



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/IRAQ'S MANAGEMENT OF ITS OFFICIAL VEHICLE FLEET

AUDIT REPORT NO. E-267-08-003-P
June 24, 2008

BAGHDAD, IRAQ



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

June 24, 2008

MEMORANDUM

TO: USAID/Iraq Mission Director, Christopher D. Crowley

FROM: Director, Office of Inspector General/Iraq, Jay R. Rollins /s/

SUBJECT: Audit of USAID/Iraq's Management of Its Official Vehicle Fleet
(Report No. E-267-08-003-P)

This memorandum transmits our final report on the subject audit. We have considered your comments on the draft report and have included them in their entirety as appendix II of this report.

This report contains seven recommendations to improve USAID/Iraq's management of its official vehicle fleet. Based on your comments, we consider that management decisions have been reached on six of the seven recommendations. While management concurred with Recommendation No. 3 and stated that a vehicle dispatch analysis would be conducted each December, management did not indicate that a procedure would be established, as recommended, to help ensure that the analyses would be completed. Consequently, no management decision has been reached on Recommendation No. 3.

Recommendation No. 2 recommended that USAID/Iraq determine how to use or dispose of 64 excess vehicles with an estimated value of \$2,179,969. Management concurred with the recommendation and reported taking additional actions to decrease the number of excess vehicles. Accordingly, a management decision has been reached that the excess vehicles, valued at \$2,179,969, would either be put to better use or disposed of in accordance with applicable policies and procedures.

We request that USAID/Iraq provide us with written notice within 30 days regarding any additional information related to actions planned or taken to implement Recommendation No. 3. Determination of final action for Recommendations 1, 2, 4, 5, 6, and 7 will be made by the Audit Performance and Compliance Division (M/CFO/APC) upon completion of the planned corrective actions.

I appreciate the cooperation and courtesy extended to my staff during the audit.

Office of Inspector General/Iraq
Hammurabi Bldg
USAID Compound
International Zone
Baghdad, Iraq

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SUMMARY OF RESULTS

USAID/Iraq's Executive Office coordinates and manages all administrative and logistical needs for the mission, including motor pool operations and maintenance. Since 2003, USAID/Iraq has had responsibility for 188 vehicles, many of which were armored, with a total acquisition value of approximately \$25.1 million. (See page 2.)

This audit was conducted at USAID/Iraq by the Office of Inspector General/Iraq. The audit was designed to determine whether USAID/Iraq managed its official vehicle fleet in accordance with USAID's Automated Directives System (ADS). (See page 3.)

Although USAID/Iraq has managed many aspects of its official vehicle fleet in accordance with USAID's Automated Directives System (ADS), USAID/Iraq did not always maintain vehicle records, dispose of excess vehicles, report missing vehicles, use authorized armoring technicians, train drivers, or equip vehicles with operable security radios in accordance with agency policy. (See page 4.)

Of the 188 vehicles, USAID/Iraq has commendably taken action to dispose of 99 excess vehicles, but needs to take further action to dispose of as many as 64 additional excess vehicles in order to reach the optimal number of official vehicles justified by its level of staffing. The estimated value of the 64 excess vehicles totaled approximately \$2.2 million as of March 5, 2008. (See page 6.)

In addition, the audit found that USAID/Iraq needed to:

- Report missing vehicles in Basrah. (See page 8.)
- Use authorized technicians to repair ballistic glass. (See page 9.)
- Complete required driver training. (See page 10.)

This report includes seven recommendations to address the identified findings. In response to a draft report, USAID/Iraq management indicated that it concurred with all seven recommendations and described actions it plans to take to address the findings. Based on the actions described by management, we concluded that management decisions have been reached on all of the recommendations contained in this report, with the exception of Recommendation No. 3. For that recommendation, management indicated that a vehicle dispatch analysis would be conducted each December, but did not indicate that a procedure would be established to help ensure that the analyses would be completed as was recommended. We have requested that USAID/Iraq provide us with written notice within 30 days regarding any additional information related to actions planned or taken to implement Recommendation No. 3.

Management comments have been included in their entirety as appendix II.

BACKGROUND

As USAID/Iraq bridges the transition from the short-term provision of essential services to long-term, integrated, and Iraqi-led development, the USAID/Iraq mission has gone through transition and change. Established in July 2003, in Baghdad, Iraq, the first USAID mission was located in the Baghdad convention center before moving to a warehouse. A large official vehicle fleet and a self-drive program provided logistical support to USAID personnel commuting within the International Zone and to their residence. Additionally, USAID contractors have turned a number of program-related vehicles over to USAID/Iraq following the completion of their contracts. More recently, the construction of USAID/Iraq's new comprehensive compound and changes in security and other conditions have dramatically reduced the continued need of a large vehicle fleet. Consequently, USAID/Iraq has found itself responsible for a large number of excess vehicles that have remained underutilized.

In fiscal year 2007, USAID/Iraq had an operating budget of \$34 million, which included provisions for maintaining and operating the vehicle fleet. Responsible for the administrative management functions of the mission, the executive office provides, among other things, directing administration of the operating expense budget, human resource management, maintenance of security equipment, procurement of goods and services, and motor pool operation and maintenance.



According to USAID's database in Washington D.C., 170 official vehicles have been procured with a total acquisition cost of \$23.1 million for use in Iraq since 2003. An additional 18 program vehicles with an acquisition cost of more than \$2 million have also been placed under the responsibility of the mission. In total, the mission has been responsible for 188 vehicles, many of which were armored, with a total acquisition value of approximately \$25.1 million. Mission records indicate that the vehicles were located at various locations throughout Iraq. While the vast majority of vehicles were in Baghdad, there were over two dozen in Basrah, and additional vehicles in Irbil, Kirkuk, Hilla, Falluja, etc. At the conclusion of the audit, the mission's vehicle inventory had been reduced to 89 vehicles.

USAID policies and procedures regarding official vehicles are found in Automated Directives System (ADS) Chapter 536, *Use and Control of Official Vehicles*, and ADS Chapter 563, *Armored Vehicle Program*.

AUDIT OBJECTIVE

As part of its fiscal year 2008 audit plan and due to the large dollar value of the official vehicle fleet involved, the Office of Inspector General/Iraq conducted this audit to answer the following objective:

- Has USAID/Iraq managed its official vehicle fleet in accordance with USAID's Automated Directives System?

Appendix I contains a complete discussion of the audit's scope and methodology.

AUDIT FINDINGS

USAID/Iraq has managed many aspects of its official vehicle fleet in accordance with USAID's Automated Directives System (ADS). However, USAID/Iraq did not always maintain vehicle records, dispose of excess vehicles, report missing vehicles, use authorized armoring technicians, train drivers, or equip vehicles with operable security radios in accordance with agency policy.

USAID/Iraq has managed its official vehicle fleet as a motor pool in accordance with ADS 536 to ensure that vehicles are available for the use of all mission employees who need vehicles for official purposes. The mission has implemented the use of trip reports to better document the mileage, time, and use of each vehicle. In response to a prior audit¹, the mission has adopted policies and procedures to better safeguard its official vehicles by keeping unattended vehicles locked and storing keys in a secure location.

The mission has also taken significant steps towards managing the overall size of its official vehicle fleet by disposing of excess vehicles. According to USAID's vehicle database, since 2003 the mission has disposed of 99 vehicles, of which 57 have been disposed of since November 19, 2007.² Many of these excess vehicles were transferred to the Department of State for use by Provincial Reconstruction Teams (PRTs) and some to USAID missions in other countries. In addition to these recent disposals, the mission is currently trying to identify and locate other excess or missing vehicles.

While the mission should be commended for taking the actions described above, additional steps need to be taken, or continued, to help ensure that its official vehicle fleet is managed in accordance with applicable policies and guidelines. Specifically, USAID/Iraq needs to improve its recordkeeping, continue to dispose of excess vehicles, report missing vehicles, use authorized technicians to repair ballistic glass and ensure mission drivers complete the required driver training. These areas are discussed below.

USAID/Iraq Needs to Better Maintain Vehicle Records

ADS 536.3.14.1 states that USAID missions must maintain records for all mission-controlled vehicles regardless of funding source. These vehicle records must contain the following documents or reports:

- Purchase or lease documentation.
- Motor vehicle record (Form AID 5-197).

¹ See Audit of USAID/Iraq's Nonexpendable Property, Report No. E-267-06-002-P, issued February 16, 2006.

² Per Automated Directives System 536.6, disposal is defined as the disposition of excess personal property through redistribution, transfer, sale, grant-in-aid, donation, abandonment, or destruction.

- Important documents, such as accident reports, letters to and from host government officials, licensing and registration documentation.
- Maintenance/repair records showing cost, date and spare parts used.
- Customs document identification numbers.

According to ADS 536.3.14.1, all of the above records should be kept in individual motor vehicle files and destroyed four years after the vehicle leaves mission custody. Other required records include daily usage, fuel, oil, spare parts, and operating expenses. The ADS stipulates that data for these records must be posted from work orders. Correct use of these records enables missions to identify vehicles with high operating costs and frequent maintenance problems.

These records also provide data for completing required annual reports. Specifically, ADS 536.3.14.3 requires that USAID missions submit three annual vehicle reports to USAID's Overseas Management Support Division in Washington, DC. These reports consist of:

- The Federal Automotive Statistical Tool prepared via the internet that results in a total vehicle inventory report by vehicle type, size, fuel usage and cost, and mileage.
- The Annual Mission Motor Vehicle Inventory System that identifies each individual vehicle and related procurement and disposal information for internal and management purposes.
- The Consolidated Omnibus Budget Reconciliation Act to report worldwide motor vehicle fleet operations costs to the Office of Management and Budget.

Finally, according to ADS 536.3.4, missions must prepare a dispatch analysis (Form AID 540-3) to review vehicle usage to ensure the correct number of drivers and vehicles.

Lack of acquisition and disposal documents – During the audit, mission officials were unable to locate acquisition and disposal documents for many vehicles. The lack of acquisition documentation limited the mission's ability to relocate vehicles to USAID missions outside Iraq. Certificates of origin, titles, and other related paperwork are needed in order to ship vehicles out of the country and to clear customs and register vehicles in receiving countries. We were unable to review disposition records for 21 of the vehicles that had reportedly been disposed of because mission officials could not locate those documents.

Lack of maintenance records – Although, a mission mechanic was keeping computerized notes of vehicle repairs, detailed information, such as the date or cost of the maintenance for each vehicle was not available. Lack of maintenance records limits USAID/Iraq's ability to identify vehicles with high operating costs and frequent maintenance problems. It can also result in untimely scheduling of preventive maintenance measures such as oil changes and periodic inspections. According to ADS 536.3.12, a scheduled maintenance program must be established for all U.S. Government-owned or leased motor vehicles. This program should ensure that vehicles

are inspected and serviced in accordance with the manufacturers' recommendations, or more frequently if local operating conditions require.

According to ADS 536.3.12, due to the exorbitantly high cost of armored vehicles, maintenance schedules must be increased over the regular fleet vehicle schedule to overcome excessive wear attributed to the added weight of the armor.

Mission inventory records – The mission's vehicle inventory records were not up-to-date. For example, the 18 program vehicles received by the mission, were not included in the inventory. Additionally, armored vehicles that had been transferred to the Office of U.S. Foreign Disaster Assistance and sent to the U.S. for repairs in 2005 were still listed on the mission's vehicle inventory.

In summary, the mission currently does not have procedures in place to ensure that vehicle records and inventories are managed in accordance with ADS requirements. Since the motor pool supervisor resigned in March 2007, there has been no motor pool supervisor to oversee the recordkeeping process. Further, the large staff turnover that the mission experiences on a regular basis contributed to the lack of recordkeeping. As a result, the mission was unable to demonstrate whether all the vehicles for which it was responsible were acquired, maintained, and disposed of in accordance with agency guidelines. Consequently, we are making the following recommendation:

Recommendation No. 1: We recommend that USAID/Iraq implement procedures to maintain vehicle records for all mission-controlled vehicles in accordance with Automated Directives System 536.

USAID/Iraq Should Continue to Dispose of Excess Vehicles

USAID's Automated Directives System (ADS) has specific requirements regarding the size and composition of a mission's official vehicle fleet. For example, ADS 536.3.4 states that the number of mission vehicles "must be limited to the number required for official purposes." ADS 536.3.4 further states, "The size and composition of fleets depend, in part, on the availability of public transportation, security conditions, and USAID mission administrative and program support requirements."

To determine whether a USAID mission has the correct number and distribution of vehicles, the ADS requires that a dispatch analysis be conducted on an annual basis. Form AID 540-3, Dispatch Analysis for Motor Pools, was designed for that purpose. For new or restructured missions, the ADS provides guidelines for determining the number and type of vehicles based primarily on the number of professional positions at the mission (one vehicle for every four positions) and the number of residences for which full maintenance services are provided (one truck or van for every 20 residences).

During audit fieldwork, we requested copies of all the mission's vehicle dispatch analyses. Mission officials were unable to provide any analyses for prior years, but did

present a draft analysis³ that was provided to us in December 2007. This analysis, which followed the ADS guidelines for new or restructured missions, indicated that USAID/Iraq's staffing level justified a fleet size of up to 29 vehicles, although the mission indicated that only 25 vehicles were necessary.

As of March 5, 2008 (the end of audit fieldwork), USAID's web-based financial data collection tool for the quarterly motor vehicle inventory report listed 71 vehicles that were under USAID/Iraq's authority. Additional mission documentation identified another 18 program vehicles which were also under mission control, but not reported on USAID's inventory report. According to this documentation, USAID/Iraq had responsibility for 89 vehicles--64 more than necessary according to the draft vehicle dispatch analysis. The estimated value of the 64 excess vehicles totaled \$2,179,969.⁴

Since 2003, USAID/Iraq has gone through significant changes with respect to how USAID employees are housed and transported in and around the International Zone. Housing for mission employees was scattered throughout the International Zone when USAID personnel first arrived in Baghdad. Consequently, the mission operated a self-drive vehicle fleet program for its employees. This required USAID to purchase and maintain a large fleet of vehicles. However, the self-drive program was replaced by a more typical motor pool operation, with local Iraqi drivers, after the construction of the USAID/Iraq compound was completed. Among other things, this led to a decreased dependence on the official vehicle fleet, resulting in a large number of excess vehicles that were not being used. In addition, USAID contractors turned program vehicles over to USAID upon the completion of their contracts. This also contributed to the large number of excess mission-controlled vehicles.



As a result, the mission has recently sought to dispose of excess vehicles by transferring them to other organizations that have a need for vehicles. Many of the excess vehicles

³ USAID/Iraq's Draft Vehicle Dispatch Analysis is included in appendix III.

⁴ The vehicles were depreciated using the straight line depreciation method over five years (reference: Automated Directives System 629.3.2.6 – Depreciation; Internal Revenue Service publication 463). Salvage value was deemed to be 10 percent of vehicles acquisition cost since cannibalization was a reasonable practice in Iraq.

were transferred to the Department of State for use by Provincial Reconstruction Teams (PRTs). For example, in October 2007, mission officials received authorization from agency headquarters to transfer 31 excess vehicles for use by PRTs. Many of those vehicles would be used by PRT personnel to travel within large military bases. Additionally, 10 excess armored vehicles were approved to be transferred to other USAID missions - 4 to Afghanistan, 3 to Nigeria, 2 to Liberia, and 1 to the Democratic Republic of the Congo. Five other excess vehicles that were determined to be inoperable were transferred to the U.S. military for destruction.

Although the mission has already disposed of a large number of excess vehicles, it needs to continue these efforts to help ensure that the remaining excess vehicles, with an estimated value of \$2.2 million, are put to better use or disposed of in accordance with ADS 536.

Recommendation No. 2: We recommend that USAID/Iraq make a determination on how to use or dispose of excess vehicles, with an estimated value of \$2,179,969, in accordance with applicable policies and procedures.

Recommendation No. 3: We recommend that USAID/Iraq establish a procedure to help ensure that dispatch analyses are completed on an annual basis in accordance with Automated Directives System 536.

USAID/Iraq Needs to Report Missing Vehicles in Basrah

ADS 563.3.3 states that USAID missions must immediately report any loss or theft of armored vehicles to the U.S. Embassy's Regional Security Office followed by immediate reports to agency security officials. According to ADS 563.3.3, reporting loss and theft of armored vehicles to the Regional Security Office is critical to mitigate use of the vehicles by adversaries.

During the audit we received a list of 28 USAID vehicles that were reportedly in Basrah, the majority of which were armored. According to mission officials, USAID closed its regional office in Basrah during the spring of 2007 when the U.S. Embassy's Regional Office was moved from downtown Basrah to an outlying air base due to security concerns. In October 2007, the mission's executive office requested that the U.S. Embassy's Regional Office assume responsibility for the care, use, and safekeeping of USAID/Iraq's vehicles since the mission had no USAID staff in Basrah. However, we are not aware whether the U.S. Embassy's Regional Office has formally accepted this request.



Photograph of a USAID/Iraq bar code on a vehicle located by auditors in Basrah, Iraq, in March 2008. Source: OIG/Iraq

According to an executive office official, three trips were made to Basrah in an attempt to locate the missing USAID vehicles. He was able to locate some, but not all, of the listed vehicles. We made a site visit to Basrah in February 2008 and were able to locate all but five of the USAID vehicles. Three of the five vehicles that were not located were armored.

Mission officials indicated that they planned to report the missing vehicles to the Regional Security Office and agency security officials, but had not yet done so.

Recommendation No. 4: We recommend that USAID/Iraq report on the armored vehicles that could not be located in Basrah to the U.S. Embassy's Regional Security Office and USAID's Office of Security, Physical Security Programs Division, in accordance with Automated Directives System 563.

Authorized Technicians Should be Used to Replace Damaged Ballistic Glass

ADS 563.3.4 states, "USAID Missions and contractors must not alter the ballistic integrity of armored vehicles, such as removing ballistic glass, drilling through the armored plating or other changes to protective devices." Volume 12 of the Foreign Affairs Manual (12 FAM 387) adds that all defective armor materials must be replaced with approved parts by authorized armoring technicians.

Finally, ADS 563.3.4 requires missions to report any damage to an armored vehicle that may affect its ballistic protection to USAID's Office of Security, Physical Security Programs Division (SEC/PSP). According to ADS 563.3.4,

Reportable damage or incidents include, but are not limited to, cracked or otherwise damaged glass, shooting incidents, traffic accidents, or other situations affecting the structure or mechanical operation of the armored vehicle. Upon receipt of this report, SEC/PSP will provide suggestions to the mission...regarding remedial actions.

During the physical inspection of vehicles conducted by the audit staff in Baghdad and Basrah, we noted that several of the mission's armored vehicles had been damaged by bullets, shrapnel, or other undetermined causes. Many vehicles had some type of damage to the glass. When asked if any of this damage had been reported to SEC/PSP, USAID officials did not provide documentation that such reports had been made.

Moreover, the mission's mechanic indicated that he had recently replaced damaged ballistic glass in three of USAID/Iraq's armored vehicles. At the request of the mission's executive office the damaged ballistic glass had been replaced with ballistic glass which, in at least one case, had been cannibalized from another vehicle. Although the mission mechanic said that he had some experience in working on armored vehicles prior to his employment with USAID/Iraq, he had not received the necessary training or authorization to replace approved parts.



Photograph of a USAID/Iraq armored vehicle with ballistic-resistant glass damage in USAID Compound, International Zone, Baghdad, Iraq, in October 2007.

Source: OIG/Iraq

Mission officials stated that the absence of a motor pool manager caused lapses in various administrative functions, which would include reporting damage to SEC/PSP as required by ADS 563.3.4. Furthermore, mission officials also stated that the need to have operational vehicles, coupled with an assessment that glass replacement was a simple process, led to the installation of cannibalized parts by an unauthorized technician.

Damage to official vehicles, especially armored vehicles, that is not reported could result in a lack of appropriate remedial actions on the part of the mission. Further, unauthorized replacement of damaged ballistic glass on armored vehicles may not provide the expected protection that they were originally intended to provide.

Recommendation No. 5: We recommend that USAID/Iraq report on all known mission-controlled armored vehicles that might have damaged ballistic protection to USAID's Office of Security, Physical Security Programs Division in accordance with Automated Directives System 563 and inform that office of all repairs performed on armored vehicles by unauthorized mission personnel, according to volume 12 of the Foreign Affairs Manual section 387.

Recommendation No. 6: We recommend that USAID/Iraq implement procedures so that any future damage to mission-controlled vehicles is reported in accordance with Automated Directives System 536 and that damage to armored vehicles is reported to USAID's Office of Security, Physical Security Programs Division, in accordance with Automated Directives System 563.

Defensive Driver and Surveillance Detection Training Required

ADS 563.3.2 requires that drivers of armored vehicles not be permitted to operate such a vehicle without supervision until they have received the requisite Defensive Driver Training and Surveillance Detection Training. This specialized training is required since the vehicles operated by USAID/Iraq's motor pool on a day-to-day basis are equipped with armor.

USAID/Iraq employs seven locally hired Iraqi nationals to provide chauffeur services in armored mission vehicles. Of the seven drivers, only three have received the required training.

Mission officials indicated that they are reluctant to send Iraqi nationals to the U.S. to receive formal subject-matter training since, in the past, some locally hired Iraqis failed to return after they were sent for U.S.-based training.

Without this required training, the mission does not have assurance that its drivers are aware of the unique handling and other special characteristics of armored vehicles, in addition to evasive maneuvers to protect passengers. Even though the locally hired drivers only operate inside the International Zone, security threats such as kidnapping are still present against U.S. Government personnel. The completion of the required defensive driver and surveillance detection course should improve the drivers' ability to counter such threats, helping to ensure the safety of mission personnel.

Recommendation No. 7: We recommend that USAID/Iraq arrange to have its drivers receive the defensive driver and surveillance detection training required by Automated Directives System 563 either by enrolling them in the course in the U.S. or exploring the possibility of having them trained in Iraq.



Photograph of a USAID/Iraq armored vehicle with shrapnel damage in Basrah, Iraq, in March 2008.

Source: OIG/Iraq

Security Radios Should Communicate With Post Emergency Network

ADS 564.3.3 requires that each armored vehicle used to transport USAID staff for official duties be equipped with a mobile security radio provided by the Office of Security that communicates with the U.S. Embassy's Emergency and Evacuation radio network.

During the audit we found that USAID/Iraq's armored vehicle fleet did not have operable security radio systems that communicated with the post emergency and evacuation

radio network. USAID/Iraq originally purchased the armored vehicles, equipped with security radios, to be used for personal security details outside of the International Zone. In support of such security details, the vehicles' secure radios systems were programmed for secure communication on the radio network that personal security detail teams use. However, after construction of USAID/Iraq's compound was completed and the vehicles were no longer used for movements of USAID personnel outside of the International Zone, the armored vehicles were reassigned to the mission's motor pool. Since the Iraqis who were hired to operate the motor pool vehicles could potentially listen to personal security detail movements on the security radios, the U.S. Embassy's Regional Security Officer assigned to the USAID mission requested that security radios used in those vehicles be removed or disabled.

Without an operating security radio in each armored vehicle that communicates with the post radio network, USAID personnel being transported via the motor pool might not receive critical instructions during an emergency. This issue will become even more important when the mission staff begin requiring daily commuting services to and from the new embassy compound.

We determined the mission notified USAID's Office of Security after it had disabled the security radios from communicating with the post emergency and evacuation radio network. The Office of Security did not take exception with this decision. Therefore, we are not making a recommendation.

EVALUATION OF MANAGEMENT COMMENTS

In its comments on the draft report, USAID/Iraq management agreed with all seven recommendations and described actions planned or taken to address each recommendation. Based on those comments, we conclude that management decisions have been reached on six of the seven audit recommendations contained in this report. Management comments are included in their entirety as appendix II.

To address Recommendation No. 1, USAID/Iraq has set the end of August 2008 as a deadline by which the mission will have implemented procedures to maintain vehicle records for all mission-controlled vehicles in accordance with ADS 536. Accordingly, a management decision has been reached for this recommendation.

USAID/Iraq concurred with Recommendation No. 2 and reported taking additional actions to decrease the number of excess vehicles. Management stated that, as of June 1, 2008, only 46 vehicles remained in its inventory. Twenty of those vehicles would be retained for mission use and the remaining 26, which could not be located, would be removed from its inventory if not located by the end of July 2008. Accordingly, a management decision has been reached that excess vehicles, valued at \$2,179,969, would either be put to better use or disposed of in accordance with applicable policies and procedures.

USAID/Iraq concurred with Recommendation No. 3 and indicated that a vehicle dispatch analysis would be conducted each December. However, the mission did not indicate that a procedure would be established to help ensure that the analyses would be completed. Therefore, a management decision has not yet been reached for this recommendation.

To address Recommendation No. 4, USAID/Iraq has set the end of July 2008 as a deadline by which the mission would report on the armored vehicles that could not be located in Basrah to the Office of Security, Physical Security Programs Division, and to the Regional Security Office. Accordingly, a management decision has been reached for this recommendation.

To address Recommendation No. 5, USAID/Iraq has set the end of July 2008 as a deadline by which the mission would report on vehicles that might have damaged ballistic protection and on all repairs to armored vehicles by unauthorized mission personnel to the Office of Security, Physical Security Programs Division. Accordingly, a management decision has been reached for this recommendation.

To address Recommendation No. 6, USAID/Iraq has set the end of July 2008 as a deadline by which the mission would issue a memorandum to staff concerning the appropriate procedures to follow when there is any damage to mission-controlled vehicles. Accordingly, a management decision has been reached for this recommendation.

To address Recommendation No. 7, USAID/Iraq is devising a plan to provide drivers defensive and surveillance detection training. Accordingly, a management decision has been reached for this recommendation.

SCOPE AND METHODOLOGY

Scope

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The purpose of the audit was to determine whether USAID/Iraq managed its official vehicle fleet in accordance with USAID regulations.

In planning and performing the audit, we identified and reviewed related internal controls with respect to criteria in USAID's Automated Directives System (ADS) and the Foreign Affairs Manual (FAM). We conducted a risk assessment, tested internal controls and reviewed management's oversight of controls. Specifically, we tested document retention and adherence to ADS and FAM regulations as they relate to acquisition, utilization and disposition of mission vehicles.

The audit fieldwork was conducted from November 21, 2007 to March 5, 2008, at USAID/Iraq's office in Baghdad and at the U.S. Embassy's Regional Office in Basrah. The audit reviewed USAID/Iraq's management of 188 vehicles with a total acquisition cost of approximately \$25.1 million.

Prior audit findings from the *Audit of USAID/Iraq's Nonexpendable Property (Report No. E-267-06-002-P)*, dated February 16, 2006, affecting vehicles at USAID/Iraq were also reviewed and considered.

Methodology

To answer the audit objective, the audit team judgmentally selected administrative requirements to test. We tested for existence of vehicles, accuracy and completeness of the vehicle database, and proper adherence to motor vehicle guidance. We analyzed the database and inventory information, performed visual inspections of vehicles, and examined supporting documentation.

Safeguarding, testing and visual inspections were performed at USAID/Iraq in Baghdad and at the U.S. Embassy's Regional Office in Basrah, Iraq. We examined and relied to varying degrees on USAID's financial data collection tool for the quarterly motor vehicle database maintained in Washington D.C., the mission's vehicle inventory report, and regional offices' inventory lists. We reviewed the mission's annual self-assessment of management controls as required by the Federal Managers' Financial Integrity Act, dated August 5, 2007. Due to the lack of documentation we could not complete a full review of acquisition and maintenance records.

We interviewed personnel from USAID/Iraq's Executive Office, USAID's Office of Security, and Department of State Regional Security Officers (including USAID's security liaison specialist). In cases where outstanding documentation could not be produced,

we assumed that it did not exist and used March 5, 2008, as a cut-off date.

In conducting the audit we also reviewed applicable laws and regulations and USAID policies and procedures pertaining to USAID/Iraq's management of its vehicle fleet including the following:

- Automated Directives System (ADS) Chapter 536, "Use and Control of Official Vehicles."
- ADS Chapter 563, "Armored Vehicle Program."
- ADS Chapter 564, "Security Communications."
- Volume 12, section 387 of the Foreign Affairs Manual "Armored Vehicle Program-Armor Maintenance."
- The Federal Managers' Financial Integrity Act of 1982.

MANAGEMENT COMMENTS



8 June 2008

MEMORANDUM
UNCLASSIFIED

TO: Michael Clinebell, Acting Director, Office of the Inspector General/Iraq

FROM: Denise A. Herbol, Acting Mission Director /s/

SUBJECT: USAID/Iraq Response to Audit of Management of Mission's Official Vehicle Fleet (Report No. E-267-08-00X-P)

USAID/Iraq acknowledges delivery of the subject Draft Report, dated 4 May 2008. The Mission provides the following responses to the seven audit recommendations:

Recommendation No. 1: We recommend that USAID/Iraq implement procedures to maintain vehicle records for all mission-controlled vehicles in accordance with Automated Directives System (ADS) 536.

The Mission agrees with the first recommendation that the Mission needs to better maintain its vehicle records and will take steps to implement the guidance in ADS 536.3.14.1. By the end of August 2008, the Mission will have implemented the procedures to maintain vehicle records for all mission-controlled vehicles in accordance with ADS 536.3.14.1. The Mission requests OIG's concurrence that a management decision has been made on this recommendation.

Recommendation No. 2: We recommend that USAID/Iraq make a determination on how to use or dispose of excess vehicles, with an estimated value of \$2,179,969, in accordance with applicable policies and procedures.

The Mission concurs with this recommendation. Since the audit was completed in March 2008, the number of excess vehicles has decreased. As of 1 June 2008, the Mission has 46 vehicles in its inventory, of which 20 are used by the Baghdad office and are deemed necessary for use by the Mission. There remain 26 vehicles that are unaccounted for and have not been located despite a nine month search effort, which continues. Using the OIG's calculations, the value of these 26 vehicles is \$531,056. By the end of July 2008, the Mission will request the appropriate offices at USAID to have these vehicles removed from the Mission's inventory. The Mission requests OIG's concurrence that a management decision has been made on this recommendation.

Recommendation No. 3: We recommend that USAID/Iraq establish a procedure to

help ensure that dispatch analyses are completed on an annual basis in accordance with Automated Directives System 536.

The Mission concurs that dispatch analyses should be conducted on an annual basis to ensure that the Mission has the correct number and distribution of vehicles in its fleet. The Mission will conduct an annual vehicle analysis each December. The Mission requests OIG's concurrence that a management decision has been made on this recommendation.

Recommendation No. 4: We recommend that USAID/Iraq report on the armored vehicles that could not be located in Basrah to the Regional Security Office and the Office of Security, Physical Security Programs Division, in accordance with Automated Directives System 563.

By the end of July 2008, the Mission will make the necessary reports to the Office of Security, Physical Security Programs Division, and the Regional Security Office concerning the armored vehicles that could not be located in Basra. The Mission requests OIG's concurrence that a management decision has been made on this recommendation.

Recommendation No. 5: We recommend that USAID/Iraq report on all known mission-controlled armored vehicles that might have damaged ballistic protection to the Office of Security, Physical Security Programs Division in accordance with Automated Directives System 563 and inform that office of all repairs performed on armored vehicles by unauthorized mission personnel, according to volume 12 of the Foreign Affairs Manual section 387.

The Mission concurs with this recommendation. By the end of July 2008, the Mission will report to Office of Security, Physical Security Programs Division on all known mission-controlled vehicles that might have damaged ballistic protection. The Mission will also inform this Office of all repairs performed on armored vehicles by unauthorized Mission personnel. The mechanic involved in this incident has been counseled and advised that he can no longer make any repairs relating to the ballistic protection of any USAID vehicle. The Mission requests OIG's concurrence that a management decision has been made on this recommendation.

Recommendation No. 6: We recommend that USAID/Iraq implement procedures so that any future damage to mission-controlled vehicles is reported in accordance with Automated Directives System 563 and that damage to armored vehicles is reported to the Office of Security, Physical Security Programs Divisions, in accordance with Automated Directives System 563.

The Mission concurs with this recommendation. For any future damage to mission-controlled vehicles, the Mission will report such damage in accordance with Automated Directives System 563. Damage to armored vehicles will be reported to the Office of Security, Physical Security Programs Divisions, in accordance with Automated Directives System. By the end of July 2008, a memorandum will be sent to staff concerning the appropriate procedures to follow when there is any damage to Mission-controlled vehicles. The Mission requests OIG's concurrence that a management decision has been made on this recommendation.

Recommendation No. 7: We recommend that USAID/Iraq arrange to have its drivers receive the defensive driver and surveillance detection training required by Automated Directives System 563 either by enrolling them in the course in the U.S. or exploring the possibility of having them trained in Iraq.

The Mission concurs with this recommendation. The Mission has received information from the Office of Security at USAID/Washington of a company (Armor Group) that may be able to provide its FSN and Third Country National (TCN) drivers in defensive and surveillance techniques. The Mission plans to follow up by the end of July 2008 with Armor Group on the possibility of providing such training in the International Zone of Baghdad. The Mission requests OIG's concurrence that a management decision has been made on this recommendation.

USAID/Iraq's Draft Vehicle Dispatch Analysis

In accordance with the ADS 536.3.4, USAID/Iraq's vehicle fleet will be established as follows:

	<u>Vehicles Permitted by ADS 536.3.4.b</u>	<u>Projected USAID/Iraq Vehicle Fleet</u>
(1) Vehicle for mission director:	1	0
(2) Class II or III sedan or station wagon, minivan, or utility-type vehicle: (Utility type vehicles: USDH=38; USPSC=12; FSN prof=16; TCN=16; MIL=3; Total = 85)	22	20
(3) Communications & records:	1	1
(4) Maintenance service: (USDH=38; USPSC=12 TCN=16; MIL=3; Total=69)	3	2
(5) Logistic Support: (USDH = 38; USPSC = 12; Total = 50)	2	2
Total Vehicles	29	25

SOURCE: Unaudited draft dispatch analysis received from the mission on December 2, 2007.

NOTE:

USDH = United States Direct Hire Employee

USPSC = United States Personal Services Contractor

FSN = Foreign Service National

TCS = Third Country National

MIL = Military Liaison Officer

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