



Office of Inspector General

June 9, 2011

MEMORANDUM

TO: USAID/Afghanistan Director, Earl W. Gast

FROM: OIG/Afghanistan Director, Timothy E. Cox /s/

SUBJECT: Review of USAID/Afghanistan's Portion of the Embassy Air Program
(Report Number F-306-11-004-S)

This memorandum transmits our final report on the subject review. Although not an audit report, this report contains eight recommendations to help USAID/Afghanistan manage its portion of the Embassy Air program. In finalizing the report, we carefully considered USAID/Afghanistan's comments on the draft report, and we have included them (without attachments) in Appendix II.

Based on the mission's comments and the supporting documentation, final action has been taken on Recommendations 5, 6, 7, and management decisions have been reached for Recommendations 2 and 4. Management decisions for Recommendations 1 and 8 can be reached when we agree with USAID/Afghanistan on a firm plan of action, with time frames, for implementing the recommendations. A management decision for Recommendation 3 can be reached when USAID/Afghanistan has determined the allowability of questioned costs of \$525,467.

A determination of final action for Recommendations 2 and 4 will be made by the Audit Performance and Compliance Division on completion of the proposed corrective actions. Please advise our office within 30 days of the actions planned or taken to implement Recommendations 1, 3, and 8.

I want to thank you and your staff for the cooperation and courtesies extended to us during this review.

SUMMARY

Because of Afghanistan's poverty and decades of war and neglect, much of the country's infrastructure, including roads and air transportation infrastructure, is in very poor condition. Therefore, USAID/Afghanistan, which needs safe and reliable air transportation to carry out foreign assistance, contracted with a private company for transportation and freight services.

On January 4, 2010, USAID/Afghanistan awarded Aircraft Charter Solutions Inc. a \$361 million, 2-year contract to supply passenger, cargo, and combination air transportation. The contract runs through February 1, 2012, with an option to extend for the next 3 years. As of March 29, 2011, the mission had disbursed \$54 million of the \$59 million obligated under the contract.

The contractor is providing turnkey fixed-wing and rotary-wing aircraft, personnel, equipment, tools, material, maintenance, spare parts, and supervision necessary to provide air transportation between various locations in Afghanistan. Aircraft provided by the contractor include seven 18-passenger Beechcraft 1900s, three 8-passenger Beechcraft Super King Air 200s, two Bell 412 helicopters, and four MI-8 helicopters.

The Office of Inspector General/Afghanistan conducted this review to determine whether the USAID/Afghanistan-funded portion of the Embassy Air program¹ was achieving its main goal of providing safe and reliable air service to enable USAID to supply critical transportation and freight services in support of provincial reconstruction teams and other U.S. Government development assistance programs in Afghanistan.

The review found that USAID/Afghanistan's portion of the Embassy Air program was providing safe and reliable air service in support of provincial reconstruction teams and other U.S. development assistance programs in Afghanistan. The review also found areas in which the Embassy Air program could be improved:

- No-show passengers increased costs to the government (page 4).
- The environmental requirements in the contract with Aircraft Charter Solutions Inc. are ambiguous (page 5).
- Unapproved international travel led to questioned costs (page 6).
- The contractor did not meet branding and marking requirements (page 7).
- The contractor did not provide required terminal-to-aircraft transportation (page 9).
- The contractor did not report required performance information to USAID (page 9).

To address these findings, the report recommends that USAID/Afghanistan:

- Implement a nominal charge for no-show passengers (page 4).

¹ The Embassy Air program includes aircraft funded and managed by USAID and the Department of State, but this review covered only activities funded and managed by USAID.

- Clarify the contract's environmental requirements and obtain evidence that the contractor is complying with them (page 6).
- Determine the allowability of and recover, as appropriate, unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902) by contractor officials that was not approved by USAID as required (page 7).
- Verify that Aircraft Charter Solutions Inc. has implemented a branding and marking plan (page 9).
- Verify that Aircraft Charter Solutions Inc. has provided clear instructions and signs in its terminal for passenger convenience and security (page 9).
- Instruct the contractor to provide transportation for passengers from passenger staging areas to the aircraft (page 9).
- Obtain required reports from Aircraft Charter Solutions Inc. (page 11).
- Clarify its performance standards to Aircraft Charter Solutions Inc. so that realistic expectations and proper reporting and accountability can be obtained (page 11).

Detailed review results follow. Our evaluation of management comments on the draft report begins on page 12. Appendix I contains the review's scope and methodology; Appendix II contains the full text of management comments.

REVIEW RESULTS

USAID/Afghanistan's portion of the Embassy Air program was providing safe and reliable transportation to enable USAID to supply critical transportation and freight services in support of provincial reconstruction teams and other U.S. development assistance programs in Afghanistan. The reliability standard set by USAID/Afghanistan states that 93 percent of all scheduled missions will be completed. While only 72 percent of scheduled missions were in fact completed, less than 2 percent of all cancelled flights could be attributed to the contractor's performance and were the result of mechanical problems. The other flight cancellations resulted from bad weather, poor visibility, unsafe runway conditions, and a lack of security at the landing locations—factors that were beyond the contractor's control.

We concluded that the contractor was providing safe service for the following reasons:

- Adequate flight line security procedures were in place to deter attacks.
- The contractor conducted its aircraft, crew, maintenance, and safety operations in accordance with approved International Civil Aviation Organization operator certificates, 14 CFR 121 and 135, and equivalent standards and certifications required under the contract.
- The contractor constantly emphasized operational safety and flight standards because the flight environment in Afghanistan is extremely hazardous.
- The contractor's safety policies and procedures met international requirements, and the pilots and aircraft were properly licensed.
- Regular maintenance was scheduled and performed on all aircraft under contract. No accidents had been reported during the contractor's performance in Afghanistan, reflecting close oversight, regular maintenance, and safety compliance on the part of the contractor.

The remaining sections of the report highlight six areas in which USAID/Afghanistan's portion of the Embassy Air program could be improved.

No-Show Passengers Increased Costs to the Government

The U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*² states that federal agencies' internal controls should provide reasonable assurance that the agencies achieve their objectives with respect to effectiveness and efficiency of operations.

However, no-show passengers obligate the contractor to operate aircraft with empty seats and impede the efficiency of the USAID portion of the Embassy Air program. A total of 9,573 (20 percent) of the 48,960 passengers with reservations on Embassy Air between February 1, 2010, and January 31, 2011, did not appear for their flights or did not cancel their reservations 24

² GAO/AIMD-00-21.3.1, November 1999.

hours in advance as required, and were not penalized.

The seats reserved for no-show passengers could have been made available to other passengers. In some cases, smaller aircraft could have been used if no-show passengers had canceled their reservations as required, and in a few cases, flights could have been canceled entirely. We estimate that the cost of making air service available to no-show passengers is roughly \$14 million per year (this represents 20 percent of the annual contract cost).

Implementing a nominal fee, on the order of \$50 to \$100 per occurrence, to be paid by no-show passengers would significantly reduce their number. Of course, to be effective, the fee should not be reimbursed by the U.S. Government except in rare cases where the passenger's failure to cancel a reservation or appear for a flight is beyond the passenger's control. This practice would be consistent with current commercial and government practices that impose charges on travelers who negligently fail to cancel reservations.

***Recommendation 1.** We recommend that USAID/Afghanistan implement a nominal charge for no-show passengers.*

Contract Includes Ambiguous Environmental Requirements

USAID's contract with Aircraft Charter Solutions Inc. states that:

The Contractor shall ensure that all activities and services provided under this Activity are consistent with the environmental requirements and procedures for the Activity.

In addition, the Contractor must comply with host country environmental regulations unless otherwise directed in writing by USAID. In case of conflict between host country and USAID regulations, the latter must govern. As part of its initial Work Plan, and all Annual Work Plans thereafter, the Contractor, in collaboration with the USAID Contracting Officer Technical Representative and Mission Environmental Officer or Bureau Environmental Officer, as appropriate, shall review all ongoing and planned activities under this contract to determine if they are within the scope of the approved Environmental Plan. If the Contractor plans any new activities outside the scope of the approved Environmental Plan, it shall prepare an amendment to the documentation for USAID review and approval. No such new activities shall be undertaken prior to receiving written USAID approval of environmental documentation amendments. Any ongoing activities found to be outside the scope of the approved ETD shall be halted until an amendment to the documentation is submitted and written approval is received from USAID.

However, these provisions are ambiguous for at least three reasons:

- Activities under the contract are to be consistent with "environmental requirements and procedures for the Activity," but the contract does not specify any such requirements or procedures to be followed.
- The contractor must ensure that activities under the contract are consistent with the "approved environmental plan," but there is no requirement to prepare or obtain approval of such a plan.

- Finally, there is a reference to an approved “ETD” (presumably, this refers to an environmental threshold determination), but there is no requirement in the contract to prepare an environmental threshold determination.

The contractor did not prepare an environmental plan or similar document and therefore did not ensure that ongoing activities were within the scope of an approved environmental plan. Therefore, a risk existed that the contractor’s activities might cause environmental harm. For example, during our review, a contractor employee in a supervisory position stated that petroleum waste products were discarded on unused land on the airport grounds. (We could not verify this because we did not have the required access privileges, and on a return visit, this employee was unavailable.) On another occasion during the review, we were told that waste products were given to contractor employees, who burned them for fuel in their homes.

Given the scope and nature of the contractor’s activities, an environmental plan or similar document is an important tool for avoiding environmental damage. USAID/Afghanistan needs to clarify the contract’s environmental requirements and monitor compliance with them. Recently, the contractor hired a Safety and Compliance Manager, whose responsibilities include environmental compliance.

***Recommendation 2.** We recommend USAID/Afghanistan clarify the contract’s environmental requirements and obtain evidence that the contractor is complying with them.*

Unapproved International Travel Led to Questioned Costs

48 C.F.R. 752.7032, “International Travel Approval and Notification Requirements,” which was incorporated into the contract, states:

Prior written approval by the Contracting Officer is required for all international travel directly and identifiably funded by USAID under this contract. The Contractor shall therefore present to the Contracting Officer an itinerary for each planned international trip, showing the name of the traveler, purpose of the trip, origin/destination (and intervening stops), and dates of travel, as far in advance of the proposed travel as possible, but in no event less than three weeks before travel is planned to commence.

The Contracting Officer’s prior written approval may be in the form of a letter or telegram or similar device or may be specifically incorporated into the schedule of the contract. At least one week prior to commencement of approved international travel, the Contractor shall notify the cognizant Mission, with a copy to the Contracting Officer, of planned travel, identifying the travelers and the dates and times of arrival.

The contract states:

The Contracting Office hereby provides prior written approval for international travel provided that concurrence with the assignment of individuals outside the United States is obtained by the Contractor in writing from the COTR prior to their assignment abroad, which must be within the terms of this contract, is subject to availability of funds, and shall not be construed as authorization either to increase the estimated cost or to exceed the obligated amount. The Contractor must retain for audit purposes a copy of each travel concurrence.

However, the contractor did not request written approval for any assignments, according to the contracting officer's technical representative (COTR), who did not approve any assignments in writing. The COTR stated that discussions of assignments and international travel were informal and verbal.

Therefore, the \$525,467 in international travel costs (including \$31,902 for premium-class travel) charged by the contractor to USAID is unallowable under the terms of the contract.

Recommendation 3. *We recommend that USAID/Afghanistan determine the allowability of and recover, as appropriate, unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902) by contractor officials that was not approved by USAID as required.*

Contractor Did Not Meet Branding and Marking Requirements

The contract states that

... government identifiable markings will be displayed within the passenger cabin in conformity to a USAID branding and marking plan which must be approved by USAID. However, the USAID logo will be displayed within the passenger cabin in conformity to a USAID service marking plan to be developed with and approved by USAID. Exceptions to branding policy may be granted by USAID on a case-by-case basis.

However, no USAID logos were present on the inside of the aircraft. The picture below shows the absence of the USAID logo in the interior of one plane we inspected.



No logo is visible inside this Beechcraft 1900 plane. (Photo by Office of Inspector General, February 2011)

The contract also states, “The contractor is to provide clear instructions, signs and locations at the terminal operations for the passenger convenience and security.” However, as shown in the pictures below, signage at the contractor’s passenger staging area and scanning equipment at the Kabul International Airport did not acknowledge USAID support. The review found no clear instructions or signs at the terminal operations for passenger convenience and security.



At top, passenger terminal at the Aircraft Charter Solutions airport compound displays no signage. Bottom photo shows baggage-scanning equipment purchased with program funds that exhibits no USAID branding or marking. (Photos by Office of Inspector General, February 2011)

USAID grants exceptions to the branding policy on a case-by-case basis, but no request for an exception was submitted on behalf of Aircraft Charter Solutions Inc. No branding or marking

was observed on baggage-scanning equipment purchased with program funds, as shown above.

The absence of clear instructions and signage could cause confusion at the passenger staging area among customers wanting to board Embassy Air aircraft. Other flight operators operate in close proximity to Aircraft Charter Solutions Inc., and customers for Embassy Air might inadvertently board the wrong aircraft.

Recommendation 4. We recommend that USAID/Afghanistan verify that Aircraft Charter Solutions Inc. has implemented a branding and marking plan.

Recommendation 5. We recommend that USAID/Afghanistan verify that Aircraft Charter Solutions Inc. has provided clear instructions and signs in its terminal for passenger convenience and security.

Contractor Did Not Provide Required Terminal-to-Aircraft Transportation

The contract between USAID/Afghanistan and Aircraft Charter Solutions Inc. states: “The contractor is to provide and maintain, at a minimum, a van or bus (minimum 20 passengers) and one smaller van (minimum 10 passengers) to accommodate the rapid passenger transport, processing and loading from the airport passenger staging areas to the aircraft.”

However, the contractor was not providing transportation from passenger staging areas to aircraft. According to the COTR, the contractor did not provide this service because (1) the distance is very short from the passenger staging area to the aircraft, and neither the COTR nor the contractor deemed it necessary, (2) vehicle traffic could bring foreign objects and debris onto the ramp, posing a hazard to the aircraft, and (3) the space available for vehicles at the Embassy Air terminal is very limited.

By not transporting passengers from the passenger staging area to the aircraft, the contractor did not comply with deliverables in its contract. At times, those traveling from Kabul to other areas of Afghanistan carry heavy body protection and equipment. Carrying these items onto the aircraft from the passenger staging area can be cumbersome for passengers, some of whom have disabilities.

Recommendation 6. We recommend that USAID/Afghanistan instruct the contractor to provide transportation for passengers from passenger staging areas to the aircraft (or eliminate this requirement from the contract).

Contractor Did Not Report Required Performance Information

The contract with Aircraft Charter Solutions Inc. required it to produce work plans and reports that were to serve as the basis for providing technical direction throughout the term of the contract. These reports were to detail the activities, services, and deliverables that the contractor intended to provide during the year, along with successes and failures during the contract period. The contractor and the mission’s COTR together were to establish the content and format of the annual work plans.

However, under the program, the contractor did not report on any of its performance objectives to USAID/Afghanistan.

Lack of Performance Standards Reporting. According to the contract, the contractor's performance is evaluated using performance standards (Appendix III). These reporting standards are the basis for performance monitoring by USAID, and the lack of reporting on them makes it difficult for USAID/Afghanistan to monitor the program's performance.

According to the contract, the contractor shall perform 93 percent of all scheduled missions (Appendix III). This review found that 72 percent of all scheduled missions were completed, compared with the 93 percent mission completion threshold that was set by the contractor and USAID. The lower-than-expected completion rate stemmed from the poor weather and visibility in Afghanistan, terrible runway conditions, and lack of security at landing locations—factors that were beyond the contractor's control. According to the COTR, the flight cancellations attributable to the contractor's performance accounted for only 2 percent of all cancelled flights.³

The 93 percent mission completion threshold appears too ambitious on the part of the contractor and USAID/Afghanistan, given weather conditions, safety concerns, and other factors. A more realistic and practical performance standard needs to be developed, and the contractor needs to report its performance in relation to the revised performance standard. Still, the contractor did not report its performance on this or any other performance standard shown in Appendix III to the mission.

As a result, USAID did not have the information it needed to evaluate the contractor's performance.

Lack of a Performance Management Plan. A performance management plan, as described in USAID's Automated Directives System 203.3, is a mandatory monitoring and evaluation tool used to track and monitor program progress toward achieving results. USAID/Afghanistan's contract with Aircraft Charter Solutions Inc. required the contractor to submit a performance management plan for approval within 30 days of the contract award date.

However, the contractor had not submitted a performance management plan.

The lack of a performance management plan was the result of inadequate oversight on the part of the mission, which did not monitor the program's performance.

Lack of Other Reports. The contractor was also required to submit reports such as an initial start-up work plan, an annual work plan, monthly progress reports, annual summary reports, and other special reports.

The contractor was to submit monthly reports to the COTR or program manager within 30 days of the contractor's first full month and monthly thereafter. Some of the information to be reported is:

³ According to the COTR, the contractor was meeting its 93 percent performance threshold standard. The COTR interprets this performance standard as a "mission readiness" standard, meaning that aircraft are capable of undertaking 93 percent of all scheduled missions. According to this interpretation, which is at variance with the contract language quoted in Appendix III, cancellations due to weather, security, and other factors outside the contractors control would not be counted.

- Progress (number of passengers, flights/activities completed, benchmarks achieved, performance standards completed).
- Problems encountered and whether they were resolved or are outstanding.
- Proposed solutions to new and ongoing problems.
- Success stories (if available).
- Documentation of best practices.
- A list of upcoming events (national and subnational meetings, seminars, training sessions, conferences, consultant visits, meetings, etc.).

The contractor did not submit any of these work plans or reports.

These reports were not submitted because of insufficient management attention by Aircraft Charter Solutions Inc. and USAID. The contractor and the mission did not pay close attention to the requirements in the contract and therefore did not make full use of the performance indicators to manage the program effectively.

Without detailed work plans, performance management plans, annual work plans, and monthly progress reports, monitoring the program is difficult. In accordance with Automated Directives System 203.3 and the terms of the contract, these reports and plans are needed to manage the program effectively.

Recommendation 7. *We recommend that USAID/Afghanistan obtain required reports from Aircraft Charter Solutions Inc.*

Recommendation 8. *We recommend that USAID/Afghanistan clarify its performance standards to Aircraft Charter Solutions Inc. so that realistic expectations and proper reporting and accountability can be obtained.*

EVALUATION OF MANAGEMENT COMMENTS

After evaluating the mission's response to the draft report, the Office of Inspector General determined that final actions have been taken on Recommendations 5, 6, and 7. Management decisions have been reached on Recommendations 2 and 4. No management decision has been reached on Recommendations 1, 3, and 8. The following sections restate the report recommendations, summarize management comments (which are included in their entirety in Appendix II), and provide our evaluation of management comments.

Recommendation 1 was that USAID/Afghanistan impose a nominal charge on no-show passengers.

USAID/Afghanistan did not agree with Recommendation 1 for two reasons:

- The mission estimated that up to 50 percent of no-shows were due to security restrictions and were largely beyond the control of individual travelers.
- The mission believed that imposing nominal charges on no-show passengers would not be feasible, although the mission did not identify any specific feasibility issues.

The mission also disagreed with our estimate of funds that could be put to better use by reducing the number of no-show passengers. The mission noted that there may be no significant difference in cost between flying a plane that is fully loaded with passengers and one with a number of empty seats.

In response to the mission's first point, the Office of Inspector General/Afghanistan undertook an analysis of the reasons for no-shows and determined that only 6 percent of no-shows were due to security restrictions, while 94 percent of no-shows were unrelated to security. In response to the second point, without further details, we do not see any insurmountable obstacles to charging no-show passengers some nominal amount to encourage them to honor their reservations or cancel them as required. Federal travelers on commercial flights are of course already liable for any penalties or other costs that result if they negligently fail to appear for a scheduled flight; we see no reason why this should not be the case for Embassy Air flights as well. We also note that USAID already has collections systems in place to charge employees, contractors, and grantees for personal telephone charges, inadvertent overpayments, and other reasons. Finally, we continue to believe that our estimate of the cost of providing service to no-show passengers—\$14 million per year—is a reasonable one. We are not asserting that this amount can be deobligated or returned to the Treasury, but rather that the cost associated with reserving seats for no-show passengers—\$14 million annually—could be put to better use if these seats were made available to other passengers.

It might also be mentioned that Aircraft Charter Solutions Inc., in its annual program review for the period February 1, 2010, through January 31, 2011, stated:

The no-show issue continues to be problematic. This significantly reduces our ability to accommodate passengers who we may have cancelled due to higher priority

passengers who then do not cancel their flights in time for us to add others to the flight. This also increases costs to USAID as many times we have sent a helo [helicopter] to a location on a special flight request only to be told . . . there is no one there, that they jumped on an earlier MIL [military flight] or other carrier aircraft. . . . USAID needs to institute a method to address the no show issue. This can be done by suspending travel privileges, charging organizations for no shows or changing their priority in the booking system.

A management decision for Recommendation 1 can be recorded when USAID/Afghanistan and our office agree on a firm plan of action, with time frames, for implementing the recommendation.

Recommendation 2 was that USAID/Afghanistan clarify the contract's environmental requirements and obtain evidence of compliance with those requirements.

USAID/Afghanistan agreed with the recommendation. The contracting officer, in collaboration with the USAID/Afghanistan's environmental officer, will review the contract's environmental provisions to determine how they should be revised. In addition, the mission will ensure compliance with these provisions through enhanced monitoring and evaluation of the contractor's compliance with any environmental requirements set forth in the revised contract provisions or modification. The mission anticipates completion of these actions by August 31, 2011.

Therefore, a management decision has been reached on Recommendation 2.

Recommendation 3 was that USAID/Afghanistan determine the allowability of and recover, as appropriate, unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902) by contractor officials that was not approved.

USAID/Afghanistan is reviewing the circumstances surrounding the international travel to determine the allowability of the unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902). The contracting officer has made an initial determination that \$16,302 of the \$31,902 spent for premium-class travel is unallowable and will be recovered.

Allowability of the questioned costs of \$525,467 for unapproved international travel will be determined by the contracting officer. If the amount is determined to be unallowable, a bill of collection will be issued to the contractor, and recovery will be made through a deduction in the next invoice or another appropriate method. The contractor has been told to submit written requests for international travel to the COTR. The mission anticipated completion by June 15, 2011.

A management decision can be recorded for Recommendation 3 when the allowability of the \$525,467 in questioned costs is determined by the contracting officer.

Recommendation 4 was that USAID/Afghanistan verify that Aircraft Charter Solutions Inc. has implemented a branding and marking plan.

USAID/Afghanistan agreed and instructed the contractor to submit a branding and marking plan for approval on May 9, 2011. In addition, USAID/Afghanistan provided the contractor with

appropriate branding and marking materials to initiate compliance with the requirements. Aircraft Charter Solutions Inc. installed tags on various sections of the aircrafts and on furniture and equipment inside the terminal buildings.

Therefore, a management decision has been reached on Recommendation 4.

Recommendation 5 was that USAID/Afghanistan verify that Aircraft Charter Solutions Inc. has provided clear instructions and signs in its terminal for passenger convenience and security.

USAID/Afghanistan agreed and required the contractor to provide clear instructions and make maps more easily available to customers to ensure passenger convenience and security. Appropriate signage was placed in the terminal building; the instructions and maps have been made available to all authorized persons through the Web-based booking system.

Final action has been completed on Recommendation 5.

Recommendation 6 was that USAID/Afghanistan instruct the contractor to provide transportation for passengers from passenger staging areas to the aircraft (or eliminate this requirement from the contract).

USAID/Afghanistan agreed with the recommendation. USAID/Afghanistan believed that vehicle traffic would bring foreign objects and debris onto the aircraft ramp, posing a hazard to the aircraft. In addition, the space available for vehicles at the Embassy Air terminal is very limited and the additional vehicles would compound the space situation. Management determined that transportation of passengers from the passenger staging area to the aircraft was not necessary and modified the contract in March 2011 to state: "The contractor will provide vehicles capable of transporting passengers as necessary."

Final action has been completed on Recommendation 6.

Recommendation 7 was that USAID/Afghanistan obtain required reports from Aircraft Charter Solutions Inc.

USAID/Afghanistan concurred and reminded the contractor of its contractual obligations to submit all reports specified in the contract according to the timelines set forth therein. Reports have been submitted by the contractor and accepted by USAID. These reports include an annual program review for the first year of the contract, annual work plan for the second year of the contract, and monthly progress reports.

Final action has been completed on Recommendation 7.

Recommendation 8 was that USAID/Afghanistan clarify its performance standards to Aircraft Charter Solutions Inc. so that realistic expectations, proper reporting, and accountability can be obtained.

USAID/Afghanistan did not agree with the recommendation. USAID/Afghanistan and the contractor both understood the performance standard "93% of missions completed as scheduled" to mean that the contractor was obligated to maintain a 93 percent on-time mission capability rate, excluding factors outside the contractor's control such as weather, security, and

other extenuating circumstances. However, this understanding is contradicted by the wording of the performance standard itself (Appendix III).

USAID/Afghanistan did require the contractor to develop and submit a performance management plan for approval. The mission planned to monitor compliance with the performance standards and indicators.

A management decision can be recorded for Recommendation 8 when we and the mission agree on a firm plan of action, with time frames, for implementing the recommendation.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General's Office in Afghanistan conducted this review in accordance with the general standards in Chapter 3 and the evidence and documentation standards in Paragraph 7.55 and Paragraphs 7.77 through 7.84 of *Government Auditing Standards*. Those standards require that we obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, in accordance with our review objective. We believe that the evidence obtained provides that reasonable basis.

The review was conducted in Kabul from January 26, 2011, through February 27, 2011, and covered February 1, 2010, through January 31, 2011. Fieldwork was conducted at the U.S. Embassy and at the compound of Aircraft Charter Solutions Inc. at Kabul International Airport. Fieldwork included a review of relevant documentation as outlined below.

Methodology

To determine whether USAID/Afghanistan's portion of the Embassy Air program was achieving its main goals of providing safe and reliable air service, we reviewed and analyzed relevant documents at both the mission and the implementing partner's compound. This documentation included the contract between USAID/Afghanistan and Aircraft Charter Solutions Inc., contract modifications, site visit and other monitoring reports, progress reports, and financial records.

We interviewed personnel from USAID/Afghanistan and from Aircraft Charter Solutions Inc. We reviewed a judgmental sample of relevant documentation produced by USAID/Afghanistan, such as aircraft maintenance logs, safety reports, and scheduled maintenance reports, to ascertain whether the contractor was performing regular, scheduled maintenance of the aircraft under this contract. On the basis of the aircraft maintenance schedule and availability of aircraft, we judgmentally selected logs, maintenance manuals, and reports of one available aircraft to certify whether the plane was being maintained in accordance with the manufacturer's specifications and in accordance with International Civil Aviation Organization standards and what information was available in-country. The information evaluated covered the period from February 1, 2010, through January 31, 2011, which represented the more recent years of the program.

We obtained flight manuals and reports, service data, and crew and aircraft flight logs to ensure the accuracy of the flight plans filed and performed. We assessed whether the aircraft furnished under the contract were all free of damage and in very good working order. We inspected the aircraft interiors to see whether they were kept clean and neat as required in the contract.

We evaluated whether the contractor complied with its operating certificates, which were recognized and approved by the International Civil Aviation Organization. We assessed whether the contractor was operating (aircraft, crew, maintenance, safety) in accordance with 14 CFR 121 and 135 or equivalent International Civil Aviation Organization standards and each certification required under the contract.

We verified that the pilots' qualification cards were current and valid and had the relevant endorsements. We assessed whether the pilots and aircrew members were properly trained, qualified, and maintaining proficiency in accordance with Federal Aviation Regulations, 14 CFR 61–67, and 32 CFR 861 or equivalent International Civil Aviation Organization standards.

We evaluated compliance with USAID branding and marking guidelines by Aircraft Charter Solutions Inc. by conducting site visits to its compound at the Kabul International Airport.

We interviewed contractor personnel and reviewed documentation to determine whether the contractor reported accurate and complete information to USAID/Afghanistan.

We obtained flight manifests and approved passenger listings to determine whether USAID/Afghanistan was transporting authorized passengers.

We evaluated financial data, including monthly invoices for fuel, program management costs, additional flight hour charges, security costs, and cost reimbursement data, for accuracy of billing by the contractor to USAID/Afghanistan.

MANAGEMENT COMMENTS



MEMORANDUM

TO: David Thomanek, Acting OIG/Afghanistan Director

FROM: Robert Hellyer, Acting Mission Director /s/

DATE: May 15, 2011

SUBJECT: Review of USAID/Afghanistan's Portion of Embassy Air Program
(Report No. F-306-11-00X-S)

Reference: TCox/EGast memo dated April 12, 2011

This memorandum is USAID/Afghanistan's response to the subject OIG review. Thank you for providing the Mission with the opportunity to comment on the draft report.

Recommendation 1. We recommend that USAID/Afghanistan implement a nominal charge for no-show passengers.

Mission Comments: The Mission believes that this recommendation does not reflect full comprehension of one of the principal causes of no-shows: security and therefore does not agree with this recommendation, as fully explained below.

Although the number of no-shows in the draft OIG report is accurate, the reality is that many of those reported as no-shows are in fact prohibited from flying or engaging in ground movements which prohibits them from traveling to and from flight departure locations for security reasons. USAID's position is that when a person is restricted from travelling in Afghanistan for security reasons, *this is beyond the person's control*. U.S. personnel under the Chief of Mission's (COM) authority are required to follow security directives issued by the Regional Security Officer (RSO), including those restricting air transportation.

Likewise, persons affiliated with USAID implementing partners and other persons permitted to use Embassy Air must generally adhere to the security directives issued by security personnel within their respective organizations. Often, there is insufficient time to process a cancellation notice given the obviously unpredictable frequency with which security directives restricting travel are issued. USAID's estimate is that as much as fifty percent (50%) of the no-shows are persons restricted from travelling due to security.

At the same time, we acknowledge that in some situations where a security-related travel restriction is in place, it is possible for a person or their organization to notify USAID of a cancellation in a timely manner. One example is a prolonged travel restriction – e.g., one that exceeds a 24-hour period. We plan to update the USAID Embassy Air cancellation policy and

issue a notice to all organizations/persons permitted to use USAID Embassy Air of any policy changes.

Additionally, USAID does not agree with the OIG draft report's statement that the "estimate[d] ... cost of making air service available to no-show passengers is roughly \$14 million per year ([roughly] 20 percent of the annual contract cost)." It is important to note that there is no significant difference between flying an aircraft with all available passenger seats occupied and flying one at 75%, 50% or less capacity. Since the contract terms require monthly payments for a minimum number of flight hours regardless of occupancy, USAID therefore has to pay the same amount to the contractor whether or not there are no-shows.

Actions Taken/Planned:

USAID/Afghanistan has reviewed the possibility of collecting fees for true no-shows. The review covered, among other things, the tasks entailed in implementing a fee collection system, including the establishment of a process for identifying such no-shows; developing a system to establish the amount of fees, process and collect fees; and negotiation of an approved non-competitive bilateral contract modification with the USAID Embassy Air contractor.

Additionally, we considered the impact on our mission should USAID begin to recoup funds from other USG organizations, implementing partners and GIRoA officials while other Embassy Air contributors did not. After considering all of these factors, USAID has determined that collecting fees for no-shows would not be a feasible course of action.

In order to address the no-show issue, the COTR will provide weekly no-show reports to the management offices in both USAID and the Department of State along with copies distributed to all COTR/AOTRs. The COTR will be responsible for tracking no-shows, identifying trends and recommending corrective action in cases of abuse.

Target Completion Date: 06/30/2011

Based on the above, the Mission requests OIG's reconsideration of Recommendation 1.

Recommendation 2. We recommend USAID/Afghanistan clarify the contract's environmental requirements and obtain evidence that the contractor is complying with them.

Mission Comments: The Mission agrees with Recommendation 2 and also agrees that this contract provision needs clarification.

Action Taken/Planned:

The Mission, led by the USAID Contracting Officer, in collaboration with the Mission Environmental Officer, will review this provision to determine how it should be revised and will work to modify the contract to include a revised provision. Additionally, the Mission will ensure, through enhanced monitoring and evaluation that the contractor complies with any environmental requirements set forth in the revised provision.

Target Completion Date: 08/31/2011

Based on the above, the Mission deems that a management decision has been reached on

Recommendation No.2 and therefore requests your concurrence.

Recommendation 3. We recommend that USAID/Afghanistan determine the allowability of and recover, as appropriate, unsupported questioned costs of \$525,467 representing international travel (including premium-class travel of \$31,902) by contractor officials that was not approved by USAID as required.

Mission Comments: The Mission agrees with Recommendation 3.

Action Taken/Planned:

USAID/Afghanistan is reviewing the circumstances to determine allowability of the questioned international travel expenditures of \$525,467. The Contracting Officer will verify what international trips, if any, were approved at the time of contract's award based on the cost proposal. The Contracting Officer has made an initial determination that \$16,302 of the \$31,902 spent for premium-class travel is unallowable and will be recovered. This represents the cost of four instances of premium-class travel charged to USAID, less the cost of an economy-class ticket(s).

Once final determination is made by the Contracting Officer, a bill of collection will be issued to the contractor and recovery will be made through a deduction in the next invoice or other appropriate method. The Mission will inform OIG/Afghanistan as soon as final determination on the allowability of the remaining questioned costs is reached.

In accordance with the Contract, the contractor has been informed of its obligation to submit written requests for approval of international travel from the COTR. To further strengthen controls over travel costs and ensure allowability, the contractor is now including a signed statement with each invoice stating "All travel reimbursement was approved in writing by the COTR prior to travel and all tickets purchased were at least-cost unrestricted economy-class rates." To reinforce compliance with the travel approval requirement, USAID will conduct periodic reviews of the contractor's supporting documentation for travel cost reimbursements.

Target Management Decision Date: 6/15/2011

Recommendation 4. We recommend that USAID/Afghanistan verify that Aircraft Charter Solutions has implemented a branding and marking plan.

Mission Comments: The Mission agrees with Recommendation 4.

Actions Taken/Planned:

The contractor was instructed to submit a branding and marking plan for USAID approval on May 9, 2011. In the interim, USAID has provided the contractor appropriate materials to initiate compliance with the branding and marking requirements. The pictures in Attachment 1 showing the USAID logo posted in various sections of the aircraft and on furniture and equipment inside the terminal building provide evidence of compliance.

Target Completion Date: 06/30/2011

Based on the above, the Mission deems that a management decision has been reached on Recommendation 4.

Recommendation 5. We recommend that USAID/Afghanistan verify that Aircraft Charter Solutions Inc. has provided clear instructions and signs in its terminal for passenger convenience and security.

Mission Comments: The Mission agrees with Recommendation 5.

Action Taken:

USAID has required the contractor to provide clear instructions and make maps more easily available to customers to ensure passenger convenience and security. Appropriate signage has been put up in the terminal building; the instructions and maps have been made available to all authorized persons through the web-based booking system. The pictures and map shown in Attachment 2 provide evidence of the contractor's compliance with this requirement.

Target Completion Date: Completed

Based on the above, the Mission deems that a management decision has been reached and final actions have been taken on Recommendation 5. We therefore request your concurrence to its closure.

Recommendation 6. We recommend that USAID/Afghanistan instruct the contractor to provide transportation for passengers from passenger staging areas to the aircraft (or eliminate this requirement from the contract).

Mission Comments: The Mission agrees with the option given in Recommendation 6 to eliminate the requirement in the contract. As stated in the OIG draft report, the distance from the passenger staging area to the aircraft is very short. Additionally, USAID believes that vehicle traffic could bring foreign objects and debris onto the ramp, posing a hazard to the aircraft. Space available for vehicles at the Embassy Air terminal is very limited and the additional vehicles which essentially are not necessary will only compound the situation. Also, the contractor is providing vehicle support from the main access points to the terminal and is moving all baggage from the terminal to the aircraft. Passengers are only required to carry their carry-on bags and equipment a distance of approximately 50 yards, which is consistent with systems in place at small airports around the world, including the Kabul International Airport.

Action Taken:

The Mission has determined that transportation of passengers from the passenger staging area to the aircraft is not necessary. Hence, the contract was modified in March 2011 to revise Part E. Passenger Service as follows: "the contractor will provide vehicles capable of transporting passengers as necessary" (Attachment 3).

Target Completion Date: Completed

Based on the above, the Mission deems that a management decision has been reached and final actions have been taken on Recommendation 6. We therefore request your concurrence to its closure.

Recommendation 7. We recommend that USAID/Afghanistan obtain required reports from Aircraft Charter Solutions.

Mission Comments: The Mission agrees with Recommendation 7.

Action Taken/Planned:

USAID has reminded the contractor of its contractual obligations to submit all reports specified in the contract within the timelines set forth therein. To date, reports filed by the contractor and accepted by USAID include an Annual Program Review for the first year of the contract, Annual Work Plan for the second year of the contract and monthly progress reports from January 2011 through April 2011 (Attachment 4).

Target Completion Date: Completed

Based on the above, the Mission deems that a management decision has been reached and final actions have been taken on Recommendation 7. We, therefore, request your concurrence to its closure.

Recommendation 8. We recommend that USAID/Afghanistan clarify its performance standards to Aircraft Charter Solutions Inc. so that realistic expectations and proper reporting and accountability can be obtained.

Mission Comments: The Mission does not fully concur with Recommendation 8. The draft report cites the performance standard “**93% of missions completed as scheduled**” as too ambitious. We disagree with this statement. USAID and the contractor have a mutual understanding of the performance standards; however, we realize that there is room for misinterpretation by a third party of the standards set forth in Appendix III of the OIG draft report. Both USAID and the contractor understand this performance standard to mean that the contractor is obligated to maintain a 93% on-time mission capability rate with the exception of things outside the contractor’s control such as weather, security and other extenuating circumstances. We do agree, however, that reporting on the performance standards can be enhanced.

Actions Planned:

The Mission will require the contractor to develop and submit a Performance Management Plan (PMP) for USAID approval. Regular reporting on the performance standards and indicators will also be required from the contractor to allow USAID to track and monitor the contractor’s compliance with the PMP and determine progress toward achieving benchmarks and results.

Target Completion Date: July 31, 2011

Based on the above, the Mission deems that a management decision has been reached on Recommendation 8 and therefore requests your concurrence.

Performance Standards

Performance Objectives	Performance Threshold
Schedule and perform all missions.	93% of missions completed as scheduled
Provide USAID weekly and monthly reports on flight segment/hours for aircraft and crew.	100% accurate, complete, and on time
Contractor shall maintain passenger manifests until after mission is complete. Manifests will then be entered into the database system and retained through completion of contract.	100% of missions
Aircrew shall remain on flight plan filed, unless deviation for military operations is ordered, or deviation for other safety of flight purpose is required.	100% of missions