5	5.2%	$179,877
GFE	742	206	1	0.5%	$41,091
Subtotal	**104,931**	**1,876**	**133**	**7.1%**	**$2,616,594**
PBUSE	307	147	9	6.1%	$78,691
Total	**105,238**	**2,023**	**142**	**7.0%**	**$2,695,285**

Source: Data obtained from the Department and OIG testing.

* Values of Sensitive Special Protective Equipment assets were not included in the data provided to OIG.
** Capitalized security equipment items reported in ILMS.

Property Databases Did Not Contain Records for All Personal Property In Iraq

To determine whether the Department's property databases contained records for all pieces of property in Iraq, we judgmentally selected items similar to and located near the items selected for existence testing to trace to the property databases. This procedure is commonly referred to as completeness or "floor-to-list" testing. We found that the data systems did not contain records for 124 of 969 items (12.8 percent) selected for testing. Table 2 shows the number of items OIG could not trace to property records by location.[25] OIG could not trace the following items to property records:

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[25] Since items could not be traced to property records, OIG could not readily determine the values of sampled items because acquisition costs, make and model, and year of purchase, were unknown.

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- 14 aircraft-related items, including test kits, belt loaders, tow trucks, communication equipment, and tools

- 36 sensitive special equipment items

- 27 information-technology-related items, 10 of which were classified disk drives

- 6 security equipment items, including an x-ray mobile system and electronic countermeasure components

- 24 other personal property items, including 3 fuel tanks, 11 motor vehicles, and 3 generators

- 17 items loaned by the Army, including biometric readers and computer equipment

Table 2. Number of Assets, by Location, Not Traced to a Property System During Completeness Testing

Asset Location	Sample Size	Untraced to Property Records	Percentage of Untraced Items
Baghdad Embassy Compound	574	62	10.8%
Baghdad Diplomatic Support Center	125	17	13.6%
Erbil Diplomatic Support Center	64	6	9.4%
Consulate General Erbil	79	11	13.9%
Consulate General Basrah	127	28	22.0%
Total	**969**	**124**	**12.8%**

Source: Generated from OIG testing.

Inaccurate and Incomplete Records Prohibit Projecting Results of Statistical Sample

OIG could not project the results of its existing testing to the universe of Iraq property because the inventory systems from which we selected samples contained inaccurate information or were incomplete. From February through July 2013, we received data on six separate occasions from which to select our samples for existence testing and to trace property for completeness testing. We determined the ILMS property lists A/LM/PMP provided in February 2013 and early March 2013 were insufficient for use because the records lacked unique identifying information, such as serial numbers and vehicle identification numbers, and important descriptive information, such as the location and value of items. On March 22, 2013, A/LM/PMP provided an updated ILMS property list that we determined was adequate for use in our existence and completeness testing. However, subsequent to selecting samples and beginning our fieldwork, we received additional Iraq property lists that indicated the information provided on March 22 did not include all security-equipment property records for Iraq, as purported. DS/PSP/DEAV provided lists in April and May 2013 with these records. On July 10, 2013, after fieldwork was substantially completed, the Bureau of International Narcotics and Law Enforcement Affairs provided a contractor-property report that included CAP and GFE

for aircraft and related assets used for passenger air transportation under the Embassy Air-Iraq program.[26] This property information was not included in the CAP and GFE listing provided by A/LM/PMP in February 2013. Due to the late receipt, OIG did not include the contractor's property data for 135 Iraq-specific aircraft and related assets, valued at approximately $195 million in our existence testing but used the data for completeness testing. The Department's iterative approach for providing the property lists hampered OIG efforts to efficiently and effectively conduct sampling and testing. Moreover, the incompleteness of the inventory records precluded OIG from projecting the results of its existence testing to the universe of Iraq property. For a complete discussion of our sampling methodology, see Appendix A.

Department of Defense Transferred Property Records Not Incorporated Into Property Databases

In November 2011, the Mission issued a policy for receiving excess DoD and DoD-contractor personal property,[27] stating that "DoD personal property should not be accepted or retained without a direct operational need, and a maintenance repair plan for each piece of equipment or nonexpendable property" and that sites under COM authority should refrain from stockpiling equipment that would require disposal actions because of lack of use. In addition, COM worksites in the Baghdad area were required to report and track in ILMS all property that met the FAM's definition of personal property, including capitalized property. However, COM worksites outside Baghdad were required to track and report in ILMS only DoD-transferred property that met the capitalized threshold.

According to U.S. Mission Iraq property documentation, during the departure of U.S. military forces from Iraq in late 2011, DoD transferred to U.S. Mission Iraq approximately 200,000 personal property items valued at $299 million—498 items of which were capitalized property valued at $43.5 million (14.5 percent of the total value of transferred items).[28] However, physical verification of this transferred property has been problematic. In its FY 2013 annual physical inventory, U.S. Mission Iraq reported a $12.4 million nonexpendable inventory shortage in ILMS (4.3 percent of the total nonexpendable inventory value), of which $10.3 million was attributed to items DoD transferred to the Department. In addition, an unquantified amount of DoD-transferred and abandoned property that was not entered into Department or Embassy inventory systems remains on U.S. Mission Iraq sites awaiting identification and disposal.

Department and U.S. Mission Iraq Lacked Procedures and Systems To Manage Inventory Adequately

Iraq property records were inaccurate and incomplete for several reasons, including the fact that the Department and U.S. Mission Iraq did not have procedures or a system to ensure

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[26] Embassy Air-Iraq provides international and domestic travel services under Contract S-AQMPD-05-C-1103.
[27] Embassy Baghdad Mission Policy 011-036, "DOD to DOS Property Transfer and Loans," November 9, 2011.
[28] These figures derive from an Embassy Baghdad-developed property tracking system used to track DoD-transferred equipment.

that property records were consistently and accurately updated in a timely manner. Until
July 2013, the Mission designated a single APO, an Assistant GSO located in Baghdad, to
manage all property and make all property decisions countrywide.[29] The APO tasked GSOs
located at other COM facilities in Iraq to support COM property management, including
conducting the annual physical inventory. However, GSOs at sites outside Baghdad reported to
management officers at their specific sites, not to the GSO or APO in Baghdad, and they were
responsible for local priorities. For example, the GSOs at Consulate General Basrah and the
Baghdad Diplomatic Support Center stated that they had additional duties as contracting officer's
representatives for life-support contracts awarded to sustain the worksite and support post
employees, which took considerable time and effort to manage. Additionally, the GSO at Erbil
Diplomatic Support Center was heavily involved with preparing the site for closure by
July 2013.

Moreover, the APO in Baghdad retained overall ownership of U.S. Mission Iraq personal
property recorded in the ILMS property database. According to the APO, prior to October 2012,
GSOs outside Baghdad could not access the ILMS property database to reconcile differences
between the records and "on-hand" property or update the property records as property was used,
moved, or disposed. Instead, they relied on General Services Office staff at Embassy Baghdad to
make these updates. As a result, GSOs outside Baghdad had little incentive, time, or capability
to manage property effectively.

We also found that infrequent updates of the S-ILMS database led to inaccurate records
for sensitive special protective equipment. As noted, the S-ILMS main database was managed
by DS/PSP/DEAV in Washington. However, day-to-day management of sensitive special
protective equipment was handled at the post level by the RSO. The RSO in Baghdad updated
its post-level records as it assigned, relocated, or disposed of sensitive special protective
equipment. However, DS/PSP/DEAV did not update S-ILMS property records in real time to
reflect the movement of property as recorded by the RSO in the post-level records. Instead,
DS/PSP/DEAV updated the S-ILMS database using the post-level records once per year as part
of the annual DS inventory process. As a result, S-ILMS data records for sensitive special
protective equipment frequently contained inaccurate location information. For example,
although we verified the existence of about 99 percent of sensitive special protective equipment
sampled from S-ILMS, we initially could not verify the existence of 50 of 235 (21 percent)
sampled items the database reported as located in Baghdad, or 1 of 17 (6 percent) sampled items
reportedly located in Basrah. Only after multiple efforts coordinated with RSOs in multiple
locations countrywide did OIG verify that the Baghdad items had been relocated to either Basrah
or Erbil, and the Basrah item had been relocated to Baghdad. Additionally, we traced two
sampled items to documentation provided by Embassy Baghdad RSO staff, which indicated that
one of the items had been reported as lost, damaged, or destroyed in 2007 and another item had
been returned to DS/PSP/DEAV in 2011. DS/PSP/DEAV officials did not explain why the two
items remained on the S-ILMS records in 2013.

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[29] In July 2013, the Department began requiring Consulate General Erbil to conduct independent annual inventories
in accordance with the FAM.

In addition, we found that U.S. Mission Iraq's General Services Office did not have procedures or a system of accounting in place to record all U.S. Government personal property loaned by the Department of the Army in a consistent or timely manner, leading to inaccurate property records. Per the terms of the agreement with the Department of the Army, the Department of State was required to have or establish an accountability system to track loaned property quantities and locations, and the accountability officer was to maintain an audit trail for all loan transactions. However, the General Services Office relied on PBUSE, the property accounting system belonging to the Department of the Army, rather than developing or maintaining its own property records. Without its own accountability system to track loaned property, the General Services Office could not confirm whether loaned property was located in Iraq, and whether property had been returned to the Army or manufacturer for repairs.

Poor communication between the General Services Office and the RSO also contributed to inaccurate records for Army-loaned property. The loaned property was primarily used by the RSO to secure diplomatic compounds; however, accountability for these items resided with the General Services Office, which had little control over where the items were located or how they were used. According to the FAH[30] and the Memorandum of Agreement with the Army, the Department was to update tracking system records when property locations changed. The General Services Office relied on the RSO to provide notification of property relocations; however, General Services Office officials stated that such notifications from the RSO rarely occurred, leading to inaccurate data records for Army-loaned property.

Moreover, U.S. Mission Iraq and the Department did not adequately plan for DoD property transfers. The U.S. and Iraq governments agreed in 2009 to the withdrawal of U.S. forces from Iraq no later than December 31, 2011.[31] However, U.S. Mission Iraq did not issue standard operating procedures for accepting, managing, and accounting for DoD excess personal property until November 9, 2011, less than 2 months before the last U.S. forces were scheduled to leave the country. Two months proved insufficient time to put in place the procedures to accept, manage, and account for the transfer of approximately 200,000 personal property items.

Finally, the databases used for managing Iraq property were inaccurate and incomplete, in part, because Embassy Baghdad did not annually reconcile its data with on-hand property. The FAM and FAH[32] require annual physical inventories to verify the condition, location, and quantity of property and the immediate reconciliation of annual inventory results to property

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[30] 14 FAH-1 H-413.2-2, "Relocation, Redistribution, and Transfer Documents," requires the use of transfer documents to record the relocation of personal property as a result of office moves and that the information be entered in the property records to reflect the new property locations.
[31] "Agreement Between the United States of America and the Republic of Iraq on the Withdrawal of United States Forces from Iraq and the Organization of Their Activities during Their Temporary Presence in Iraq," Article 24, signed November 17, 2008, and entered into force on January 1, 2009.
[32] 14 FAM 411.4, "Definitions"; 14 FAM 416.2 "Annual Physical Inventory"; and 14 FAH-1 H-611, "Inventory Requirements."

records.[33] Reconciliation actions include a comparison of inventory counts to balances recorded on property records; resolution of discrepancies, including management approval for record adjustments; and inventory adjustment and posting to the property records.[34] The APO must report to the PMO all inventory shortages on Form DS-132, *Property Disposal Authorization and Survey Report*—including the unit cost for each item and an explanation of actions taken to resolve the discrepancies—and must request PMO authorization to adjust the property records.[35] The PMO, in turn, should conduct an investigation of the shortages and take necessary actions.[36] When the value of an inventory shortage exceeds 1 percent of the total expendable or nonexpendable inventory value, the PMO[37] must refer the case to post's property survey board for action.[38] The post's annual Property Management Report, which documents these reconciliation actions, is signed by the APO and PMO and submitted to the Chief of A/LM/PMP's Property Management Branch.[39] Although in prior years APOs in Baghdad certified that they had completed such reconciliations, a February 2013 cable sent by Embassy Baghdad[40] stated that the APO for Iraq was "attempting to reconcile all missing items on our database some of which have not been reconciled since 2009." Failing to reconcile property records properly meant that errors that should have been identified and corrected remained undetected and were compounded over multiple years. Had these items been addressed in prior years, it is likely that the results of OIG's existence and completeness testing would have been significantly better.

Potential for Lost, Stolen, or Misused U.S. Government Property

By not complying with property accountability controls, the Department and U.S. Mission Iraq cannot be assured of the disposition of the property, and the potential exists for this property to be lost, stolen, or misused. Items that are not recorded in property records cannot be tracked, managed, and safeguarded from theft and loss. In addition, inaccurate sensitive equipment records increase the risk that potentially lethal items could be used against U.S. Government employees or U.S. interests. OIG found that several of these items did not appear on Department property records; thus, it would be possible for such items to be compromised without the Department's knowledge.

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[33] 14 FAM 416.1a, "Physical Inventory and Reconciliation," also requires the physical inventory of residence furniture, furnishings, and equipment in use be taken at the time of change of occupancy and the inventory reconciled with records in the Residential Custodial File.

[34] 14 FAH-1 H-611, "Inventory Requirements."

[35] 14 FAH-1, H-615.2-2, "Shortages."

[36] 14 FAH-1, H-616.2-2(A), "Investigations."

[37] 14 FAM 416.5-1(B), "PMO Action."

[38] 14 FAM 416.5-2, "Post's Property Survey Board," provides the board with the authority to determine the extent of and amount of missing, damaged, or destroyed property as a result of negligence, improper use, or willful action on the employee's part. Findings and decisions serve to relieve the APO of accountability for property and establish whether employees are financially liable for missing or damaged property.

[39] 14 FAM 418.1-1a, "Property Management Report."

[40] 13 Baghdad 252, "Iraq: FY13 Property Management Annual Inventory Extension Request," February 11, 2013.

Because OIG did not conduct a complete physical inventory of all personal property at any of the sites visited throughout Iraq, we could not determine whether any of the 142 items we could not verify for existence were actually lost, stolen, or misused. Additionally, OIG could not determine the extent to which the data in the Department's inventory databases were accurate and complete. Making these determinations would require the Department and U.S. Mission Iraq to complete a 100-percent inventory of all personal and on-loan property. The results of such an inventory could then be reconciled with records contained in the various property databases.

With regard to property items loaned by the Department of the Army, inaccurate property records and inadequate monitoring exposes U.S. Mission Iraq to potential financial and security risks. The nine loaned property items OIG was unable to verify during existence testing, valued at $78,700, represent a financial risk because, per the terms of agreement between the Mission and Army, the Mission is obligated to reimburse the Army for damaged, lost, or stolen items. Furthermore, since this loaned equipment was not available internally to the Mission, its sensitivity required additional safeguards. Establishing an accountability system to track loaned property quantities and locations, maintaining an audit trail for all loan transactions, and completion of a 100-percent physical inventory would ensure that information in inventory databases is accurate so that this property can be properly tracked and controlled in the future.

Management Actions

As previously discussed, in April 2010, OIG reported that Embassy Baghdad had difficulty controlling and accurately accounting for millions of dollars' worth of property,[41] while in November 2012, the independent auditor noted that a number of deficiencies in managing real and personal property in Iraq had been reported on financial statements dating back to 2005.[42] In January 2012, the Department assumed full responsibility from DoD for leading U.S. operations in Iraq from DoD, including the administrative operations for 16 worksites throughout the country.[43] In FY 2013, U.S. Mission Iraq, assisted by the Bureau of Near Eastern Affairs (NEA), Embassy Baghdad, and A/LM initiated actions to address these deficiencies and fully account for all property held on U.S. diplomatic facilities in Iraq.

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[41] OIG, MERO-A-10-07, *Audit of Property Accountability at Embassy Baghdad*, April 2010.
[42] OIG, AUD-FM-13-08, *Independent Auditor's Report on the U.S. Department of State 2012 and 2011 Financial Statements*, November 2012.
[43] These included Baghdad Embassy Compound, Baghdad Police Academy Annex, Baghdad Diplomatic Service Center, Embassy Annex Prosperity, Embassy Heliport, Embassy Military Attaché and Security Assistance Annex, and Embassy West in Baghdad; Consulate General Basrah; Consulate General Erbil; Erbil Diplomatic Service Center; and the combined Consulate General and Office of Security Cooperation-Iraq Kirkuk. Also under COM authority were several sites operated by the Office of Security Cooperation-Iraq in Balad, Besmaya, Taji, Tikrit, and Umm Qasr. For a complete discussion of U.S. Mission Iraq facilities, see OIG's report *Audit of the U.S. Mission Iraq Staffing Process* (AUD-MERO-13-33).

In October 2012, the Mission began its annual inventory to reconcile property records with the property it had on hand. In a February 2013 cable,[44] Embassy Baghdad requested a 2-month extension to complete and submit its annual inventory report. The Embassy made the request based on "the shear [sic] amount of items and locations to be inventoried and reconciled." In addition, the Embassy stated that it was attempting to reconcile all items missing from its database, "some of which had not been reconciled since 2009." The Embassy further stated the goal was to establish "a clean baseline for Embassy Baghdad's personal property going forward." In May 2013, the Baghdad APO reported a nonexpendable inventory shortage of $12.4 million (4.3 percent of total inventory) on its annual physical inventory certification.[45] According to the APO, this shortage was due to "the lack of tracking of accountable property during the departure of U.S. military forces from Iraq at the end of 2011." The APO also stated that approximately $10.3 million of this shortage was represented by "items supposedly transferred from DoD to State" that could not be located by the APO or his predecessor. The APO recommended, and post's property survey board approved, the removal of the items from ILMS to improve inventory accuracy. As noted above, in July 2013 the Department established that Embassy Baghdad would no longer be solely responsible for all property throughout Iraq, requiring Consulate General Erbil to conduct independent annual inventories in accordance with the FAM. According to A/LM/PMP officials, Embassy Baghdad remained responsible for property at Consulate General Basrah because the consulate had not met A/LM/PMP staffing and training requirements for property accountability purposes. Mission Iraq's efforts to establish a "clean baseline" and ensure property accounts are accurately and fairly stated at both Embassy Baghdad and Consulate General Basrah, and Consulate General Erbil will be assessed during the 2014 annual physical inventory process.[46]

The 2013 Mission Iraq Chief of Mission Statement of Assurance identified property accountability as a significant deficiency but also indicated that the extent of the property issue had been defined by Mission management, and steps were being taken to address the issue of transfer, loan, and disposal of DoD excess property and property found on installations when the military left Iraq in 2011. In December 2012, NEA, Embassy Baghdad, and A/LM/PMP initiated the Iraq Property Accountability Project to identify, assess, inventory, and determine disposal methods for the excess property located throughout Iraq. In January 2013, the Iraq Property Accountability Project team identified 2,637 uninventoried containers and 2,441 surplus vehicles located at Baghdad Diplomatic Service Center and Embassy Annex Prosperity (Prosperity) in Baghdad, Consulate General Basrah, and the Erbil Diplomatic Support Center. According to program documents, 1,329 of 2,637 containers belonged to contractors, 768 containers were attributed to the Department and DoD, and 540 containers had unknown ownership and were considered "found on installation."

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[44] 13 BAGHDAD 252, "Iraq: FY13 Property Management Annual Inventory Extension Request," February 11, 2013.
[45] Form DS-582, Part A, Certification of Inventory Reconciliation for Foreign Service Posts.
[46] 14 FAM 418.1, "Property Management Report" states that posts must submit Form DS-582 to A/LM/PMP by March 15 of the fiscal year or must submit a request to A/LM/PMP requesting permission to submit the form at a later date.

In December 2013, NEA and Embassy officials stated that, based on interim project results, they could not provide a firm count or valuation of personal property items found on installations in Iraq. According to the Iraq Property Accountability Project Management Plan, finalized in April 2013, as well as NEA, Embassy Baghdad, and A/LM officials, the goals of the Property Accountability Project are to inventory, account for, and either use or dispose of property found in these containers and to provide Mission Iraq with a Property Accountability Sustainment Plan. The officials stated that the Property Accountability Project effort should be completed by late summer 2014 and would contribute to a new baseline for U.S. Mission Iraq property.

While completing these inventories, Embassy officials involved in the project stated the Mission would also determine whether the assets are in serviceable condition. Embassy Baghdad officials stated that the Mission retains serviceable items that it can use. For example, the Supervisory GSO stated that Embassy Baghdad has retained household appliances (washers, dryers, and refrigerators) and vehicles allowing the Mission to save money by not purchasing these items new. According to an A/LM official, unneeded serviceable items may be offered and shipped (at the recipients' expense) to other U.S. missions, other Federal agencies abroad, or other eligible U.S. recipients; sold via auction; or abandoned, destroyed, or transferred to the Government of Iraq. For example, the Supervisory GSO noted that Embassy Baghdad shipped 120 containers of EGlass, a type of ballistic-resistant glass used in the construction of overhead cover, to Afghanistan.

According to documentation obtained from A/LM/PMP, between January and September 2013, the Director of A/LM/PMP[47] approved eight requests from U.S. Mission Iraq to abandon or transfer foreign excess personal property, including property considered "found on installation" located in Baghdad, Basrah, and Erbil. According to the FAM, the post's Property Management Officer is to determine whether it is in the best interest of the U.S. Government to return foreign excess personal property to the United States for further Federal use or donation and must give consideration to whether transportation costs would make return of the property a cost-effective action.[48] A November 2012 cable,[49] as well as the Department's *Site Closure and Foreign Excess Personal Property Disposition Guide for Iraq and Afghanistan*, state that posts must submit detailed justification requests to dispose of foreign excess personal property to the Director of A/LM/PMP for review and approval on a case-by-case basis. The guidance also states the justifications must be accompanied by a complete inventory listing of the excess property and a cost analysis or other evidence that the transfer is cost effective.

OIG reviewed the eight A/LM/PMP approved requests for abandoning or transferring foreign excess personal property. We found four of the approvals lacked detailed cost analyses to justify that requested property transfers were cost effective. Specifically, OIG found no evidence of estimated transportation costs for returning the excess property to the United States.

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[47] In 2012, the authority to transfer foreign excess personal property in Iraq and Afghanistan was re-delegated to the Director of A.LM/PMP per 40 U.S.C. Chapter 7.
[48] 14 FAM 417.2-2.c, "Transfers."
[49] 12 State 118188, November 28, 2012.

As a result, OIG could not validate that the A/LM/PMP approved requests for transferring 7,336 property items with a fair market value of approximately $1.8 million was in the best interest of the U.S. Government.[50]

We also noted that one of the A/LM/PMP-approved requests included an improper donation of three U.S. Agency for International Development-owned armored motor vehicles to the Government of Iraq. According to U.S. Agency for International Development Automated Directives System Chapter 563, Armored Vehicle Program,[51] the Office of Security, Physical Security Programs Division must authorize the disposal of armored vehicles and that the disposals must comply with 12 FAM and 12 FAH-6. The FAM states that all armored vehicles must be destroyed at the end of their useful life and may not be sold, donated or transferred to persons, governments, or organizations outside of the U.S. Government.[52] Based on the review of the approved requests for abandoning or transferring foreign excess personal property, OIG could not confirm whether the U.S. Agency for International Development Office of Security, Physical Security Programs Division approved of the disposal of the armored vehicles. Nor could we determine why the armored vehicles were approved for donation to the Government of Iraq. Additionally, OIG could not confirm whether the U.S. Agency for International Development's Office of Management Services, Overseas Management Division, approved classifying the armored vehicles as foreign excess or if the agency's Washington office approved the disposal of property as foreign excess in accordance with the FAM.[53]

According to NEA and A/LM/PMP officials, steps are being taken to apply lessons learned related to accountability of excess Government property in Iraq to Afghanistan, where the U.S. military is currently planning its exit strategy. Specifically, NEA's Iraq Property Accountability Project Management Plan states that an after-action report will be developed to include a "root cause analysis to understand the cause of the issues in Iraq so that they might help mitigate potential problems in Afghanistan." As of December 2013, the after-action report and lessons learned were still in development; therefore, OIG did not validate or verify these actions. Additionally, A/LM/PMP officials have indicated they are developing procedures for posts in Afghanistan to provide robust justifications for accepting DoD-transferred property. Specifically, the officials stated that posts will be required to document their need for equipment as well as their ability to utilize and maintain the equipment before acceptance.

Other Matters

When conducting existence testing, we learned that the U.S. Mission to Iraq had not

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[50] One of the four approved packages did not include the fair market value for 19 of the 20 items listed as foreign excess personal property.

[51] Section 563.3.5, "USAID Mission and Contractor Armored Vehicle Disposition."

[52] 12 FAM 388.b, "Disposals."

[53] 14 FAM 417.1-3, "Approval for Foreign Excess Classification," and 14 FAM 417.1-8, "Disposal of USAID Personal Property to Non-U.S. Government Agencies."

received and placed into service 79 of the vehicles selected for our sample.[54] Since the vehicles had not been placed into service in Iraq, we removed these from the existence-testing analysis. However, in meetings with Embassy and Department officials, we determined there were several reasons why the Mission had not received the vehicles. First, 12 of the vehicles were among a group of 106 vehicles held by Iraqi customs authorities at Umm Qasr. According to Embassy officials, these 106 armored vehicles, valued at approximately $13.7 million, had been held by Iraqi customs since the end of 2011 because Iraqi officials alleged the U.S. Government had not properly filed customs documentation.[55] According to Embassy officials, the Mission has accrued more than $2 million in cumulative storage costs and demurrage fees for the vehicles through December 2013. In September 2013, Embassy Baghdad GSO staff stated that the Government of Iraq had agreed to begin releasing the vehicles. However, the condition of the vehicles had likely degraded and would require repairs to make them serviceable. In December 2013, Embassy Baghdad GSO staff stated that the vehicles had been cleared by Iraqi customs and were expected to be delivered to post by January 1, 2014.

In addition, 34 of 79 vehicles removed from analysis were among 241 armored vehicles purchased for the Iraq Police Development Program.[56] These armored vehicles, valued at approximately $36.7 million, were designated for use by Iraq security forces trainers; however, the program was terminated in February 2013 before the vehicles were delivered to Iraq. According to documentation provided by the Bureau of International Narcotics and Law Enforcement Affairs, which operated this program, ownership of the vehicles transferred to the Department in July 2013.[57]

Of the remaining 33 vehicles removed from our sample, DS/PSP/DEAV officials stated that 24 were either in the process of being armored at the Department's contractor facilities or were in storage near Washington, DC, awaiting shipment to Iraq; 7 were reassigned to other bureaus or overseas posts; 1 was en route to Iraq; and 1 had been destroyed.

> **Recommendation 1.** OIG recommends that U.S. Embassy Baghdad implement revised procedures for property accountability to ensure staff consistently and accurately update personal property records in the Integrated Logistics Management System on a timely basis.

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[54] Posts are required to update the "in service" date in ILMS within three working days of receiving the vehicles. Adding the "in service" date to ILMS will include the vehicle on all subsequent on-hand inventories.

[55] OIG did not meet with Iraqi customs officials or review documentation substantiating the Iraqi statements.

[56] In May 2013, a Bureau of International Narcotics and Law Enforcement Affairs official stated 241 vehicles were purchased by DS/PSP/DEAV with DoD Iraq Security Forces Funds that transferred to the Department via a Military Interdepartmental Purchase Request.

[57] According to a Military Interdepartmental Purchase Request, on July 23, 2013, the Department reimbursed DoD for 239 vehicles. In February 2014, Bureau of International Narcotics and Law Enforcement Affairs officials indicated that the discrepancy between the 241 vehicles purchased and 239 reimbursed was attributable to DS/PSP/DEAV record keeping for bulk vehicle purchases. A Bureau of International Narcotics and Law Enforcement Affairs official indicated that, in 2013, the Bureau requested that DS/PSP/DEAV remove two vehicles from its inventory, resulting in the reimbursement of 239 vehicles. OIG did not perform additional test work to validate the discrepancy because the vehicles were removed from our existence-testing analysis.

Management Response: U.S. Embassy Baghdad did not provide a response to the draft report within the allotted timeframe.

OIG Response: OIG considers this recommendation unresolved and will follow up with Embassy Baghdad during the compliance process to ensure implementation of the recommendation. The recommendation can be closed when OIG reviews and accepts documentation showing that U.S. Embassy Baghdad has implemented revised procedures for property accountability to ensure staff consistently and accurately update personal property records in the Integrated Logistics Management System on a timely basis.

Recommendation 2. OIG recommends that U.S. Embassy Baghdad establish a tracking system to record and monitor the physical location and condition of loaned personal property in accordance with the Memorandum of Agreement between the U.S. Army and the Department of State U.S. Mission in Iraq. The tracking system should be independent of the system used by the U.S. Army to track the property.

Management Response: U.S. Embassy Baghdad did not provide a response to the draft report within the allotted timeframe.

OIG Response: OIG considers this recommendation unresolved and will follow up with Embassy Baghdad during the compliance process to ensure implementation of the recommendation. The recommendation can be closed when OIG reviews and accepts documentation showing that U.S. Embassy Baghdad has established a tracking system, that is independent of the U.S. Army's, to record and monitor the physical location and condition of loaned personal property in accordance with the Memorandum of Agreement between the U.S. Army and the Department of State U.S. Mission in Iraq.

Recommendation 3. OIG recommends that the Bureau of Diplomatic Security revise Secure-Integrated Logistics Management System accountability procedures to record and report, in real time, changes in physical locations of sensitive special protective equipment items.

Management Response: DS concurred with the recommendation, stating it was "in the process of working with the Bureau of Administration's Office of Program Management and Policy to make updates and modifications to Secure-Integrated Logistics Management System and develop procedures to record and report, in real time, changes in the physical locations of sensitive special protective equipment items."

OIG Response: OIG considers this recommendation resolved. The recommendation can be closed when OIG reviews and accepts documentation showing that the Bureau of Diplomatic Security has revised Secure-Integrated Logistics Management System accountability procedures to record and report, in real time, changes in physical locations of sensitive special protective equipment items.

Recommendation 4. OIG recommends that U.S. Embassy Baghdad investigate and report to the Bureau of Diplomatic Security the location and status of the three sensitive special protective equipment items reported as "lost, damaged, or destroyed," as well as any corrective actions taken to update the records in the Secure-Integrated Logistics Management System.

Management Response: U.S. Embassy Baghdad did not provide a response to the draft report within the allotted timeframe.

OIG Response: OIG considers this recommendation unresolved and will follow up with Embassy Baghdad during the compliance process to ensure implementation of the recommendation. The recommendation can be closed when OIG reviews and accepts documentation from U.S. Embassy Baghdad showing that the location and status of the three items have been investigated and reported to the Bureau of Diplomatic Security so that Secure-Integrated Logistics Management System records can be updated, as appropriate.

Recommendation 5. OIG recommends that the Bureau of Administration, Office of Logistics Management, develop monitoring guidance to ensure that approved foreign excess personal property dispositions include all documentation required by volume 14 of the *Foreign Affairs Manual* and the Department's *Site Closure and Foreign Excess Personal Property Disposition Guide for Iraq and Afghanistan*. The guidance should also address procedures for documenting justifications for any deviations from the requirements.

Management Response: A/LM concurred with the recommendation.

OIG Response: OIG considers the recommendation resolved. The recommendation can be closed when OIG reviews and accepts documentation showing that the Bureau of Administration, Office of Logistics Management has developed monitoring guidance to ensure that approved foreign excess personal property dispositions include all documentation required by volume 14 of the *Foreign Affairs Manual* and the *Site Closure and Foreign Excess Personal Property Disposition Guide for Iraq and Afghanistan*, and to address procedures for documenting justifications for any deviations from the requirements.

List of Recommendations

Recommendation 1. OIG recommends that U.S. Embassy Baghdad implement revised procedures for property accountability to ensure staff consistently and accurately update personal property records in the Integrated Logistics Management System on a timely basis.

Recommendation 2. OIG recommends that U.S. Embassy Baghdad establish a tracking system to record and monitor the physical location and condition of loaned personal property in accordance with the Memorandum of Agreement between the U.S. Army and the Department of State U.S. Mission in Iraq. The tracking system should be independent of the system used by the U.S. Army to track the property.

Recommendation 3. OIG recommends that the Bureau of Diplomatic Security revise Secure-Integrated Logistics Management System accountability procedures to record and report, in real time, changes in physical locations of sensitive special protective equipment items.

Recommendation 4. OIG recommends that U.S. Embassy Baghdad investigate and report to the Bureau of Diplomatic Security the location and status of the three sensitive special protective equipment items reported as "lost, damaged, or destroyed," as well as any corrective actions taken to update the records in the Secure-Integrated Logistics Management System.

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Scope and Methodology

In July 2012, Office of Inspector General (OIG) senior managers conducted consultations with Embassy Baghdad managers, who reported concerns regarding property accountability for U.S. Mission Iraq as a result of the military drawdown that took place in late 2011. OIG conducted this audit to determine the extent to which the Department and U.S. Mission Iraq's policies, procedures, controls, and personnel were in place and operating as intended to ensure property was recorded, monitored, and disposed of properly. OIG initiated this performance audit under the authority of the Inspector General Act of 1978, as amended. OIG conducted fieldwork for this performance audit between January and December 2013 in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

To accomplish the audit objectives, OIG reviewed Federal laws and regulations, including the U.S. Code, Code of Federal Regulations, Federal Financial Management Improvement Act, statements of Federal Financial Accounting Standards, Defense Federal Acquisition Regulation Supplement, and the Department's *Foreign Affairs Manual* (FAM) and *Foreign Affairs Handbook* (FAH) for legal and regulatory requirements and definitions related to personal property management. OIG also reviewed U.S. Mission Iraq and Bureau of Administration policies, guidelines, and directives related to personal property management. OIG reviewed Office of Management and Budget directives and Government Accountability Office publications on standards for internal controls. OIG also researched and reviewed Department of Defense policies and guidance related to personal property management as well as a Memorandum of Agreement between the Department of the Army and the U.S. Mission in Iraq regarding loaned property. Additionally, OIG reviewed prior OIG reports and Government Accountability Office reports and testimonies related to personal property management and accountability. OIG also reviewed work of the Department of Defense OIG and the Office of Special Inspector General for Iraq Reconstruction.

OIG conducted fieldwork in Iraq at the Baghdad Embassy Compound, the Baghdad Diplomatic Support Center, Consulates General Basrah and Erbil, the Erbil Diplomatic Support Center, and in the Washington, DC, area. OIG interviewed embassy and consulate management officers, General Services Officers, an Accountable Property Officer, a Property Disposal Officer, Regional Security Office officials, and General Services Office staff who were responsible for managing and maintaining nonexpendable personal property inventories.

OIG also interviewed officials from the Bureau of Administration, Bureau of the Comptroller and Global Financial Services, Bureau of Diplomatic Security (DS), Bureau of International Narcotics and Law Enforcement Affairs, and Bureau of Near Eastern Affairs. In addition, OIG met with the Department's independent auditor to discuss the results of its audit of

the Department's financial statements for FY 2012 as it related to personal property. Within Iraq, OIG performed tests for existence of personal property items and completeness of the inventory. The steps taken to select the sample of individual items of property are described below.

Detailed Sampling Methodology

OIG's sampling objective was to determine whether the Department's personal property in Iraq was properly recorded and accounted for. OIG tested inventory lists generated by the Department to verify the existence of the items and the completeness of the lists. These tests are commonly referred to as "list-to-floor" and "floor-to-list," respectively.

Iraq-specific property records are not maintained in a centralized database. OIG obtained and used the following inventory lists from which to sample the target population:

- Integrated Logistics Management System (ILMS) listing of personal property throughout Iraq. This list was provided by the Bureau of Administration and included 91,248 items as of March 22, 2013.

- Contractor-acquired property (CAP) for Iraq. This list, based on contractor reports, was provided by the Bureau of Administration and included 160 items as of February 26, 2013.

- Government-furnished equipment (GFE) for Iraq. This list, based on contractor reports, was provided by the Bureau of Administration and included 742 items as of February 26, 2013.

- Iraq capitalized assets from the Computerized Maintenance Management System (CMMS). DS provided three separate ILMS-generated listings of capitalized security-equipment items: one for Baghdad-specific items on April 5, 2013, and one each for Basrah and Erbil on May 15, 2013. The April listing contained 566 items in Baghdad. The Basrah list contained 98 items, and the Erbil list contained 64 items. Security equipment items valued at $25,000 or more are recorded in both CMMS and ILMS due to their value.

- Secure-Integrated Logistics Management System (S-ILMS) for Iraq listing. This list was provided by the Bureau of Diplomatic Security on April 5, 2013, and contained 12,049 sensitive special protective items and 4 sensitive non-special protective items.

- Property Book Unit Supply Enhanced (PBUSE) listing of Army-loaned property in Iraq. This list was provided by General Service Office at Embassy Baghdad. The list was generated by the Department of Defense and contained 307 items as of April 1, 2013.

Because of problems such as inaccurate and incomplete inventory data, OIG was not able to strictly adhere to the originally planned statistical sampling design[58]—namely, stratified random sampling.[59] The difficulties OIG encountered primarily involved anomalies with the sampling frames (for example, the lists of the sampling units contained in the population), which sometimes necessitated follow-up visits to certain locations when a list was found to be deficient for incompleteness. The Department provided several lists for the various subpopulations of the inventory at various stages during the audit rather than providing OIG with a complete and comprehensive list at the outset of the audit, thereby hampering OIG's efforts to efficiently and expeditiously conduct sampling and testing.

Identification of the Universe

On January 12, 2013, OIG initially requested the Bureau of Administration provide a list that included the entire universe (or population) of all U.S. Mission Iraq personal property, GFE, and CAP held in Iraq as of December 31, 2012. On February 25, 2013, OIG was provided with inventory lists that did not contain sufficient descriptive and identifying data. Specifically, the ILMS inventory data lacked unique asset identifiers or acquisition costs. However, CAP and GFE inventory listings appeared adequate and were used to generate our sample. OIG requested updated inventory lists on February 28, 2013, and on March 5, 2013, the Department provided OIG with ILMS inventory data that again excluded unique asset identifiers, such as vehicle identification numbers. Again, OIG requested the Department provide inventory data with unique asset identification numbers for all assets. On March 22, 2013, OIG received ILMS property data lists that appeared adequate to allow OIG to select a sample of aircraft and related assets, motor vehicles, other personal property, and security equipment items for testing.

After commencing fieldwork, however, OIG discovered that the inventory lists were still incomplete, as they were not inclusive of all the types of property items in Iraq. Specifically, on July 10, 2013, after fieldwork was substantially completed, the Bureau of International Narcotics and Law Enforcement Affairs provided OIG with a contractor-property report that included CAP and GFE for aircraft and related assets in use in Iraq under contract S-AQMPD-05-C-1103. This property data was not included in the CAP and GFE listing provided by Bureau of Administration, Office of Logistics Management, Office of Program Management and Policy (A/LM/PMP) in February 2013. Due to the late receipt, OIG did not perform existence testing on contractor property data for aircraft and related assets, but used the data for completeness testing. In addition, the ILMS inventory list provided by the Bureau of Administration on March 22, 2013, did not include security equipment. DS provided OIG with a security-equipment inventory list on April 5, 2013, from which a sample was chosen. However, during the course of inventory test work, OIG found the security equipment sample excluded property

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[58] A statistical sample requires that each unit in the population has a known nonzero probability of selection, and a random method is used to choose the specific units to be included in the sample.

[59] A stratified random sample is a statistical sample obtained by separating the population elements into non-overlapping groups, called strata, and then selecting a simple random sample from each stratum. A simple random sample is a statistical sample in which each member of the population has an equal chance of being drawn to the sample.

located outside of Baghdad. On May 14, 2013, DS provided OIG with security-equipment inventory lists for Basrah and Erbil. Receiving the inventory lists for the three locations in a staggered manner, rather than concurrently, impeded OIG's efforts to efficiently and expeditiously conduct sampling and testing.

For Army-loaned property, OIG requested the property list from the U.S. Mission Iraq General Services Office because records for these items were not maintained in any of the centralized Department inventory records. The U.S. Mission Iraq General Services Office obtained the list from the U.S. Army, which maintains the records in its property system known as PBUSE. There were no independent records maintained by the U.S. Mission Iraq General Services Office with which to assess the quality of this list before the testing phase of this audit. Consequently, we evaluated the quality of the list during existence testing, the results of which are detailed in the Audit Results section of this report.

Overall, OIG found the requested inventory lists contained deficiencies, including missing, inaccurate, and incomplete descriptive data, identifying information, location information, and valuation information. The deficiencies were exacerbated by the incomplete representation of the population in the sampling frames, as evidenced by the large number of items not included on the lists provided to OIG. This problem is further explained in the Audit Results section of this report. Because of the list deficiencies and the lack of timeliness in list availability, OIG was hampered in its efforts to efficiently and expeditiously sample and test the inventory. More specifically, OIG could not entirely implement its primary, planned statistical sampling method, stratified random sampling, which precluded efforts to project testing results to the universe.

Existence Testing

To determine whether U.S. Mission Iraq could account for property, OIG randomly sampled items from inventory lists and physically verified their existence. This procedure is commonly referred to as "list-to-floor" testing. The results of this testing are detailed in the Audit Results section of this report.

Using the six inventory lists cited above, OIG grouped the total universe of 105,238 personal property items into 10 categories of property based on the type of property list, as shown in Table 1. The ILMS inventory list of 91,248 items was separated into 4 of 10 categories, primarily to ensure that various items were sufficiently represented in OIG's sample. These categories were aircraft and related items, motor vehicles, information technology equipment, and other personal property, which grouped all items that were not included in the other three categories. The remaining five inventory lists OIG received were not grouped, as they already represented distinct categories of property.

Table 1. Universe and Sample Sizes, per Property Category

Property Type	List Provided	Population	Sample
Contractor-acquired Property	CAP inventory list	160	97
Government-furnished Equipment	GFE inventory list	742	206
Aircraft and Related Items	ILMS inventory list	49	49
Motor Vehicles	ILMS inventory list	1,863	239
Information Technology Equipment	ILMS inventory list	11,562	273
Other Personal Property	ILMS inventory list	77,774	383
Security Equipment	Capitalized assets from CMMS inventory list	728	350
Sensitive Special Protective Equipment	S-ILMS inventory list	12,049	275
Sensitive Non-Special Protective Equipment	S-ILMS inventory list	4	4
Army Loaned Property	GSO-provided Document from PBUSE	307	147
Total		**105,238**	**2,023**

Source: Generated by OIG from data provided by the Department.

In addition to the primary categories by type of assets listed above, these data were sometimes grouped by asset value or location. This inconsistent sampling approach stemmed from the limitations imposed on OIG. Specifically, the ILMS and Government-furnished equipment lists did not contain asset values for every item, and the S-ILMS list did not contain any asset values. Consequently, OIG could not always hone in on higher-value inventory items. Moreover, OIG sometimes had to continue sampling a type of asset after sample size determination had been made for that type of item because a belated list was presented indicating more items of this type at another location in Iraq. For example, the 728 items in the subpopulation of Security Equipment were allocated, according to the lists, to three locations in Iraq as follows: 566 for Baghdad, 64 for Erbil, and 98 for Basrah, and the sample sizes selected were 188, 64, and 98, respectively, for a total of 350.[60] Furthermore, even when the inventory lists specified the location as Baghdad, Erbil, or Basrah, no distinction was made, for example, between the Baghdad Embassy Compound and the Baghdad Diplomatic Support Center, or between Consulate General Erbil and the Erbil Diplomatic Support Center, further hindering OIG's attempts to efficiently and effectively sample.

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[60] After OIG selected the sample of 350 items from the universe of 728 capitalized security items reported in the ILMS listings, DS provided OIG with a CMMS inventory list that included all security items in Iraq regardless of value. OIG took the additional step of comparing the results of the sample selection of security equipment from ILMS with the CMMS list. This comparison did not disclose a significant difference.

Completeness Testing

To test the completeness of the property records, we sampled items in use or stored at the sites visited, recording the item description, serial number, or other identifying information and then attempted to locate the property in the property lists to test for the completeness of the property records. This procedure is commonly referred to "floor-to-list" testing. The results of this testing are detailed in the Audit Results section of this report.

The nature of completeness testing makes it extremely difficult, if not impossible, to develop a comprehensive sampling frame or list that includes the entire universe of items on the "floor," thereby precluding the use of statistical sampling. Consequently, OIG selected a judgment sample[61] of items based on factors such as accessibility and perceived value to confirm whether the items were appropriately and accurately recorded on the property lists. Because the number of locations visited and the amount of time available at these locations varied, the sample sizes also varied considerably, as shown in Table 2.

Table 2. Samples Sizes, per Property Location

Property Location	Sample
Baghdad Embassy Compound	574
Baghdad Diplomatic Support Center	125
Erbil Diplomatic Support Center	64
Consulate General Erbil	79
Consulate General Basrah	127
Total	**969**

Source: Generated from OIG testing.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the management of personal property. OIG tested the property lists provided for existence and for completeness. Compliance with applicable policies, procedures, and processes was also reviewed to assess whether the system of internal controls over the inventory of personal property was effective, that is, whether it provided reasonable assurance as to the reliability of inventory information and accountability of the personal property. OIG identified numerous deficiencies and internal control weaknesses in physical inventory of and accounting for property items and in the completeness, accuracy, and reliability of the personal property data, which are detailed in the Audit Results section of this report.

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[61] A judgment sample is a nonstatistical sampling method in which the sample is selected by using discretionary criteria rather than the laws of probability; a judgment sample cannot be projected to the universe.

Use of Computer-processed Data

OIG utilized computer-generated data from the Department in testing for existence and completeness of the inventory. OIG identified numerous deficiencies and internal control weaknesses while physically testing inventory items. Additionally, OIG made use of work performed by the external auditors who periodically test general and system specific accounting controls as part of the Department's annual financial statement audit. The Audit Results section of this report presents, in detail, the data deficiencies identified during this audit.

Bureau of Administration, Office of Logistics Management Response

United States Department of State

Washington, D.C.   20520

UNCLASSIFIED   May 8, 2014

MEMORANDUM

To: OIG/AUD – Norman P. Brown, Acting

From: A/LM – Catherine Ebert-Gray

Subject: Draft Report on Audit of Personal Property Accountability at U. S. Mission Iraq

        We want to thank the OIG for the opportunity to review and comment on the subject draft report. We concur with Recommendation 5.

        As we indicated during our exit interview, we support and applaud OIG efforts to ensure the Department's property is recorded, monitored and disposed of properly. This important oversight function can only lead to the strengthening of the Department's policies, procedures, and controls related to personal property.

        We agree that that the Bureau of Administration, Office of Logistics Management should develop monitoring guidance to ensure that approved foreign excess personal property dispositions include all required documentation, as stipulated by Foreign Affairs Manual Volume 14 and the Foreign Excess Personal Property Disposition Guide for Iraq and Afghanistan. We also agree that the Bureau of Administration, Office of Logistics Management should address procedures for documenting justifications for any deviations from the requirements.

Bureau of Diplomatic Security Response

United States Department of State

Washington, D.C. 20520

www.state.gov

UNCLASSIFIED   May 9, 2014

INFORMATION MEMO TO INSPECTOR GENERAL LINICK – OIG

FROM: DS – Gregory B. Starr   MAY 0 9 2014

SUBJECT: Draft Report Response –Audit of Personal Property Accountability at
          U.S. Mission Iraq – Report Number AUD-MERO-14-18, dated April
          2014

   Attached is the Bureau of Diplomatic Security's initial response to
Recommendation 3 of the subject draft report.

Attachment:
     As stated.

Audit of Personal Property Accountability at U.S. Mission Iraq, Report Number AUD-MERO-14-18, April 2014

Recommendation 3 (04/23/2014): OIG recommends that the Bureau of Diplomatic Security revise Secure-Integrated Logistics Management System accountability procedures to record and report, in real time, changes in physical locations of sensitive special protective equipment items.

DS Response (04/29/2014): DS concurs with this recommendation. DS is in the process of working with The Bureau of Administration's Office of Program Management and Policy to make updates and modifications to the Secure-Integrated Logistics Management System and develop procedures to record and report, in real time, changes in the physical locations of sensitive special protective equipment items..

Bureau of International Narcotics and Law Enforcement Affairs Response

United States Department of State

Washington, D.C. 20520

MAY – 5

UNCLASSIFIED

MEMO FOR OIG/ISP ASSISTANT DIRECTOR ROBERT PETERSON

FROM: INL/RM – James A. Walsh

SUBJECT: INL Responses to OIG Draft Report on the Audit of Personal Property
          Accountability at U.S. Mission Iraq (AUD-MERO-14-18, April 2014)

The Bureau of International Narcotics and Law Enforcement Affairs (INL)
appreciates the opportunity to comment on sections of the draft OIG audit report
referencing INL programs, in order to provide additional context to the report:

Relevant Report Section (pages 19–20): "In addition, 34 of 79 vehicles removed
from analysis were among 241 armored vehicles purchased for the Iraq Police
Development Program. These armored vehicles, valued at approximately $36.7
million, were designated for use by Iraq security forces trainers; however, the
program was terminated in February 2013 before the vehicles were delivered to
Iraq. According to documentation provided by INL, which operated this program,
ownership of the vehicles transferred to the Department in July 2013."

"(Footnote 56) According to a Military Interdepartmental Purchase Request, on
July 23, 2013, the Department reimbursed DoD for 239 vehicles. In February
2014, INL officials indicated the discrepancy between the 241 vehicles purchased
and 239 reimbursed were attributable to DS/PSP/DEAV record keeping for bulk
vehicle purchases. An INL official indicated they requested DS/PSP/DEAV to
remove two vehicles from the inventory attributed to INL, resulting in the
reimbursement of 239 vehicles. OIG did not perform additional testwork to
validate the discrepancy because the vehicles were removed from our existence
testing analysis."

INL Response (April 2014): The 241 vehicles referenced in the report were part
of a total of 350 vehicles purchased with DoD Iraq Security Forces Funds
transferred to INL via a series of Military Interdepartmental Purchase Requests for
the purpose of contracting civilian police services and associated support
requirements. Per National Security Policy Directive 36, the responsibility for

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police assistance in Iraq would eventually revert from DoD to the Department of State; these vehicles were procured through the Bureau of Diplomatic Security (DS) so they could continue to be used once that transition occurred. DS retained full custody of the armored vehicles at all times, and was responsible for the inventory and control of the vehicles. Since the vehicles were purchased with a DoD appropriation, when the State Department ended the Iraq Police Development Program early, the State Department negotiated the disposition of the vehicles for storage with DoD. DS expressed an interest in retaining the vehicles and purchased the vehicles from DoD in July 2013. DS informed INL that two of the 241 vehicles were transferred elsewhere in March 2013. Also in March 2013, INL requested DS to correct the inventory attributed to INL programming because it was incorrect.

Attachments:
      Tab 1 - Audit Letter
      Tab 2 - Draft OIG Audit Report

CLASSIFICATION

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