U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Congressional Committees

Security Assistance: Taxpayer Funds Spent on Equipment That Was Never Shipped to Yemen

Yemen has been an important partner in the fight against al Qaeda in the Arabian Peninsula (AQAP), a terrorist group based in Yemen that continues to plot against U.S. citizens and interests. To assist in countering the AQAP threat, the Department of State (State) committed $48 million of the $108 million allocated in Foreign Military Financing (FMF) funding from fiscal year 2007 through fiscal year 2014 to Yemen.[1]

Senate Report 133-176, accompanying S.2410, Carl Levin National Defense Authorization Act for Fiscal Year 2015, included a provision for us to review U.S. security assistance to Yemen. During the course of our review on the timeliness and maintenance of security assistance to Yemen in response to this provision, we became aware of shipments of U.S.-funded security assistance equipment that were transferred to Yemen but remain in a U.S. warehouse.[2] This report describes (1) the status of U.S. FMF-funded equipment for Yemen that remains in a private warehouse in Virginia and (2) the steps the Department of Defense (DOD) has taken to resolve the final disposition of the equipment.

To prepare this report, we interviewed U.S. officials from DOD, State, and the U.S. embassy in Yemen, and a representative from Yemen's most recent freight forwarder regarding the status of the unshipped FMF equipment, the discussions between Yemen and its freight forwarders over fees and documentation, and U.S. government efforts to achieve final disposition.[3]

We conducted this performance audit from May 2015 to July 2015 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[1]According to State officials, although State directs the FMF program, the Arms Export Control Act gives the Department of Defense (DOD) responsibility for procurement and delivery of FMF assistance.

[2]See our report, *Yemen: DOD Should Improve Accuracy of Its Data on Congressional Clearance of Projects as It Reevaluates Counterterrorism Assistance*, GAO-15-493 (Washington, D.C.: Apr. 28, 2015).

[3]A freight forwarder is a commercial company contracted to ship equipment from the United States to a partner country.

Summary

Since 2007, 200 parcels of equipment Yemen purchased using U.S. government-funded FMF grants remain unshipped in a private warehouse in Virginia rather than meeting the intended goal of building and maintaining Yemeni security forces' capability to counter threats such as AQAP. As permitted under the FMF program, Yemen chose to use contract commercial freight forwarders to arrange for shipment of these articles to Yemen.[4] The government of Yemen took ownership of the equipment upon delivery to its contracted freight forwarder.

Some of the equipment arrived in several shipments at the warehouse of Yemen's freight forwarder at that time, which Yemen had originally contracted to ship the equipment. Starting in 2007, Yemen was in arrears with its freight forwarder. In April 2008, the contract between the government of Yemen and this freight forwarder ended. In August 2008, the equipment was transferred to the Virginia warehouse of another freight forwarder contracted by the government of Yemen. From 2008 to 2010, Yemen made some late payments to this freight forwarder. According to DOD officials, Yemen paid $117,000 in arrears, storage, and shipment fees in 2010. In 2010 and 2011 equipment continued to accumulate at the freight forwarder's warehouse as political unrest prevented shipments to Yemen. DOD convinced the freight forwarder to waive storage fees accumulated during this period. Once holds on shipments were lifted in 2012, disagreements between Yemen and its freight forwarder resumed. According to DOD officials, Yemen's contract with this freight forwarder expired in 2011 although the freight forwarder continued to receive U.S.-funded equipment intended for Yemen. In fiscal year 2012, Yemen began paying the U.S. military to ship newly funded FMF equipment and no longer used its own commercial freight forwarder.

The 200 parcels of equipment intended for Yemen that remain in Virginia include some items that have expired while in storage and some that require special disposal. For example, the parcels include hazardous cargo that requires special disposal and low-grade explosives for airplane ejection seats that require special storage considerations. In addition, medical supplies have expired and batteries have corroded. Furthermore, night vision goggles at the warehouse require new export authorization forms or third-party transfer permission to be shipped. DOD determined the original value for some of the items, such as nearly $600,000 for night vision goggles, but has not determined the value of the rest of the equipment. DOD officials reported that this was because of a lack of time, resources and ready access to the equipment owned by the government of Yemen.

According to DOD officials, DOD faces limitations in accessing the equipment and mediating a resolution to the situation because it involves a private contract between the government of Yemen and its freight forwarder. However, although Yemen has legal custody of the equipment, DOD has taken some steps to help address the shipment challenges.[5] According to DOD officials, they pressured Yemen to pay the freight forwarders the arrears. Yemen has paid some, but not all, of its arrears to its freight forwarders. In 2012, DOD again worked with Yemen and its freight forwarder to try to reduce the remaining fees and have some of the equipment incrementally shipped by the freight forwarder. However, the freight forwarder acknowledged it has not received storage and handling payments, and noted that it has also not received the necessary export licenses and shipping instructions. According to DOD officials, since 2012,

[4]Partner countries may ship FMF equipment using either commercial freight forwarders or U.S. military transportation.

[5]According to State officials, they were unaware that this equipment had not shipped until GAO began its review.

Yemen has used the U.S. military transportation to ship FMF equipment to prevent similar situations involving unshipped equipment.

DOD obtained permission from Yemen and its most recent freight forwarder to conduct inventories of the equipment in 2012 and 2015 to help identify costs and create plans for disposing of or shipping the equipment to Yemen. After completing the February 2015 inventory, the Office of Military Cooperation worked with the freight forwarder and Yemen, resulting in the freight forwarder agreeing to release the equipment for $8,000 if Yemen paid by May 1, 2015. DOD offered to reimburse the Yemeni government for this payment using funds previously earmarked for Yemen, if the embassy of Yemen paid the fee. The embassy of Yemen did not pay by the deadline and Yemeni officials indicated that they did not have the funds available to pay due to the ongoing crisis in their country. The freight forwarder reported that it had moved the equipment to another warehouse in July 2015.

DOD proposed that it would pick up the equipment and begin final disposition before moving it to another warehouse, or have Yemen pick it up and use Yemeni funds to ship the equipment or arrange with DOD to dispose of it. According to DOD officials, Yemen is likely to use U.S. FMF funds if, as expected, DOD is involved in the final disposition. According to State officials, any use of FMF funds to address the situation would require State approval and possibly consultation with Congress.

Additional information is included in the enclosure. We are not making any recommendations in this report.

Agency Comments

We provided a draft of this report for advance review and comment to DOD, State, the embassy of the Republic of Yemen, and Yemen's most recent freight forwarder. They all provided technical comments, which we have incorporated as appropriate.

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We are sending copies of this report to the appropriate congressional committees, the Secretaries of Defense and State, the Ambassador of the Republic of Yemen to the United States, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staffs have any questions about this report, please contact me at (202) 512-7331 or johnsoncm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are Jason Bair (Assistant Director), Brian Hackney (Analyst-in-Charge), Katherine Forsyth, Lynn Cothern, Martin De Alteriis, and Mark Dowling.

Charles Michael Johnson, Jr.
Director, International Affairs and Trade

Enclosure

List of Committees

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Enclosure: Unshipped Yemen Assistance

[Refer to accessible version of slides, GAO-15-685R_slides_508.pdf”]

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