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

Middle East Regional Office

The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan Performance Audit

Report Number MERO-A-10-03, March 2010

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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.

A handwritten signature in black ink, appearing to read "H.W. Geisel".

Harold W. Geisel
Deputy Inspector General

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KEY FINDINGS

- The Office of Aviation in the Bureau of International Narcotics and Law Enforcement Affairs (INL/A), through its contractor, DynCorp, has provided effective air support for counternarcotics efforts and other missions in Afghanistan, despite the unstable security situation. A sufficient aircraft readiness rate has been consistently maintained.
- INL/A uses personal services contractors (PSC) as senior aviation advisors in Afghanistan to manage the program and directs all contract deliverables to be sent directly to the U.S program office, resulting in weak contract oversight and cost controls. The PSCs cannot and are not reviewing DynCorp cost reports, and neither are Embassy Kabul personnel, so it is not possible to determine the appropriateness of contractor charges. In addition, contract deliverables and reports, such as those related to safety, property, and aircraft reporting and accounting, are not being validated or certified in Afghanistan.
- Aircraft in the Afghanistan Air Wing program are properly maintained and appropriately scheduled, contractor personnel are qualified and well-trained, and DynCorp adequately inventories U.S. Government-furnished equipment.
- The performance-based contract under which DynCorp is operating in Afghanistan has created management challenges for INL/A. In particular, the contract lacks clearly defined requirements, makes oversight of specific aspects of contractor performance difficult, and lacks effective cost control measures to prevent cost overruns.
- In Pakistan, the Air Wing program has provided effective airlift support for Government of Pakistan programs along the Pakistan-Afghanistan border. The program is also building host government capacity to operate and maintain aircraft.
- The contractor, DynCorp, has been unable to meet the required number of flying hours in Pakistan. Low levels of maintenance staff as well as issues related to personnel provided by the Pakistan Government have prevented DynCorp from sustaining the contractually mandated aircraft readiness rate.

- The senior aviation advisor in Pakistan is a PSC who reports to the director of the narcotics affairs section at Embassy Islamabad. However, this PSC also reports on contractor performance to the contracting officer's representative (COR) for the Air Wing program in Pakistan. The COR works from the United States and has never visited Pakistan's Air Wing operation.
- The Air Wing contract with DynCorp, which covers aviation support in six countries, does not identify the owner of the Air Wing information system (AWIS) or the data stored within it.

INTRODUCTION

The Department of State's (Department) Office of Aviation in the Bureau of International Narcotics and Law Enforcement Affairs (INL/A) supports U.S. Government counternarcotics missions with aviation expertise and resources. INL/A provides aircraft and operates Air Wing programs in Afghanistan, Pakistan, Bolivia, Colombia, Guatemala, and Peru. In 1998, INL/A entered into an aviation services contract with DynCorp International to support worldwide counternarcotics missions. In November 2005, INL/A awarded a new performance-based contract to DynCorp for the continuation of aviation support services. The total value of the current contract (November 2005 to October 2009) with DynCorp is \$1.07 billion for all countries. Since January 2005, the Afghanistan Air Wing program has received \$356 million¹, and Pakistan Air Wing operations have been funded at \$32 million.

The Middle East Regional Office (MERO) of the Office of Inspector General (OIG) initiated this work under the authority of the Inspector General Act of 1978, as amended.² The objectives of this performance audit were to determine: (1) whether the Department's counternarcotics Air Wing program achieved its objectives and the impediments to achieving objectives; (2) whether the Department is monitoring contractor(s) to ensure performance measures have been established and are being achieved; and (3) the effectiveness and efficiency of counternarcotics aviation services in Afghanistan and Pakistan and whether the costs incurred and charged by the contractor(s) are proper.

This is the second report on the Department's management of counternarcotics programs in Afghanistan and Pakistan.³ In making this assessment of the Air Wing portion of the counternarcotics programs, OIG met with officials from INL, INL/A, and the Bureau of Administration's Office of Acquisition Management in Washington, DC. The OIG team traveled to Afghanistan and Pakistan to observe first-hand DynCorp's aviation service operations, and held discussions with staff members from the narcotics affairs sections at Embassy Kabul and Embassy Islamabad. Finally, the OIG team traveled to Patrick Air Force Base in Florida and

¹ This figure includes approximately \$68 million obligated under a lease arrangement to support civilian police programs in Afghanistan prior to INL/A's involvement in aviation programs in the country.

² 5 USC App. 3

³ See *Status of the Bureau of International Narcotics and Law Enforcement Affairs Counternarcotics Programs in Afghanistan, Performance Audit*, MERO-A-10-02, December 2009.

met with DynCorp management staff and aviation professionals working under the current aviation services contract, and INL/A staff responsible for overseeing the contract. OIG did not review the Air Wing's "Kabul 40" program, which provides embassy-wide passenger/cargo movement, since it does not involve counternarcotics and is funded separately.

EXECUTIVE SUMMARY

RESULTS

The Air Wing program in Afghanistan, funded at \$356 million since its start, effectively provides aviation support for INL's counternarcotics efforts and other missions undertaken by chief of mission personnel. To date, the contractor, DynCorp, has safely met its contracted air support requirements using professional, well-trained staff, carrying out a significant number of successful missions, and adapting well to the quickly changing and dangerous Afghan environment. Contractor staff members follow the rules of engagement, including the use of deadly force. DynCorp has also been able to sustain the required aircraft readiness rate, despite maintenance staff shortages, and uses appropriate maintenance and flight scheduling systems. The contractor properly inventories U.S. Government-furnished equipment, including sensitive items.

OIG noted weaknesses in INL/A's contract and management oversight of the Air Wing program in Afghanistan. Three PSCs monitor mission operations by acting as senior aviation advisors. However, INL/A directs all contract deliverables and cost reports to be sent directly to its staff in the United States, without verification by these PSCs, and OIG was unable to determine whether DynCorp's deliverables are accurate or charged costs are proper. A COR from INL/A has never been to Afghanistan, and there are no plans to send a COR to the country.

The performance-based contract awarded to DynCorp in 2005 for the Afghanistan Air Wing program lacked specific performance requirements, and until 2009, DynCorp worked under general and outdated requirements, hindering program efficiency. Additionally, complying with the principles of performance-based acquisition (PBA) inhibits oversight of specific aspects of the contract, such as staffing levels, as long as mission performance requirements are met. Further, the current contract does not include any meaningful cost-related requirements. In fact, the cost tracking system fails to control costs, resulting in more than \$10 million in cost overruns and charges. These problems were exacerbated by INL/A staffing shortages in voucher examination and auditing. (Following its audit, OIG learned that INL/A had hired two additional voucher examiners.) All of these issues lead OIG to conclude that a performance-based contract may not be the ideal vehicle to manage and oversee such a complex program.

In Pakistan, the Air Wing program, funded at \$32 million to date, has been generally effective in providing critical air support for activities along the Pakistan-Afghanistan border, including a variety of missions for the Pakistan Government. However, DynCorp has had problems meeting some of the contract terms, particularly flying hour goals. The inability to meet the required aircraft readiness rate is directly related to low levels of maintenance personnel and, according to INL/A, is also affected by issues with staff from Pakistan's Ministry of Interior. OIG was unable to determine whether the Pakistan Government is adhering to the terms of a letter of agreement regarding use of INL/A aircraft, and found that the government continues its reticence in providing information on flights. The PSC who is the senior aviation advisor for the Air Wing program in Pakistan, reports directly to the INL/A COR in the United States on all contractual issues. The COR has never been to Pakistan. This situation potentially weakens management and internal controls. OIG also learned that neither INL/A nor DynCorp knows who owns the information system, AWIS, or its contents, which are critical to operations in all six countries under the Air Wing contract.

ADDITIONAL ISSUE FOR CONSIDERATION

INL's performance-based contract for DynCorp to provide aviation services has resulted in significant cost overruns and performance management problems. Earned value management (EVM) is a common method of performance measurement widely used across U.S. Government agencies to manage high-cost, high-risk programs. This program management technique integrates the technical, cost, and schedule measures of a contract. During planning, an integrated baseline is developed by phasing budget resources over time for defined work. As work is performed and measured against the baseline, the corresponding budget value is "earned." From this earned value metric, cost and schedule problems can be isolated and analyzed. Using this basic measurement, a program manager can isolate significant activities that cause costs to be incurred, forecast future costs and schedule performance, and most importantly, put in place corrective actions to get the program back on track and on budget. The Department's current policy is to use EVM only for information technology programs. OIG believes the Department should consider modifying the DynCorp contract to employ EVM tools and techniques to better control costs and manage contractor performance in such areas as flying hours, scheduled maintenance, facility construction, and subcontractor activities.

RECOMMENDATIONS

Recommendation 1: Embassy Kabul should assign a U.S. Government direct-hire employee to directly supervise the work of personal services contractors assigned to manage and monitor Air Wing operations and contract performance in Afghanistan. (Action: Embassy Kabul)

Recommendation 2: The Bureau of Administration's Office of Acquisition Management, in consultation with the Bureau of International Narcotics and Law Enforcement Affairs, should develop a work breakdown structure for the Air Wing program in Afghanistan that details contractor tasks and associated costs, and measures actual progress and spending against planned work and costs. (Action: AQM in consultation with INL)

Recommendation 3: Embassy Islamabad should assign a U.S. Government direct-hire employee to directly supervise the work of personal services contractors assigned to manage and monitor the performance goals and requirements of the contractor for Pakistan Air Wing operations. (Action: Embassy Islamabad)

Recommendation 4: The Bureau of International Narcotics and Law Enforcement Affairs should amend the Air Wing contract with DynCorp to clarify ownership of the Air Wing information system and ensure access rights to its critical information and stored data. (Action: INL)

MANAGEMENT COMMENTS AND OIG RESPONSE

OIG received formal written comments from Embassy Kabul and INL and informal comments from Embassy Islamabad. Embassy Kabul and INL comments are included in their entirety in Appendices II and III, respectively. Technical comments and updated information have been incorporated into the report as appropriate.

Embassies Kabul and Islamabad agreed with Recommendations 1 and 3 and noted they have taken steps to assign a U.S. Government direct-hire employee to directly supervise the work of PSCs responsible for managing and monitoring Air Wing operations. The Embassies did not address Recommendations 2 and 4, noting that those recommendations are related to contract management and oversight issues best addressed by INL.

INL concurred with Recommendation 4 but disagreed with Recommendations 1, 2, and 3. INL stated that Recommendations 1 and 3 duplicate existing conditions because the directors of the narcotics affairs sections at the Embassies are already assigned to supervise the PSCs. INL noted Recommendation 2 is not feasible because it implies a change to the structure and nature of the existing contracting mechanism that already provides adequate detail on tasks and costs.

OIG accepts INL's position that PSCs are hired as aviation advisors due to their technical expertise in aviation, and that they have skill sets not available within the Department. However, the intent of these two recommendations, that the Embassies assign U.S. Government direct-hire employees to directly supervise PSCs, is to elicit embassy employees who are proximate and knowledgeable about the day-to-day actions of the PSCs. Hiring U.S. Government employees ensures resolution of issues related to managing contractors, including making certain deliverables and costs are properly met. The directors of the embassies' narcotic affairs sections are responsible for managing the entire INL in-country portfolio. The OIG team observed that due to the workload and the need to focus on other tasks, the directors had neither the time nor ability to monitor PSC activities or performance. Thus, OIG continues to maintain that a Department direct-hire employee in closer physical and occupational proximity to the PSCs would be better positioned to substantiate their oversight of contractual and cost issues. This verification is especially important since the COR has been unable to visit the Air Wing operations to personally corroborate any issues reported by the PSCs.

OIG still believes Recommendation 2 is both feasible and necessary. Since its initial award, the current performance-based contract has been extended each year

based on performance, with renegotiated requirements and prices. However, the contract's statement of requirements does not include any specific performance standards to monitor costs, and the contract only requires cost reporting against budget for unscheduled maintenance. Moreover, the current invoice and voucher process does not allow INL/A to detect large cost overruns from the contractor's rate errors and the subcontractor's over flown hours. This performance audit found that INL/A's cost control measures failed to provide any prior warning of overruns until costs reached the funding ceiling. If implemented, this recommendation will give the INL/A program office and the contractor sufficient visibility to properly plan and set aside funding, including funding to cover unforeseen events, and catch cost overruns early enough to put in place corrective measures.

BACKGROUND

INL develops policies and manages programs that minimize the impact of international crime and illegal drugs. INL/A plans Air Wing operations, and provides contract oversight, aviation expertise, and resources to eradicate and interdict illicit drugs, strengthen law enforcement, and support counterterrorism efforts. INL/A's airplanes and helicopters are used for eradication, interdiction, personnel transport, and logistical support to augment counternarcotics ground operations. The INL Air Wing manages approximately 14 aircraft in Afghanistan and 17 aircraft in Pakistan that fall under chief of mission authority.

In February 1998, DynCorp International was awarded a cost-plus-award-fee contract⁴ to support INL counternarcotics missions. Upon its expiration in October 2005, the contract was recompleted, and in November 2005, DynCorp won a new performance-based contract to provide aviation support services in Pakistan, Bolivia, Colombia, and Peru (the addition of Afghanistan was expected soon thereafter). The contract was awarded for the base year (November 2005 to October 2006) and two options years, with seven additional year-long award terms to be extended annually, based on contractor performance. Under the direction of INL/A, DynCorp provides operational, logistical, and security-related aviation services. In Pakistan, DynCorp also helps develop host government aviation capabilities for transition to self-sufficiency.

In performance-based contracting, now called performance-based acquisition (PBA), all aspects of the acquisition are focused on the purpose and desired outcome of the contract, rather than the process by which the contract is implemented. The Department's use of PBA for the Air Wing contract is in line with an Office of Management and Budget (OMB) initiative to implement PBA to the maximum extent practicable. In 2001, OMB issued goals for use of PBA; in September 2004, OMB directed all federal agencies to implement PBA for up to 40 percent of total eligible contracts.⁵

⁴ Federal Acquisition Regulation (FAR) 16.305 states, "A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of (a) a base amount (which may be zero) fixed at inception of the contract and (b) an award amount, based upon a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance."

⁵ OMB memo of September 7, 2004

AFGHANISTAN PROGRAM

The Air Wing program in Afghanistan initially started in January 2005 as a temporary program before the current performance-based contract went into effect. As a temporary program, DynCorp operated under a short term task order that contained a generally broad statement of work and flying hour requirements. In July 2006, Afghanistan was formally added to the worldwide INL Air Wing contract as a cost-plus-fixed-fee⁶ contract. Table 1 below shows obligations and expenditures for the Afghanistan program from January 2005 to the present.

	Previous Task Order		Current Contract			
		Base Year	Option Year 1	Option Year 2	Option Year 3	Total
	1/05 - 10/05	11/05 - 10/06	11/06 - 10/07	11/07 - 10/08	11/08 - 10/09	
Obligated*	\$70.0	\$42.9	\$81.7	\$86.2	\$75.2	\$356.0
Expended	\$69.9	\$42.9	\$81.7	\$86.2	\$44.6	\$325.3

Source: OIG analysis of INL/A data

*In some cases, INL/A has used funds obligated for a current option year to pay for cost overruns in previous option years.

In Afghanistan, INL/A missions support manual poppy eradication,⁷ interdiction missions, and passenger and cargo movement. The aviation program allows access and outreach into distant Afghan provinces where few or no roads and little infrastructure exist, and has ensured security through air assaults and reconnaissance during ground eradication. The Air Wing also conducts medical evacuations, command and control, logistics, escorted missions, and other activities in support of the Embassy’s counternarcotics programs. The Air Wing comprises 10 Huey-II helicopters and one DC-3 airplane. INL/A also uses two Mi-8MTV helicopters and one An-26 airplane through a lease agreement⁸ for passenger and cargo movements supporting counternarcotics missions.

⁶ FAR 16.306(a) states, “A cost-plus-fixed-fee contract is a cost-reimbursement contract that provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract. The fixed fee does not vary with actual cost, but may be adjusted as a result of changes in the work to be performed under the contract.”

⁷ In mid-2009, the Department decided to discontinue funding poppy eradication efforts in Afghanistan and shift concentration and funding toward interdiction and alternative development.

⁸ Under this lease agreement, DynCorp’s subcontractor, SkyLink, provides the aircraft, pilots, and aircraft maintenance; DynCorp supplies its own security staff. Services are billed by the number of hours flown.

DynCorp has established a main operating base in Kabul and a forward operating base in Kandahar for mission support. On average, DynCorp maintains six rotary wing helicopters and the fixed wing DC-3 in Kabul and four helicopters in Kandahar. During the poppy-cutting season (January through May), most air assets are repositioned in Kandahar to support eradication efforts in the Helmand valley region, and priority is given to the poppy eradication force. After the season, Air Wing aviation support shifts to Drug Enforcement Administration (DEA) interdiction efforts and other missions. Both bases include areas for lodging, maintenance, administration, hangars, aircraft parking areas, and access to the airport. As of May 20, 2009, DynCorp had 250 staff members in Afghanistan, with 201 in Kabul and 49 in Kandahar. Additionally, the DynCorp subcontractors, East Inc. and SkyLink, had respectively, four pilots operating DC-3 aircraft and 23 staff in country. Figures 1 and 2 show the Air Wing bases.

Figure 1: DynCorp-built Camp Alvarado: Main Operating Base in Kabul



Source: INL/A

Figure 2: DynCorp-built Camp Valdes: Forward Operating Base in Kandahar



Source: INL/A

The Air Wing provides services for INL's Afghan Police Program, Poppy Eradication Force, Counter Narcotics Advisory Teams, as well as the Justice Sector Support Program and the Corrections Sector Support Program. The Air Wing also supports DEA Foreign Assistance Support Teams and the Afghan National Interdiction Unit, and provides helicopters to other missions as directed by the U.S. Ambassador, as well as supplemental airlift for other authorized users of INL's programs, using both fixed and rotary wing aircraft.

PAKISTAN PROGRAM

In 2002, the U.S. Government, through a letter of agreement, broadened the scope of its law enforcement program with the Pakistan Government by providing aviation support for a border security project. The U.S. Government agreed to fund the Pakistan Government's efforts to combat terrorism; smuggling of narcotics, goods, arms, and ammunition; human trafficking; and money laundering by offering aviation assistance to numerous Pakistan Government entities, including the Ministry of Interior's Narcotics Control Division and its related law enforcement agencies.

In 2005, the Pakistan Air Wing was included in INL's base contract with DynCorp for aviation services based in Quetta, Pakistan. Table 2 below shows obligations and expenditures for the Pakistan program under the current contract from November 2005 to the present.

Table 2: Funding for Pakistan Air Wing (in millions)

	Base Year	Option Year 1	Option Year 2	Option Year 3	Total
	11/05 - 10/06	11/06 - 10/07	11/07 - 10/08	11/08 - 10/09	
Total Obligated ^a	\$4.8	\$5.5	\$7.1	\$15.0	\$32.4
Total Expended ^b	\$4.8	\$5.4	\$6.9	\$10.8	\$27.9

Source: OIG analysis of INL/A data

^a Obligation as of 10/31/09

^b Expenditures as of 10/31/09

The Pakistan Air Wing is carried out through a firm-fixed-price contract⁹ that includes a limited number of cost reimbursable items. During option years 1 and 2, the firm fixed price included all costs for operating the Quetta Air Wing (labor, material, overhead costs associated with management, management information systems, quality control, training, insurance, records, reporting, warehousing property accountability, and configuration management). The fixed price also included execution of the flying hour program based on the actual number of hours flown. Reimbursable costs were limited to unscheduled maintenance material for the aircraft. Option year 3 payment schedules were renegotiated, and now, in addition to unscheduled maintenance parts and materials, scheduled maintenance parts and materials and freight costs are also reimbursable.

INL/A established a main operating base in Quetta, Pakistan, to support the Pakistan Ministry of Interior 50th Squadron Air Wing in its counternarcotics and border security program efforts. INL provided the Ministry of Interior with three Cessna-208s and 14 Huey-II helicopters. The Huey- II helicopters monitor the movement of drug traffickers and patrol for insurgents, terrorists, and other criminal groups operating in remote border areas. In addition to providing air transport, INL conveys aviation-related technical and management skills to the Pakistan Government. To support this effort, INL has contracted with DynCorp to develop an

⁹ FAR 16.202-1 states, "A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract."

on-the-job training program at the Quetta air base to qualify Pakistani personnel and technicians in aircraft maintenance. At the time of OIG's fieldwork, there were approximately 25 DynCorp personnel including pilots; program management; and safety, logistics, maintenance, and quality control personnel working on this program. Figure 3 shows the main hangar at the 50th Squadron Air Wing in Quetta, Pakistan.

Figure 3: 50th Squadron Air Wing in Quetta, Pakistan



Source: MERO/OIG

AFGHANISTAN AIR WING

The Afghanistan Air Wing performs effective air support operations with professionalism and flexibility, fulfilling the airlift needs of INL's counternarcotics missions. DynCorp has carried out its aviation services without any major accidents or casualties,¹⁰ meets contract operational requirements, employs qualified staff, and properly inventories U.S. Government-furnished equipment. However, INL's use of PSCs as on-site supervisors limits its ability to effectively oversee contractor performance. In addition, the use of a performance-based contracting mechanism for this complex, high-cost program has resulted in a lack of clearly defined requirements and significant cost control issues.

PROGRAM PERFORMANCE

The Afghanistan Air Wing program has successfully provided passenger movement, cargo airlifts, and air gunship support for INL counternarcotics activities and other Embassy Kabul missions. Despite an increasingly dangerous environment and a higher operational tempo, there have been no major aircraft accidents or casualties. According to numerous embassy personnel and other U.S. Government officials who depend on its services to execute their missions, the Air Wing provides effective and professional airlift assistance and support. A senior DEA official stated that DEA's drug interdiction missions would not be possible without the Air Wing assets and commended the DynCorp air crews for their expertise and professionalism. OIG observed that DynCorp is responsive in carrying out operations and has adapted well to numerous schedule changes and an uncertain, constantly shifting security environment in Afghanistan.

In the first 8 months of the current option year (November 2008 to June 2009), the Air Wing carried 17,268 passengers and 1,029 cargoes with An-26 aircraft, one DC-3 airplane, and two Mi-8MTV helicopters. In addition, 10 Huey-II helicopters (shown below in Figure 4) executed 1,080 aircraft deployments, transporting 1,577 passengers, mostly in support of poppy eradication and drug interdiction missions.

¹⁰ There were no major accidents or casualties involving DynCorp staff or passengers being transported by DynCorp. Attacks on the Afghan poppy eradication force on the ground and a terrorist attack on SkyLink staff members are excluded from this statement.

Figure 4: Poppy Eradication Force Support



Transporting personnel



Providing overhead air support

Source: INL/A

According to an INL/A senior aviation advisor, DynCorp personnel follow the Department's rules of engagement, which permit the use of deadly force only under imminent threat of injury. OIG did not find any evidence of inappropriate use of force incidents. The OIG team learned that several helicopters had been damaged by ground fire during poppy eradication missions. Embassy officials noted that aerial gunship cover provided to chief of mission personnel operating on the ground in very dangerous circumstances is a key success of the program.

A primary indicator of contract performance is the fully mission capable (FMC) rate (or aircraft readiness rate), a commonly used military term indicating the percentage of time that an aircraft (or any piece of equipment or training device) can perform all of its missions. From 2007 to 2009, DynCorp's FMC rate for Huey-II helicopters averaged between 70 and 80 percent, when the contract required an FMC rate of 80 percent. For the evaluation period beginning in November 2008, the FMC rate was reduced to 70 percent for the Huey-II helicopters in Afghanistan. OIG data analysis revealed that DynCorp maintained an average FMC rate of 80 percent in 2009, despite an INL/A-directed budget cut that reduced DynCorp aircraft maintenance staffing. According to a senior aviation advisor the ability to reach and sustain an 80 percent FMC is a tribute to the professionalism of the DynCorp staff.

CONTRACT MANAGEMENT AND OVERSIGHT

INL/A employs three PSCs as senior aviation advisors to oversee the Air Wing program in Afghanistan. The advisors monitor mission operations, including flying hours, aircraft maintenance, and flight schedules, and ensure that DynCorp meets and performs according to contract standards. However, as quality assurance evaluators and contractors, the senior aviation advisors do not approve contract deliverables or DynCorp cost reports, including invoices and vouchers. INL/A directs that all deliverables or cost-related reports be sent directly to its staff members at the Patrick Air Force Base Support Division in Florida. INL/A sends the invoices back to the senior aviation advisors in Afghanistan for comment, but the advisors told the OIG team that INL/A does not provide sufficient time for thorough review, and that the DynCorp invoices are not clearly formatted, making it difficult to discern details. The OIG team observed that invoices and cost-related reports were not being certified for accuracy by INL staff in the field. Therefore, OIG is unable to determine if the costs incurred and charged by DynCorp are proper.

INL/A's Air Wing COR has never visited Afghanistan. INL/A operations staff from Patrick Air Force Base have conducted site visits to the Kabul and Kandahar compounds, but only to perform aircraft and maintenance-related inspections. The OIG team found key contract-required deliverables such as lost, damaged, and destroyed property reports; safety status reports; and aircraft reporting and accounting reports were not being verified or certified in country. As was the case with the abovementioned cost assurance problems, the OIG team was unable to determine whether these contractor-submitted reports were accurate. INL/A officials and DynCorp safety management staff stated the lack of on-site attention and verification of DynCorp's reporting led to safety management problems.¹¹

¹¹ The Afghanistan Air Wing operation has always been deemed in compliance with safety performance requirements based on the number of reported accidents or incidents. However, in December 2008, a number of safety violations were identified, including improper electrical wiring around hazardous material sites, unsafe distances between helicopters, fire extinguishers not properly displayed, and expired medication. According to a senior aviation advisor, DynCorp had not been recording relevant safety issues and no one from Embassy Kabul was overseeing safety concerns. In 2009, DynCorp replaced its safety management team and INL/A revised the safety performance measures with more specific requirements.

Aircraft Maintenance and Scheduling

INL/A and DynCorp have effective aircraft maintenance and flight scheduling systems in place. The DynCorp maintenance section follows U.S. military flight maintenance standards. The OIG team compared a sample of maintenance requirements against maintenance actually performed and found that DynCorp was in compliance. OIG also observed that DynCorp aircraft maintenance records were well-prepared and organized. These records are reviewed by the DynCorp maintenance manager and properly entered by staff into the Air Wing information system (AWIS). AWIS serves as an effective control mechanism by automatically flagging maintenance shortfalls and discrepancies and generating corrective action notices.

The senior aviation advisor and DynCorp's country manager review and approve all flight missions and aircraft schedules including those for the lease program operated by the subcontractor, SkyLink. DynCorp aircraft flight hours are accurately tracked through flight logs and onboard flight technology and entered into AWIS. The data from aircraft leased from the two subcontractors is not entered into AWIS, but it is reviewed by the senior aviation advisor and DynCorp manager. DynCorp staff members in the tactical operations center closely monitor all aircraft movements with global positioning system devices.

Qualifications and Training

DynCorp has qualified, properly trained staff in Afghanistan. Personnel received training prior to arriving in-country and training courses are available in Afghanistan. OIG reviewed on-site records that included mandatory and completed training for pilots, mechanics, flight crews, and maintenance staff and found that personnel were meeting their skill set training requirements. Individual training records are also maintained in AWIS, which generates delinquent notices for unmet training requirements. In addition, OIG learned through structured interviews with DynCorp personnel that 95 percent of pilots, gunners, medical staff, and operations management personnel had previous military experience. Fifty percent of those interviewed had more than 20 years of military experience, and 30 percent had been in Special Forces units.

Property Management

DynCorp properly inventories U.S. Government-furnished equipment in Afghanistan. Each month, DynCorp conducts a 10 percent inventory of equipment and

property at its Kabul and Kandahar compounds. Each quarter, DynCorp also conducts a 100 percent inventory of all sensitive items such as weapons, ammunition, night vision goggles, and protective vests. OIG reviewed DynCorp's monthly inventory records and found that, from 2008 to 2009, they met or exceeded the contract quality assurance standard of 98 percent accuracy. The OIG team also inventoried all sensitive items in Kabul and Kandahar and found no discrepancies, although there was an accountability issue with the protective body armor plates at the Kandahar compound. After its fieldwork, OIG learned that DynCorp had accounted for all sensitive items and had updated, corrected, and aligned its inventory records for the body armor plates.

INL is also required to conduct an annual 100 percent inventory of all sensitive items. INL/A officials told the OIG team that, since December 2007, they had not carried out a sensitive item inventory due to a budget shortage. However, INL/A did perform such an inventory in July 2009.

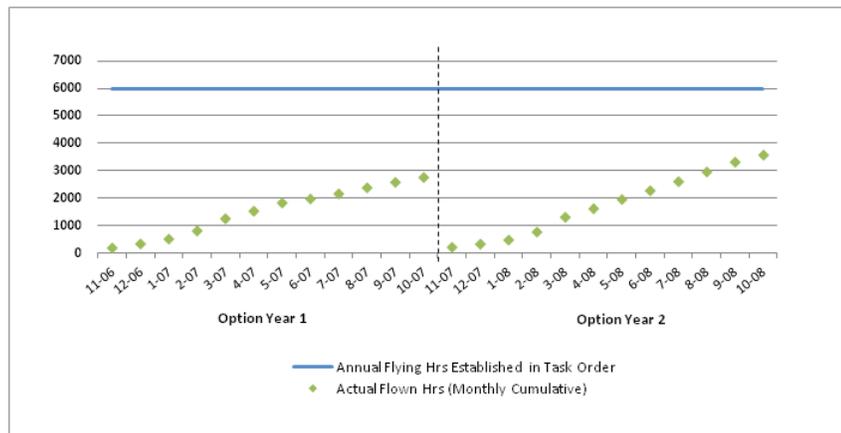
CONTRACTING MECHANISM

In 2005, following the OMB initiative to increase PBA in service contracting, INL/A awarded a performance-based contract to DynCorp for its aviation support services. However, OIG found that both INL/A and DynCorp staff members question the appropriateness of using this type of contract for the Air Wing program. In particular, DynCorp management stated that the lack of clear requirements impacts its ability to effectively manage the program. INL/A management asserted that negotiating defined requirements and performance measures with the contractor takes an excessive amount of time. When the Afghanistan program was formally added to the contract in July 2006, INL/A did not prepare country specific Air Wing performance requirements. Instead, INL/A and the Department's contracting office directed DynCorp to continue its operations under the previous short-term task order statement of work and request for proposal. Until 2009, the Afghanistan Air Wing followed general and outdated performance requirements. Consequently, program efficiency suffered.

For instance, OIG's analysis of aircraft flying hours for option years 1 and 2 showed that DynCorp continuously flew less than the targeted hours, which led to unnecessary costs. The contract with DynCorp establishes a ceiling for flight hours, and INL/A pays for hours flown in costs for labor and aircraft parts. With fewer hours in the air, parts may last longer, resulting in cost savings, but labor hours do

not change. Thus, according to an INL/A contracting official, under-utilized flying hours resulted in needless staff costs, since the same number of personnel are required to maintain the aircraft, whether or not they are flown. OIG noted that INL/A lowered the flying hour target at the end of option year 2 (November 2007 to October 2008), but this change was not contractually implemented until option year 3 (November 2008 to October 2009), and it is unclear how INL/A formally adjusted labor costs. Figure 5 shows the targeted and actual flying hours for the Huey-II helicopters from November 2006 to October 2008.

Figure 5: Huey-II Annual Flying Hours (Option Years 1-2)



Source: OIG analysis of INL/A data

OIG also determined that INL/A's current cost tracking system under this performance-based contract does not effectively control costs. INL/A maintains cost trend charts based on DynCorp-submitted cost data, but these charts do not provide enough information for the Bureau to take corrective measures and prevent cost overruns. Consequently, in option year 2, INL/A paid \$8.5 million in cost overruns, a figure that exceeds an OMB-mandated 10 percent limit for major acquisitions. In addition, INL/A spent \$1.7 million during option year 3 to cover option year 1 calculation and rate errors. Such overruns could be prevented if INL/A and DynCorp implemented a work breakdown structure that plans and subdivides work into lower level tasks, and if they tracked both the progress of work as well as the spending associated with these tasks.¹² The current contract does not require reporting of actual costs compared to work progress or planned budgets for areas such as labor, flying hours, management, operations, facilities, and subcontractors' activities. With-

¹² The U.S. Government Accountability Office recommends using a work breakdown structure (WBS) to estimate and manage program costs. A WBS provides a consistent framework from which to measure actual progress and cost by breaking the work down into smaller, more manageable tasks. This framework can be used to update the original cost estimate and track where and when there are differences. The WBS serves as the common link between the cost estimate and a program's final outcome cost. See *Cost Assessment Guide – Best Practices for Estimating and Managing Program Costs*, GAO-07-1134SP, July 2007.

out this more detailed information, INL/A can neither track the progress of work nor determine in which areas there are cost overruns.

Further, this lack of information makes it difficult to verify whether DynCorp is operating and spending funds efficiently. Until option year 3, all of DynCorp's costs for Afghanistan were submitted in one group, which worsened the cost control problem. INL/A officials told the OIG team it was difficult to evaluate whether the costs claimed by DynCorp were allowable, allocable, and reasonable due to the commingling of vouchers and invoices. Moreover, INL/A officials told OIG that office staff shortages since 2006 in voucher examination and auditing have led to limited pre-payment examinations (Since the OIG audit, INL/A has hired two additional voucher examiners). This problem is compounded by the requirement, under the Prompt Payment Act of 1982, to process invoices and vouchers and pay the contractor within 30 days.

INL/A officials stated that the current performance-based contract hinders efforts to oversee particular areas of performance. For example, in option year 2, DynCorp increased its staffing by 73 members above an agreed level without informing INL/A. To comply with PBA principles, the contracting office advised INL/A management not to intervene since the performance-based contracting mechanism specifically limits oversight of staffing levels as long as mission performance requirements are met. OIG notes this compliance effort, but is concerned that this type of situation may unnecessarily increase costs under a cost-plus fixed-fee contract.

PAKISTAN AIR WING

INL's Air Wing program to support and assist Pakistan's Ministry of Interior in Quetta, Pakistan meets a critical need by providing airlift capacity in support of operations along the Pakistan-Afghanistan border. DynCorp has had trouble meeting flying hour requirements and aircraft availability standards due to its staffing shortages and issues related to personnel provided by the Ministry of Interior. Finally, there is limited oversight by INL/A and Embassy Islamabad of Pakistan Air Wing operations.

PROGRAM PERFORMANCE

The Pakistan Air Wing operation has generally been effective in providing airlift support for a wide variety of Pakistan Government missions, including surveillance and reconnaissance, troop transport, logistical re-supply of forward operating bases, command and control for border security operations, drug interdiction missions, and medical evacuations. According to Embassy Islamabad officials, the Air Wing program fills a critical airlift capacity gap that directly supports U.S. and Pakistan Government strategic interests.

Despite meeting the overall objectives of the Air Wing mission, DynCorp has struggled to meet the performance terms of the contract. Since the start of the program, DynCorp has attained only one of eight yearly flying hour targets, falling short by 14-26 percent of the flying hours specified in the contract. Table 3 shows aircraft flying hour requirements and the percentage of hours actually flown.

Table 3: Pakistan Flying Hour Requirements and Achievements

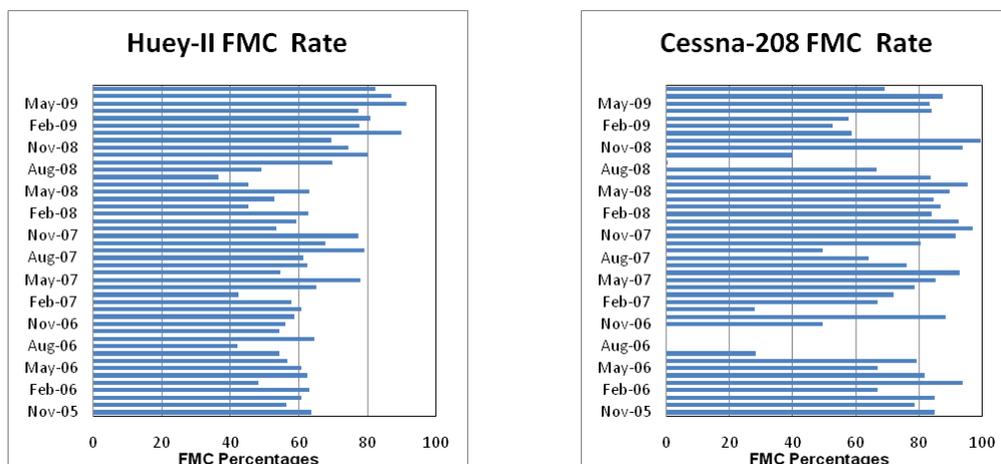
Time Period	Flying Hours Target	Percentage of Flying Hours Achieved
Huey-II		
Base Year (11/05 - 10/06)	2400	105
Option Year 1 (11/06 – 10/07)	2400	86
Option Year 2 (11/07 – 10/08)	2400	83
Option Year 3 (11/08 –10/09)*	2200	92
Cessna-208		
Base (11/05 - 10/06)	1692	74
Option Year 1 (11/06 – 10/07)	1674	74
Option Year 2 (11/07 – 10/08)	1674	74
Option Year 3 (11/08 –10/09)*	1600	77

Source: OIG analysis of INL/A data

* Percentage based on flight hours through 9/25/2009; award period ended 10/31/2009.

DynCorp’s failure to meet the flying hour goals was mainly due to its inability to maintain the aircraft to meet FMC standards. During the first 3 years of the contract, DynCorp was expected to sustain an 80 percent FMC rate. OIG’s analysis of aircraft FMC data during this period indicates the Huey-II helicopter FMC rate was 59 percent and the Cessna-208 fixed-wing airplane rate was 67 percent. Figure 6 shows aircraft FMC rates by month from November 2005 to July 2009.

Figure 6: Huey-II and Cessna-208 FMC Rates, November 2005 – July 2009



Source: OIG analysis of INL/A data

The inability of DynCorp to meet FMC rates was largely due to inadequate maintenance staffing. An OIG trend analysis of staffing levels and FMC rates from November 2005 through April 2009 showed that low DynCorp staffing levels correlated to low FMC rates. In the early years of the program, staff numbered between 11 and 13. DynCorp increased its staffing level to approximately 25 in late 2008, and the FMC rates rose. According to DynCorp managers and Embassy Islamabad officials, recruiting and retaining qualified aircraft mechanics and air operation specialists is difficult. The tenuous security environment surrounding the Quetta compound makes living conditions difficult and personnel are largely isolated on base. Also, recruitment for Pakistan must compete with the Air Wing program in Afghanistan where hardship and danger pay rates are slightly higher and make working in Kabul and Kandahar more attractive. According to INL/A, the number and efficiency of maintenance personnel provided by the Ministry of Interior may also have affected the FMC rate.

Finally, OIG attempted but was unable to determine whether all missions flown by the Pakistan Government were in accordance with the letter of agreement establishing the Air Wing program between the Governments of the United States and Pakistan. Despite assurances to properly inform the Embassy and document the purpose for all missions, the Pakistan Government is still not forthcoming about all of its aerial missions.

CONTRACT MANAGEMENT AND OVERSIGHT

INL/A and Embassy Islamabad rely on a PSC acting as a senior aviation advisor to oversee and manage the Air Wing operation in Quetta. Based out of the Embassy, the PSC periodically travels to the Quetta air base to monitor DynCorp activities and serves as the program's quality assurance evaluator. The senior aviation advisor reports to the director of the narcotics affairs section at Embassy Islamabad. However, this PSC also reports to the INL/A COR, who is responsible for contract management, but is located at Patrick Air Force Base in Florida and has never visited Pakistan.

Based on numerous conversations with embassy and INL officials and observation of the Air Wing operation, OIG concluded that the complexity and the range of activities at Quetta exceeded the capacity of a single aviation advisor to effectively monitor and manage the program. OIG learned that INL had agreed to the recommendation by the narcotics affairs section at the Embassy to allow INL/A to pursue

hiring two new PSCs — an operations/training/safety advisor and a maintenance/logistics advisor. These advisors will help oversee DynCorp operations and provide additional program direction and support for the border security and counternarcotics programs. In comments to a draft of this report, INL/A noted it had approved and advertised these two advisory positions.

OIG recently issued several reports evaluating Department programs in Iraq and Afghanistan, which noted concerns about the use of PSCs to carry out functions that are or approach being inherently governmental.¹³ In comments to an OIG report on INL's counternarcotics programs in Afghanistan, INL management vigorously defended its use of PSCs and contended that the Bureau has separate PSC powers derived from its authorizing legislation. OIG is not commenting in this report on the unsettled U.S. Government-wide issue of the roles and functions of PSCs. However, in this particular instance, OIG believes a PSC reporting on contractor performance to a U.S. Government direct-hire COR more than 10 time zones away is a poor management and internal control practice and may violate Federal Acquisition Regulations. Although PSCs report to the director of the narcotics affairs section, this individual has many other responsibilities that prevent him from focusing on Air Wing operations. Therefore, OIG is recommending in this report that Embassy Islamabad assign a U.S. Government direct-hire employee to directly supervise the work of the PSCs assigned to manage and monitor performance goals and requirements of the contractor related to the Air Wing operation.

AIR WING INFORMATION SYSTEM

AWIS is used for Air Wing operations in all six countries to track and capture critical performance and maintenance information such as aircraft inventory; mission types, hours, and costs; maintenance records and aircraft readiness rates; crew hours and training records; invoices; and overhead costs. INL/A also uses AWIS to comply with an OMB requirement to report inventory, usage, and costs for all Department-owned, leased, chartered, or rented aircraft to the General Services Administration. OIG was unable to determine the amount of funding INL/A provided to DynCorp for the initial development of the system, but INL/A has spent approximately \$325,000 since 2005 on system upgrades. INL's current contract with DynCorp is

¹³ FAR 7.503(d) states, "...However, certain services and actions that are not considered to be inherently governmental functions may approach being in that category because of the nature of the function, the manner in which the contractor performs the contract, or the manner in which the Government administers contractor performance."

silent on the ownership of AWIS, including the data stored in the system, software applications, source codes, and training materials. Further, there is no shared understanding or documentation on the ownership of AWIS.

ABBREVIATIONS

AWIS	Air Wing information system
COR	contracting officer's representative
DEA	Drug Enforcement Administration
Department	Department of State
EVM	earned value management
FAR	Federal Acquisition Regulation
FMC	fully mission capable
INL	Bureau of International Narcotics and Law Enforcement Affairs
INL/A	INL Office of Aviation
MERO	Middle East Regional Office (Office of Inspector General)
OIG	Office of Inspector General
OMB	Office of Management and Budget
PSC	personal services contractor
PBA	performance-based acquisition
WBS	work breakdown structure

APPENDIX I - PURPOSE, SCOPE, AND METHODOLOGY

The Middle East Regional Office of OIG initiated this work under the authority of the Inspector General Act of 1978, as amended. The objectives of this performance audit were to determine: (1) whether the Department's Air Wing program achieved its objectives and the impediments to achieving objectives; (2) whether the Department is monitoring contractor(s) to ensure performance measures have been established and are being achieved; and (3) the effectiveness and efficiency of counternarcotics aviation services in Afghanistan and Pakistan and whether the costs incurred and charged by the contractor(s) are proper.

The OIG team interviewed INL, INL/A, and DynCorp senior management and officials in the United States (Washington, DC and Patrick Air Force Base, Florida), Afghanistan, and Pakistan; and met with the representatives in the Bureau of Administration's Office of Acquisition Management and the senior contracting officer. In Afghanistan, OIG held discussions with the deputy chief of mission and other senior embassy officials in the Narcotics Affairs Section, including the director. The OIG team observed operations at DynCorp's flight compounds in Kabul and Kandahar. In Pakistan, OIG held discussions with embassy officials in the Narcotics Affairs Section and observed the DynCorp flight operation in Quetta, where the team met with DynCorp management and operations staff.

OIG reviewed Department and INL program objectives and plans and analyzed DynCorp and INL/A records and procedures for FMC rates, INL mission support, staff qualifications and training, personnel security and medical clearances, and property management. OIG also analyzed the aviation services contracts and task orders, evaluated the Department's and INL/A's performance-based acquisition practices and contract oversight, and scrutinized the effectiveness of performance-based contracts and INL/A's program management and controls. OIG also reviewed DynCorp-submitted reports and other documentation. The OIG team conducted physical inventories of U.S. Government-furnished sensitive equipment in both Kabul and Kandahar.

OIG conducted this evaluation from May 2009 through August 2009. OIG partly used computer-processed data in the AWIS records and conducted a vulnerability assessment. OIG conducted this performance audit 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 the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

(b)(6)

APPENDIX II: COMMENTS FROM EMBASSY KABUL



Embassy of the United States of America
Kabul, Afghanistan

January 4, 2010

TO: OIG/MERO – Assistant Inspector General Nick Arntson

FROM: Embassy Kabul – Ambassador E. Anthony Wayne,
 Coordinating Director for Development, Economic Assistance and
 Governance

SUBJECT: Comments on Draft Performance Audit Report “The Bureau of
 International Narcotics Air Wing Program in Afghanistan and
 Pakistan” (MERO-A-10-03)

Embassy Kabul appreciates the opportunity to comment on the Audit Report of the Bureau of International Narcotics and Law Enforcement Affairs (INL) Air Wing Program in Afghanistan and Pakistan (MERO-A-10-03).

The INL Air Wing provides a vital support role for U.S. counternarcotics activities in Afghanistan, operating difficult missions in a dangerous environment. We are pleased that the draft report recognizes the professionalism, flexibility and overall effectiveness of the Air Wing program.

The draft report recommends that Embassy Kabul should assign a U.S. Government direct-hire employee to directly supervise the work of the three personal service contractors (PSCs) who serve as the Air Wing’s senior aviation advisors. The Embassy has recognized the need for effective direct-hire supervision of the Air Wing’s contractor staff. Toward that end, as of mid-September of this past year, INL/Kabul gave the Section’s Deputy Director line-responsibility for the Air Wing’s operations. She meets with the Air Wing’s aviation advisors daily, chairs the aviation advisors’ weekly meeting with DynCorp representatives, provides guidance to the advisors on senior-level

operational and policy decisions, and liaises with INL/A management in the United States (including representing Embassy Kabul at INL's annual aviation conference at Patrick Air Force Base, held in October). This arrangement has resulted in significantly enhanced Embassy direct-hire supervision of the Air Wing's operation and contract performance than in years past. With respect to the aviation advisors themselves, we anticipate that in view of the specialized skills required for the aviation advisor position, the most qualified candidates will continue to be personal services contractors.

Many of the other findings and recommendations in the draft report deal with contract management and oversight issues that will best be addressed by the INL bureau and its Office of Aviation (INL/A). It may be useful to clarify the Air Wing's role in reviewing DynCorp's financial submissions (page 14). Under the current arrangement, DynCorp submits invoices and cost-related reports to the INL/A office at Patrick Air Force Base, which then forwards them all to the Air Wing's aviation advisors (in Kabul) for review. These invoices are usually forwarded to the Air Wing in batches of three to five, and the aviation advisors are generally given between ten and thirty days to complete their review (no one currently on staff recalls a suspense date of less than ten days). The Air Wing's aviation advisors believe this is adequate time to review the invoices, and to comment on any claims that seem improper or inconsistent with the projected expenses outlines in the Air Wing contract. Through this process, the aviation advisors review all invoices submitted by DynCorp, which are then reviewed by the Contracting Officer's Representative at Patrick Air Force Base. We believe this arrangement results in effective Air Wing oversight of DynCorp's invoices and vouchers.

Embassy staff would be pleased to meet with the OIG to discuss these issues further, or to provide any additional information that might be desired.

APPENDIX III -COMMENTS FROM THE BUREAU OF

UNCLASSIFIED

TO: OIG – Harold W. Geisel

FROM: INL – William J. McGlynn

SUBJECT: INL Comments on OIG’s Draft Report on INL Air Wing Program in Afghanistan and Pakistan (MERO-A-10-03, December 2009)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) appreciates the opportunity to provide comments on this draft report. However, INL has a number of concerns; two significant concerns are highlighted below. INL agrees with one recommendation and does not concur with the remaining three.

Additional suggestions for draft report corrections, which are provided as a technical attachment. Two fundamental concerns with the draft report include:

- The discussion of Personal Services Contractors (PSCs) as Aviation Advisors in overseas settings, including the employment arrangement, their roles, reporting relationship, and interaction with Contracting Officer’s Representative (COR); and
- The discussion of INL’s Performance-Based Contract, particularly its implementation in Afghanistan, including the definition of requirements, oversight, and cost control.

Use of Personal Services Contractors in Contract Oversight in Overseas Settings

The draft report is critical of INL (and respective embassies) for employing Personal Services Contractors (PSCs) as aviation advisors for monitoring aviation contractor performance in overseas settings. PSCs are hired for this function due to their technical expertise in aviation, which are specialty skills unavailable in the Foreign Service. Technical expertise for aviation oversight is essential not only for ensuring contract compliance but also for aviation safety. Presently, INL does not have a method for assigning Civil Service personnel to these positions on a rotating basis. However, INL intends to explore the possibility of using Limited Non-career Appointments (LNA) or rotating Civil Service personnel.

The draft report inaccurately portrays the reporting relationship between aviation advisors and the Narcotics Affairs Section (NAS) Directors. As established by formal position descriptions, the Senior Aviation Advisor (SAA) in each country reports to the NAS Director (a direct-hire employee) for supervision in country. The SAA also serves as the representative for INL's Office of Aviation (INL/A) at post to monitor and oversee technical aviation functions. This includes ensuring that all technical aviation standards are upheld in accordance with established guidelines as well as monitoring and reporting on contractor performance. INL has one central COR for its worldwide aviation contract and uses aviation advisors at posts as an extension of the COR for contract oversight.

Aviation advisors are appointed in writing as Quality Assurance Evaluators and receive COR training prior to beginning their assignments in order to ensure consistency in contract oversight. Implementing six separate CORs for one contract is not feasible; instead the COR relies heavily on the aviation advisors for input on all contracting matters, and is fully responsive, in coordination with the Contracting Officer, to SAA requests for contracting actions and assistance related to their respective programs.

INL believes that the role of the Aviation Advisor is not to conduct line-by-line reviews of invoices but rather to observe the overall contract performance and validate the technical services rendered. INL conducts the administrative review of financial reports and invoices centrally at Patrick AFB, for cost efficiency and effectiveness, so that centrally located functional area experts, cost-price analysts, and voucher examiners can conduct in-depth invoice reviews and share information with overseas representatives as needed, consulting with them on issues requiring further

inquiry, clarification, and verification. In 2007, INL undertook a significant effort to centralize worldwide aviation contract administration. That effort was initiated toward compliance standardization, agility, comparison of costs between programs, and identification of trends. This approach only has served to strengthen INL's overall aviation contract management. It should be noted that INL's relatively recent consolidated approach to aviation contract oversight was generally regarded as a step in the right direction toward improving consistency and accountability in contract management by a Government Accountability Office (GAO) evaluation.¹⁴

Performance-Based Contract – definition of requirements, oversight, and cost control

The draft report states that the contract arrangement for aviation support in Afghanistan lacks clearly defined requirements. However, a Statement of Requirements (SOR) with performance metrics is in place at this time specifically for the Afghanistan program; and historical events bear-out the logic behind establishing them. Moreover, the current SOR provides detailed requirements and deliverables for the contract and a thorough contractor performance evaluation process containing many specific standards and metrics is in use for this contract and is related to the SOR, using SEESOR, a specially-developed evaluation work tool.

The majority of the INL performance-based aviation contract is under a fixed-price arrangement, with the contractor assuming the risk. Cost control is inherent in this arrangement because cost overruns must be absorbed by the contractor. In the specific instance of the Afghanistan portion of the contract, this is not the case because it is a cost-plus fixed fee due to dynamic requirements and the lack of cost history. However, cost control is maintained through the invoice and cost reporting review process as well as funding ceilings.

The draft report characterizes a situation in which \$8.5 million in funding had to be added to the contract for unexpected costs as a cost overrun and uses it as an example of lack of cost control. This situation, resulted from errors in the contractor's cost proposal, which was a contract anomaly that was handled appropriately; it was not the result of flawed cost tracking systems.

¹⁴ See Government Accountability Office Report, STATE DEPARTMENT: State Has Initiated a More Systematic Approach for Managing Its Aviation Fleet, February 2007 (GAO-07-264).

Response to Specific Recommendations

INL's specific responses relevant to each of the recommendations are as follows:

Recommendation 1: Embassy Kabul should assign a U.S. Government direct-hire employee to directly supervise the work of personal service contractors assigned to manage and monitor Air Wing operations and contract performance in Afghanistan. (Action: Embassy Kabul)

INL disagrees; this recommendation is duplicative of existing conditions because a U.S. Government direct-hire employee (the NAS Director) is already assigned to directly supervise the work of the PSC Senior Aviation Advisor.

Recommendation 2: The Bureau of Administration's Office of Acquisition Management, in consultation with the Bureau of International Narcotics and Law Enforcement Affairs, should develop a work breakdown structure for the Air Wing program in Afghanistan that details contractor tasks and associated costs, and measures actual progress and spending against planned work and costs. (Action: AQM in consultation with INL)

INL disagrees; this recommendation is not feasible because it implies a change to the structure and nature of the existing contract mechanisms. Existing performance and cost trend mechanisms provide adequate detail on tasks and costs for this performance-based contract.

Recommendation 3: Embassy Islamabad should assign a U.S. Government direct-hire employee to directly supervise the work of personal service contractors assigned to manage and monitor the performance goals and requirements of the contractor for Pakistan Air Wing operations. (Action: Embassy Islamabad)

INL disagrees; this recommendation also is duplicative of existing conditions because a U.S. Government direct-hire employee (the NAS Director) is already assigned to directly supervise the work of the PSC Senior Aviation Advisor.

Recommendation 4: The Bureau of International Narcotics and Law Enforcement Affairs should amend the Air Wing contract with DynCorp to clarify ownership of the Air Wing information system and ensure access rights to its critical information and stored data. (Action: INL)

INL concurs with this recommendation.

We hope this response clarifies many issues referred to in the report. Attachment I details several technical corrections within the body of the draft report. If you have any additional questions or concerns, please contact Patricia Yorkman of my staff at (202) 776-8806.

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