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United States General Accounting Office
Washington, DC 20548

September 10, 2003

The Honorable Tom Harkin
United States Senate

Subject: *Foreign Military Sales: Air Force Does Not Use Controls to Prevent Spare Parts Containing Sensitive Military Technology from Being Released to Foreign Countries*

Dear Senator Harkin:

From 1990 through 2001, the Department of Defense delivered over \$138 billion in defense articles and services to foreign countries through its foreign military sales programs that included spare parts. Some sales occur under blanket order cases,¹ which are requisitions for a specific dollar value and generally cover classes of parts that a country may need rather than a specific item within a class. The management of foreign military sales is especially critical given the need to prevent certain foreign countries from receiving parts that, if released, could be used against U.S. interests. This report stems from audit work performed in connection with our report, *Foreign Military Sales: Improved Air Force Controls Could Prevent Unauthorized Shipments of Classified and Controlled Spare Parts to Foreign Countries*.² In that report, we address issues relating to classified spare parts that are restricted for national security reasons and controlled spare parts that are not classified but contain military technology³ or applications or are controlled cryptographic parts. During our work for that report, we observed a situation that brought into question Air Force internal controls to prevent unclassified or uncontrolled spare parts that contain sensitive military technology from being released to foreign countries ineligible to receive them. As agreed with your office, this report focuses on whether the Air Force has internal controls in place to prevent spare parts that contain sensitive military technology from being released to foreign countries ineligible to receive the parts.

¹ Hereafter referred to as blanket order(s).

² U.S. General Accounting Office, *Foreign Military Sales: Improved Air Force Controls Could Prevent Unauthorized Shipments of Classified and Controlled Spare Parts to Foreign Countries*, [GAO-03-664](#) (Washington, D.C.: July 29, 2003).

³ Military technology is technology that would reveal or give insight into the design and manufacture of U.S. military systems, which are not possessed by or available from sources outside of the United States and, if exported, would permit a significant advance in a military system of any country.

Results in Brief

The Air Force does not currently have any internal controls in place to prevent the release of spare parts containing sensitive military technology that are ordered under blanket orders and that the Air Force does not want to release to foreign countries ineligible to receive the parts. This has resulted in the inappropriate release of such parts. During our work, we identified an instance that occurred in 1997 in which a requisition for a C-130 refueling kit, which was to be used on U.S. aircraft only, was not reviewed by anyone because there were no controls in place to require that it be reviewed before it was shipped to a foreign country. When we brought this situation to the attention of Air Force Security Assistance Center officials, they said that the Air Force does not have clear guidance for identifying parts containing sensitive military technology that the Air Force does not want shipped to some foreign countries. They acknowledged that releases of similar spare parts to foreign countries ineligible to receive them had occurred and that such releases were a problem. They also acknowledged that as a result of our work the Air Force Audit Agency will review its controls for selling military technology to foreign countries. The Air Force uses its Security Assistance Management Information System to verify in part that countries are eligible to receive classified or controlled parts. However, this control could also be used to identify for foreign military sales case managers⁴ review spare parts that contain sensitive military technology and that the Air Force does not want to release to foreign countries ineligible to receive them.

We recommend that the Secretary of the Air Force direct the Deputy Under Secretary of the Air Force, International Affairs, to (1) develop, or direct an appropriate source within the Air Force to develop, criteria for identifying spare parts containing sensitive military technology that should not be released to foreign countries and (2) establish appropriate edits in the Security Assistance Management Information System so that requisitions for spare parts containing sensitive military technology that are identified above are referred to foreign military sales case managers for review. In commenting on a draft of this report, the Department of Defense concurred in principle with our recommendations. The department outlined specific corrective actions to be taken that respond to our recommendations.

Background

The transfer of defense items to friendly nations and allies is an integral component in both U.S. national security and foreign policy. The U.S. government authorizes the sale or transfer of military equipment, including spare parts, to foreign countries either through government-to-government agreements or through direct sales from U.S. manufacturers. The Arms Export Control Act⁵ and the Foreign Assistance Act of 1961,⁶ as amended, authorize the Department of Defense's foreign military sales program.

⁴ Foreign military sales case managers at the Air Force Security Assistance Center are responsible for monitoring a particular type of foreign military sale case, such as a blanket order.

⁵ Public Law 90-629.

⁶ Public Law 87-195.

The Department of State sets the overall policy regarding which countries are eligible to participate in the foreign military sales program, and the Department of Defense, through the military services, enters into foreign military sales agreements with individual countries. The Deputy Under Secretary of the Air Force, International Affairs, is responsible for the Air Force's foreign military sales program. The Air Force Security Assistance Center, which is an activity of the Air Force Materiel Command, administers the program. Requisitions for spare parts related to significant military equipment and major defense equipment are processed as defined orders, which cover specific items and quantities and which provide for security reviews and item identification. Requisitions can also be processed as blanket orders, which define a country's eligibility to requisition spare parts. The center uses an automated management information system, the Security Assistance Management Information System, to ensure that only requisitions for spare parts with appropriate waivers are processed under blanket orders.

The Air Force Does Not Control Requisitions of Parts Containing Military Technology to Foreign Countries

The Air Force does not currently have internal controls in place to prevent the release of spare parts that contain sensitive military technology ordered under blanket orders from being released to foreign countries. As a result, the Air Force has released spare parts containing sensitive military technology to countries ineligible to receive them.

We found that in 1997 a foreign country used a blanket order to requisition and obtain a refueling kit used on the C-130 aircraft that should not have been released. We were told that, at that time, the refueling kit was to be used for U.S. special operations forces aircraft only and was not to be released to foreign countries. The release occurred because there were no controls in place for the requisition to be reviewed prior to release. The refueling kit is presently managed by the Air Force's Warner Robins Air Logistics Center at Robins Air Force Base, Georgia. Air Force officials told us that the Air Force's Office of Special Investigations at that time was asked to investigate the release of the refueling kit for the C-130. However, we were unable to determine the disposition of that investigation. According to the Air Logistics Center, the kit is no longer considered sensitive.

While the Security Assistance Management Manual indicates that the transfer of technology is to be restricted, it does not define a process or establish criteria whereby parts containing sensitive technology can be identified. An Air Force Security Assistance Center official confirmed that the Air Force does not have clear guidance for identifying spare parts containing sensitive military technology that the Air Force determines should not be shipped to foreign countries ineligible to receive them.

Air Force Security Assistance Center officials acknowledged that releasing spare parts containing military technology to some foreign countries is a problem resulting from the lack of adequate controls over blanket orders and that spare parts containing sensitive military technology had been released. The official also said that, as a result of our work and the fact that other parts had been released; the Air

Force Audit Agency may review, within the next year, the Air Force's policies for selling military technology to foreign countries.

The Air Force uses its Security Assistance Management Information System to help verify that requisitioning countries are eligible to requisition and receive spare parts related to significant military equipment and major defense equipment and is taking actions to correct problems with the system that we recently reported.⁷ However, the Air Force currently does not use the system to control the release of spare parts containing sensitive military technology. By establishing appropriate restrictions in the system, the Air Force could use the system to control the release of spare parts containing sensitive military technology that it determines should not be shipped to some foreign countries.

Conclusion

Because the Air Force has no means to identify spare parts containing sensitive military technology that it may determine should not be released to certain foreign countries and it does not have internal controls in place to prevent the release of the parts, such releases are occurring. Furthermore, the Air Force does not know the extent of those releases. This inadequate control environment places the department at risk of having its sensitive military technology not only improperly released but also used against national interests.

Recommendations for Executive Action

We recommend that the Secretary of the Air Force direct the Deputy Under Secretary of the Air Force, International Affairs, to (1) develop, or direct an appropriate source within the Air Force to develop, criteria for identifying spare parts containing sensitive military technology that should not be released to foreign countries and (2) establish appropriate edits in the Security Assistance Management Information System so that requisitions for spare parts containing sensitive military technology that are identified above are referred to foreign military sales case managers for review.

Agency Comments

In commenting on a draft of this report, the Department of Defense concurred in principle with our recommendations. Specifically, the department commented that the Secretary of the Air Force will direct an appropriate source to (1) develop criteria for identifying spare parts containing sensitive technology that should not be released to foreign countries and (2) establish appropriate edits in the Security Assistance Management Information System so that requisitions for spare parts containing sensitive military technology that are identified above are referred to foreign military sales case managers for review. These actions respond to our recommendations.

The department's comments are enclosed.

⁷ [GAO-03-664](#).


Scope and Methodology

To determine whether the Air Force has controls in place to prevent the unintentional release of spare parts containing sensitive military technology to foreign countries not eligible to receive them, we held discussions with officials from the Office of the Deputy Under Secretary of the Air Force, International Affairs; the Air Force Materiel Command's Security Assistance Center, Wright-Patterson Air Force Base, Ohio; the Air Force's Warner Robins Air Logistics Center, Robins Air Force Base, Georgia; and the Air Force Audit Agency. We discussed the policies, practices, and procedures for releasing spare parts containing military technology to foreign countries. This review stems from our prior work⁸ and was conducted from May 2002 through July 2003 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the issue date. At that time, we will send copies of this report to the Secretary of Defense; the Secretary of the Air Force; the Director, Office of Management and Budget; and other interested congressional committees. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact me on (202) 512-8365 if you or your staff have any questions concerning this report. Key contributors to this letter were Lawson Gist, Jr.; Jennifer Thomas; Arthur James, Jr.; Lou Modliszewski; and Jane Hunt.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'W. Solis', with a large, stylized loop at the end.

William M. Solis, Director
Defense Capabilities and Management

Enclosure

⁸ [GAO-03-664](#).



DEFENSE SECURITY COOPERATION AGENCY

WASHINGTON, DC 20301-2800

SEP 09 2003

In reply refer to:
I-03/012158P2

Mr. William M. Solis, Director
Defense Capabilities and Management
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the GAO Draft report, "Foreign Military Sales: Air Force Does Not Use Controls to Prevent Spare Parts Containing Sensitive Military Technology from Being Released to Foreign Countries dated July 2003 (GAO Code 350363/GAO-03-939R).

The Department reviewed the draft report and concurs in principle with the recommendation that the Secretary of the Air Force instruct the Deputy Under Secretary of the Air Force, International Affairs, to require the appropriate officials within the Air Force to take corrective measures that ensure adequate controls are in place to prevent future unauthorized shipments of unclassified and/or uncontrolled spare parts to foreign countries.

Comments addressing the GAO draft report recommendation are included in the enclosure.

The Department appreciates the opportunity to comment on the draft report. My point of contact on this matter is Ms. Kathy Robinson. She may be contacted by email: kathy.robinson@dscs.mil or by telephone at (703) 601-4368.

Sincerely,

A handwritten signature in black ink, appearing to read "Tome H. Walters, Jr.", is positioned above the typed name.

TOME H. WALTERS, JR.
LIEUTENANT GENERAL, USAF
DIRECTOR

Attachment
As stated

**GAO DRAFT REPORT - DATED JULY 25, 2003
GAO CODE 350363/GAO-03-939R**

**“FOREIGN MILITARY SALES: AIR FORCE DOES NOT USE CONTROLS TO
PREVENT SPARE PARTS CONTAINING SENSITIVE MILITARY TECHNOLOGY
FROM BEING RELEASED TO FOREIGN COUNTRIES”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENDATION**

RECOMMENDATION: The GAO recommended that the Secretary of the Air Force direct the Deputy Under Secretary of the Air Force, International Affairs, to 1) develop or direct an appropriate source within the Air Force to develop criteria for identifying spare parts containing sensitive military technology that should not be released to foreign countries, and 2) establish appropriate edits in the Security Assistance Management Information System (SAMIS) so that requisitions for spare parts containing sensitive military technology that are identified above are referred to country case managers for review. (Page 4/GAO Draft Report)

DOD RESPONSE: Concur. The Secretary of the Air Force (SecAF) will direct an appropriate source to (1) develop criteria for identifying spare parts containing sensitive technology that should not be released to foreign countries and (2) establish appropriate edits in the Security Assistance Management Information System (SAMIS) so that requisitions for spare parts containing sensitive military technology that are identified above are referred to case country managers of review.

The SecAF is the proper authority to ensure the right organization can accomplish this tasking. We have taken corrective measures to ensure adequate controls are in place to ensure only authorized assets are released to the FMS customer. Air Force Security Assistance Center (AFSAC) has recently implemented explicit asset release/documentation procedures for items identified for review from edits in the SAMIS. AFSAC has also established a center-level foreign disclosure office to better educate our workforce on appropriate controls, and to review the transfer of sensitive items to our foreign customers. The AFMC/DRX Technology Working Group, in cooperation with the technology transfer disclosure elements within AFMC and AFSAC, could provide advice and assist in further developing appropriate measures to ensure only authorized assets are released to FMS customers.

Military Department FMS case execution legacy systems (e.g., SAMIS) are currently in a “brown-out” state, and Defense Security Cooperation Agency (DSCA) approval is required for major changes/improvements while the Case Execution Management Information System (CEMIS) is being designed. CEMIS requirements were identified by DSCA and the Military Departments, and contain numerous requisition validation edits that will reject unauthorized orders from further processing, thus precluding these types of occurrences in the future. Anticipate CEMIS will be ready for initial deployment in FY 07-08 timeframe.

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