

**COSTS IN SUPPORT OF THE KABUL  
AFGHANISTAN AIRPORT  
INFRASTRUCTURE IMPROVEMENT AND  
CAPACITY BUILDING PROJECT ARE  
SUPPORTED AND VALID**

*Federal Aviation Administration*

**Report Number: FI-2011-073**

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# Memorandum

**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** Report on the Audit of the Kabul  
Afghanistan Airport Infrastructure and Capacity  
Building Project, FAA  
Report Number FI-2011-073

Date: April 6, 2011

From: Earl C. Hedges  
Acting Assistant Inspector General for Financial  
and Information Technology Audits

Reply to  
Attn. of: JA-20

To: Acting Manager, Presidential Initiatives, FAA

The U.S. Agency for International Development (USAID) supports long-term and equitable economic growth, and advances U.S. foreign policy objectives by supporting agriculture and trade, global health, democracy, and humanitarian assistance. This independent Federal Agency accomplishes its mission by working in close partnership with many entities, including foreign governments and other U.S. Government agencies.

In March 2006, USAID entered into a memorandum of agreement (MOA) with the Federal Aviation Administration's (FAA) Office of International Aviation (API), and transferred \$25 million to make infrastructure improvements at the Kabul Afghanistan International Airport (KAIA). The improvements were necessary, in part, to bring KAIA up to international standards,<sup>1</sup> and to improve airport security. In August 2006, API awarded \$19.6 million to FAA's Logistics Center (AML) for services in support of the KAIA improvements. The MOA stipulated that FAA would request the Office of Inspector General (OIG) to perform periodic audits of the use of these funds.

We reviewed costs associated with the work performed under agreement between API and AML to determine if they were supported and valid under the agreement's terms and conditions. We conducted this performance audit in accordance with generally accepted government auditing standards as prescribed by the

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<sup>1</sup> The International Civil Aviation Organization, the global forum for civil aviation, adopts standards and recommended practices for international aviation.

Comptroller General of the United States, and included tests we considered necessary to detect fraud, waste, and abuse. A detailed description of our scope and methodology can be found in Exhibit A.

## **RESULTS IN BRIEF**

Costs in support of the KAIA infrastructure improvement and capacity building project were supported and valid. AML provided adequate documentation to support 55 statistically selected cost line items (out of 1,470), and we found these costs to be valid under the terms and conditions of API's agreement with AML. We tested \$11,292,200 (92 percent) out of a universe of \$12,331,460, and found no exceptions. Therefore, we estimate with 90 percent confidence that the percentage of unsupported costs as of September 1, 2010 is between 0 and 3.2 percent, or between \$0 and \$399,470. We performed additional analyses on \$7,289,540 not expended as of that date, and found that AML could provide a reasonable explanation of how these funds would be expended.

## **BACKGROUND**

Decades of unrest and conflict have devastated Afghanistan's civil aviation infrastructure, depleted its skilled aviation workforce, and severely diminished the country's capacity to provide air navigation services, and regulatory and safety oversight. At the request of Afghanistan's Ministry of Transport, and as directed by the U.S. Secretary of Transportation, FAA developed a comprehensive plan to help rebuild Afghanistan's national civil aviation system, including plans for technical and managerial expertise to assist in the development, improvement, and operation of the country's civil aviation infrastructure, standards, procedures, policies, training, and equipment. FAA also agreed to train Afghan personnel, inspect and calibrate existing equipment and air navigation facilities, and provide resources, logistical support, and equipment. API's August 2006 agreement with AML provided for the products and services needed to accomplish these improvements at KAIA, including terminal surveillance equipment and appropriate training, airport security equipment and services, control tower refurbishment, and communications equipment.<sup>2</sup> API selected AML for its available resources, including staffing, equipment, and the logistical capabilities necessary to accomplish the objectives.

## **IMPROVEMENT COSTS AT KAIA ARE SUPPORTED AND VALID**

We found that AML supported the statistically selected line item costs we tested, and that the costs were valid under the terms and conditions of API's agreement

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<sup>2</sup> Service Order Agreement Number: API-01-06-001-59002. API retained overall management and oversight of the project and required AML to provide scheduled project updates.

with AML. Our review included 55 unique project cost items, with a value of \$11,292,200, or 92 percent of a universe of \$12,331,460 expended on the project as of September 1, 2010. We found no exceptions, and therefore estimate with 90 percent confidence that the percentage of unsupported costs as of September 1, 2010 is between 0 and 3.2 percent, or between \$0 and \$399,470. Project costs were applicable to one of four work elements attributable to the reconstruction plan for KAIA,<sup>3</sup> and we found that AML applied project costs to one of five categories—AML Agreements, Other, Materials, Labor Hours, and Travel. We performed additional analyses on \$7,289,540 not expended as of September 1, 2010, and found that AML could provide reasonable explanations for how these funds would be expended.

### **Project Costs Were Applicable to Five Categories**

We found that the \$12,331,460 expended on the project was distributed among five specific cost categories. See Table 1.

***Table 1. KAIA Project Funds Expended by Category***

<b>Cost Category</b>	<b>Funds Expended as of September 1, 2010 (\$'s)</b>
AML Agreements	10,032,275
Other	943,320
Materials	717,515
Labor Hours	540,567
Travel	97,783
<b>Total</b>	<b>\$12,331,460</b>

Source: OIG

AML's agreement costs accounted for more than 81 percent of the funds expended. The highest value agreement—\$8,320,880 at the time of our review—was with the Space and Naval Warfare (SPAWAR)<sup>4</sup> Systems Center, located in North Charleston, South Carolina, for infrastructure and capability improvement services to KAIA, and in particular, the installation of an approach control surveillance system and the rehabilitation of KAIA's control tower and radio

<sup>3</sup> According to the Statement of Work accompanying the service order between API and AML, the following work elements apply: 1) Approach control surveillance system; 2) Training of Air Traffic Control professionals; 3) Rehabilitation of the control tower; and 4) Airport security manager/equipment/contract.

<sup>4</sup> SPAWAR is one of the Department of the Navy's three major acquisition commands.

equipment. In AML's decision to select SPAWAR, the Center's experience in providing support to the Department of Defense in underdeveloped countries with potentially hostile environments, and expertise in installing similar systems in Iraq and other areas of Afghanistan, were important attributes. Although we reviewed costs associated with this agreement, we did not audit the award of this agreement to SPAWAR.

AML also awarded \$1.9 million to the U.S. Army Corps of Engineers for tasks such as site preparation, and for the construction of a security building and perimeter fencing. It awarded another \$400,000 to the Transportation Security Administration to identify deficiencies in KAIA's aviation security operations and assist in the establishment of work plans to correct those deficiencies.

The "Other" cost category accounted for \$943,320, or almost 8 percent of the funds expended. A small portion of these costs were attributable to AML's overhead and the project's administration, but the majority was for work performed by FAA's Training Academy, Airports and International Training Division (AITD) under agreement with AML. An important component of the KAIA reconstruction effort involved identifying and training Afghan candidates as air traffic controllers and air traffic control system technicians. AITD primarily provided the following services:

- Assessments and training of personnel to control traffic from the aerodrome control tower, and for associated airport approach control;
- Development and oversight of electronics and equipment-related training for equipment and systems deployed at KAIA; and
- Oversight for on-the-job training of technicians tasked with maintaining equipment and deployed systems, and of air traffic controllers.

A significant portion of AITD's costs were directly related to instructors' travel to Afghanistan. AITD also brought Afghan students to the United States for specialized training at the Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma.

Costs in the "Materials" category totaled \$717,515, or less than 6 percent of the funds expended. This category included costs for labor and materials associated with the refurbishment and installation of an Airport Surveillance Radar 8 system, and an Air Traffic Control Beacon Interrogator Model 5 system. FAA's Logistics Center maintains and tracks parts for these systems which gradually have been taken out of service in the U.S. in favor of newer and more advanced systems. The Logistics Center can refurbish these systems and has identified a need for

them on the international market. In discussions with FAA, we found that AML's ability to refurbish the systems led to its involvement in the KAIA Project.

The remaining \$638,000 (approximately 5 percent) expended were AML labor and travel costs, spent primarily to sustain the project's program management component. The agreement between API and AML required AML to hold weekly meetings and provide API with monthly project status reports comparing planned milestones to actual accomplishments. It also required AML to conduct quarterly program reviews at API's office in Washington D.C. AML's project manager traveled to Afghanistan to further assess project status.

### **Project Funds Not Yet Expended**

We performed analyses on the \$7,289,540 not expended as of September 1, 2010, and found that AML could provide reasonable explanations for how these funds would be expended. We found that at the time of our review, \$4.9 million had been obligated for expenditure, and \$2.4 million were not obligated (see Table 2).

***Table 2. KAIA Project Funding Status as of September 1, 2010***

<b>Status of Funding</b>	<b>Dollar Amount</b>	<b>Percentage of Available Funds</b>
Expended	12,331,460	62.85
Obligated, Not Expended	4,852,605	24.73
Not Obligated and Not Expended	2,436,935	12.42
<b>Total</b>	<b>\$19,621,000</b>	<b>100.00%</b>

Source: OIG

Upon request, AML provided a cost schedule that identified how the remaining funds would be used, outlined by cost category. AML also provided short narratives describing in detail the KAIA infrastructure project element to which the funds were obligated, and how unobligated funds would be used. For example, obligated funding included the purchase of an Airport Fire Rescue Vehicle, at a cost of \$760,000. Funding for continued training for air traffic controllers and equipment technicians was obligated at \$700,000. AML also anticipated that unobligated funds would be used to support the purchase and

installation of a communications switch at a cost of \$1 million, to sustain and complete on-the-job training for controllers and technicians (\$600,000), and to purchase flight data software (\$33,000).

## **CONCLUSION**

FAA's assistance in rebuilding KAIA is crucial to the overall economic recovery and future growth of Afghanistan. The project provides an opportunity for FAA to demonstrate its personnel's technical abilities and its available resources to assist with other countries' aviation needs. At the same time, U.S. taxpayers demand accountability for funding provided in support of projects such as the KAIA improvements. Because AML had adequately supported KAIA's project costs as of September 1, 2010, and reasonably explained how the remaining \$7.3 million would be applied, we are making no recommendations.

## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

We discussed the results of this report with FAA officials on March 29, 2011 and they agreed with our results.

We appreciate the courtesies and cooperation of AML representatives during this audit. If you have any questions concerning this report, please contact Earl Hedges, Acting Assistant Inspector General for Financial and Information Technology Audits at (410) 962-1729.

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## **EXHIBIT A. SCOPE AND METHODOLOGY**

At the request of AML,<sup>5</sup> we conducted this audit on a reimbursable basis<sup>6</sup> from September 2010 through March 2011, 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.

Our objective for this audit was to determine if FAA's costs for the KAIA improvements project were supported and valid under the terms and conditions of API's agreement with AML. To address our audit objectives, we reviewed applicable laws and regulations. We interviewed FAA personnel responsible for the administration and oversight of the \$19.6 million that API provided to AML in support of infrastructure and capacity improvements at KAIA, service order API-01-06-001-59002. We discussed program activities, policies and procedures, and performed a walk-through of accounting functions and other applicable management processes.

For testing purposes, we obtained a schedule of all costs incurred from AML on the project as of September 1, 2010, a total of \$12,331,460. We validated the totals against total expenditures as of that date in the Department's accounting system, DELPHI. Project costs were applicable to one of five cost categories—AML Agreements, Other, Materials, Labor Hours, and Travel. In coordination with OIG's senior statistician, we stratified the universe of 1,470 line items by dollar amount and selected line items with probability proportional to size with replacement from each stratum for a total sample size of 71. Because the sample was selected with replacement, 10 line items were selected more than once for an actual sample size of 55 at a value of \$11,292,199.50.

We requested and reviewed documentation in support of these items. The documentation included, but was not limited to, AML agreements, award decisions, invoices, status reports, requisition records, cost schedules, vouchers, and time cards. When necessary, we requested follow-up documentation, made subsequent inquiries and held meetings for clarification and or explanation.

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<sup>5</sup> Pursuant to Section 509(c) of Public Law 109-102, which appropriated funds for USAID and other purposes for fiscal year 2006, any agreement for the transfer or allocation of funds appropriated by that Law, or prior Laws, entered into between USAID and other Federal agencies under the authority of Section 632(a) of the Foreign Assistance Act of 1961 or any comparable provision of law, shall expressly provide that the Office of the Inspector General for the agency receiving the transfer or allocation of such funds shall perform periodic program and financial audits of the use of such funds.

<sup>6</sup> Intra-Agency Agreement DTFAAC-10-X-80006, August 2010.

We also examined \$7,289,540 not expended on the project as of September 1, 2010. We reviewed a schedule detailing how these funds were budgeted for expenditure. We reviewed associated cost narrative explanations for reasonableness and validity in accordance with the KAIA infrastructure project and API's agreement with AML.

**EXHIBIT B. MAJOR CONTRIBUTORS TO THIS REPORT**

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