SECURITY ASSISTANCE

Taxpayer Funds Spent on Equipment That Was Never Shipped to Yemen

Table of Contents

- Introduction
- Objectives
- Background
- Objective 1: Status of Unshipped Equipment
- Objective 2: Department of Defense (DOD) Actions
- Scope and Methodology

Introduction

- 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) allocated $108 million in Foreign Military Financing (FMF) funding from fiscal year 2007 through fiscal year 2014 to Yemen.[1]
- During the course of our review of the timeliness of deliveries of U.S. assistance to Yemen,[2] we found that some shipments of FMF equipment remain in the United States.

[1]Fiscal year 2015 was still in progress at the time of our review. According to State officials, although State directs the FMF program, the Arms Export Control Act gives DOD responsibility for procurement and delivery of FMF assistance.
[2]See GAO, *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).

Objectives

Senate Report 133-176 included a provision for GAO to review U.S. security assistance to Yemen. This briefing describes:

1. The status of U.S. FMF-funded equipment for Yemen that remains in a private warehouse in Virginia.

2. The steps DOD has taken to resolve the final disposition of the equipment.

Background: Overview of the FMF Program

- FMF was established to provide U.S.-funded grants for the acquisition of U.S. defense equipment, services, and training.
- State funds and manages the FMF program.
- DOD is the implementing agency and is responsible for, among other things, acquisition and transfer of equipment.
- Partner countries work with DOD and State to use FMF assistance to purchase items.
- Partner countries assume responsibility for arranging shipment of FMF-funded items once custody is transferred to them.

GAO

Background: The United States Has Committed $48 Million in FMF to Yemen since Fiscal Year 2007

- The United States has committed $48 million of the $108 million allocated to FMF for Yemen from fiscal years 2007 through 2014.
- According to DOD and State officials, the majority of FMF funding allocations for Yemen were planned to support previously furnished equipment, including some provided through the Section 1206 and 1207(n) programs.
- State temporarily suspended Yemen's FMF program in January 2015 because of Yemen's unstable situation.

Objective 1

Since Fiscal Year 2007, 200 Parcels of FMF Equipment Remain Unshipped and in a Private Warehouse

Yemen Has Taken Custody of the Equipment and Contracted a Freight Forwarder for Shipment

- Yemen has taken custody of equipment in the United States and is responsible for arranging shipment.
- Yemen can choose to ship the equipment either by paying the U.S. military to ship it or by contracting a commercial freight forwarder.
- According to DOD officials, Yemen chose to use freight forwarders until fiscal year 2012.

Some FMF Equipment Remains Unshipped Because of Unpaid Fees and Missing Documentation

- Yemen hired a freight forwarder—Panalpina—to ship some FMF equipment from the United States to Yemen.
- Yemen took ownership of the equipment once it was sent to Panalpina's facilities in the United States.
- Yemen was in arrears with Panalpina starting in 2007. Yemen's contract with Panalpina ended in April 2008, and it paid its arrears in June 2008.
- In August 2008, Yemen contracted a new freight forwarder, DHL Global Forwarding (DGF), and the equipment that had arrived at Panalpina from April through August of 2008 was moved to a DGF warehouse in Virginia.

Some FMF Equipment Remains Unshipped Because of Unpaid Fees and Missing Documentation

- From 2008 to 2010, Yemen did not pay or made late payments to DGF and DGF officials said they did not have proper export documentation.
- In 2010, according to DOD, Yemen paid $117,000 in arrears, storage, and shipment to DGF.
- In 2010 and 2011, equipment continued to accumulate in DGF's warehouse while political unrest prevented shipments to Yemen.
- In 2011, Yemen chose not to renew its contract with DGF although DGF continued to receive FMF-funded equipment.
- In fiscal year 2012, Yemen began paying the U.S. military to ship new FMF equipment.

Since Fiscal Year 2007, 200 Parcels of FMF Equipment Remain Unshipped

- Two hundred parcels of FMF equipment remain in the United States and have never achieved their purpose of supporting the Yemeni security forces.
- DOD has not determined the value of the equipment. Officials reported that this was because of a lack of time, resources and access to the equipment and because they felt it was not practical to expend resources to resolve a private contract dispute.
- Some of the equipment has degraded or expired over time.
- Some of the equipment is hazardous, requiring special disposal.

Unshipped FMF Equipment

Figure 1: Unshipped Equipment

Source: Department of Defense.

- 200 parcels of FMF equipment
- Could fit into one 40-foot shipping container, according to DOD

Unshipped FMF Equipment: Night Vision Goggles

Figure 2: Night Vision Goggles

Source: Department of Defense.

- Over 150 night vision goggles that originally cost about $591,000
- Requires third party transfer or a new form authorizing export

Unshipped FMF Equipment: Low-Grade Explosives

Figure 3: Low-Grade Explosives

Source: Department of Defense.

- Low-grade explosives for aircraft ejection seats
- Minimal blast but present a fire hazard and require special storage

Unshipped FMF Equipment: Hazardous Cargo

- Some large batteries are hazardous
- Further inspection is required to determine whether they are usable

- Some liquid solvents are also hazardous
- Further inspection is required and they could require special disposal

Figure 4: Large Batteries

Source: Department of Defense.

Figure 5: Liquid Solvents

Source: Department of Defense.

Unshipped FMF Equipment: Medical Supplies

- First aid kits and holders
- Syringe and needle for administering intravenous drugs

Figure 6: First Aid Kits

Source: Department of Defense.

Figure 7: Medical Syringe

Source: Department of Defense.

Unshipped FMF Equipment: Expired Items

- Expired medical items
- No special disposal required

Figure 8: Medical Ointments

Source: Department of Defense.

- Corroded, unusable batteries
- Likely to require special disposal methods

Figure 9: Corroded Batteries

Source: Department of Defense.

Objective 2

DOD Has Taken Some Steps to Resolve the Final Disposition of the FMF Equipment

DOD Has Taken Steps to Address Shipment Challenges

- 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 custody of the equipment has been transferred to Yemen, DOD officials have been working to mitigate the challenges preventing shipment since becoming aware of the problem in 2008.
- State officials said that they were unaware that this equipment had not shipped until GAO began its review and have no role now that custody of the equipment has been transferred to Yemen.

DOD Has Taken Steps to Resolve Shipment Challenges

- According to DOD officials, DOD pressured Yemen to pay its arrears to its freight forwarders. Yemen paid some, but not all, arrears to Panalpina in 2008 and DGF in 2010.
- In 2012, DOD again worked with Yemen and DGF to reduce the remaining fees and incrementally ship some of the equipment. However, DGF acknowledged it did not receive storage and handling payments, and necessary documents. DGF has yet to receive full payment, necessary shipping instructions, and export licenses.
- Since 2012, Yemen has used U.S. military transportation to ship equipment in order to avoid similar shipment problems.

DOD Conducted Inventories in November 2012 and February 2015

- DOD conducted inventories in November 2012 and February 2015 with the permission of the Yemeni embassy and DGF.
- During the most recent inventory, DOD assessed the type, quantity, condition, and sensitivity of the equipment housed by DGF.
- In March 2015, officials from the Office of Military Cooperation (OMC) presented their compiled findings from the inventory to the Defense Security Cooperation Agency.

DOD Has Attempted to Resolve the Equipment's Final Disposition

- After completing the February 2015 inventory, OMC worked with DGF and Yemen; DGF agreed to release the equipment if Yemen paid $8,000 by May 1, 2015.
- DOD offered to reimburse the Yemeni government for this $8,000 payment using FMF country funds previously earmarked for Yemen, if the embassy of Yemen paid the fee.
- The Yemeni embassy did not pay by the deadline. The embassy of Yemen indicated they did not have the funds available due to the ongoing crisis in their country.

DOD Will Likely Be Involved in Final Disposition and Require FMF Funds

- In July 2015, without payment or proper export documentation, DGF reported that it had moved the equipment to another warehouse.

- DOD proposed these options for final disposition of the equipment:
  - DOD could pick up the equipment and begin final disposition.
  - Yemen could pick up the equipment and arrange final disposition with DOD or use Yemeni funds to ship the equipment.

- According to DOD officials, if, as expected, DOD is involved in the final disposition for either option, Yemen is likely to use U.S.-provided FMF funds. If so, according to State officials, it would require State approval and possibly consultation with Congress.

Scope and Methodology

- To address our objectives, we reviewed and analyzed DOD and State documents and key congressional legislation relevant to FMF for Yemen.
- We interviewed U.S. officials from DOD, State, and the U.S. embassy in Yemen and a representative from DGF 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.