

November 2011

PERSIAN GULF

Implementation Gaps Limit the Effectiveness of End-Use Monitoring and Human Rights Vetting for U.S. Military Equipment

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Why GAO Did This Study

The United States has authorized billions of dollars in arms sales and exports to six Persian Gulf countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). However, regional tensions and civil conflicts have raised concerns about the security and use of arms sold or exported to these countries. The Departments of Defense (DOD) and State (State) established end-use monitoring programs to ensure that these arms are used as intended. This report assesses the extent to which DOD and State (1) safeguard U.S. military technologies sold or exported to the Gulf countries, (2) provide similar or differing levels of protection for the same military technologies, and (3) vet recipients of U.S.-funded military training and equipment for potential human rights violations. To address these objectives, GAO reviewed laws and regulations, analyzed data and documentation, and interviewed officials in Washington, D.C., and the Gulf countries.

What GAO Recommends

DOD and State should harmonize their end-use monitoring for NVDs and strengthen procedures to verify compliance with security and accountability requirements, among other things. Also, State should implement individual- and unit-level human rights vetting for recipients of equipment. DOD agreed with all of the recommendations. State agreed with two of the recommendations, but disagreed that it should develop guidance on the use and timing of site visits and closure of Blue Lantern cases. GAO believes the recommendations remain valid on the need for policies, procedures, and guidance.

View [GAO-12-89](#) or key components. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

November 2011

PERSIAN GULF

Implementation Gaps Limit the Effectiveness of End-Use Monitoring and Human Rights Vetting for U.S. Military Equipment

What GAO Found

Gaps in implementation limit the effectiveness of U.S. efforts to safeguard military equipment sold or exported to the Persian Gulf. Under the Golden Sentry program, DOD did not document its efforts to verify host country security and accountability procedures for sensitive military equipment, and DOD personnel in five of six Gulf countries did not document their activities to monitor less sensitive items. Under its Blue Lantern program, State officials conducted postshipment checks without visiting end-users of U.S. military equipment in 10 of 13 cases GAO reviewed, and delays in requesting and conducting checks have prevented State from verifying receipt of some items. In addition, State closed post-shipment checks without receiving confirmation of receipt in 2 of 13 cases GAO reviewed.

Examples of Military Equipment Subject to End-Use Monitoring in the Persian Gulf



Source: DOD.

AIM-120 Advanced Medium Range Air-to-Air Missiles



Night vision device



Javelin missile

DOD and State both treat night vision devices (NVD) as a sensitive technology, but their end-use monitoring for these items varies markedly, leaving them prone to diversion. Man-portable NVDs sold through Foreign Military Sales (FMS) must be tracked by serial number, inventoried following delivery, and inventoried periodically thereafter. In contrast, State does not track NVDs by serial number or conduct regular inventories for NVDs exported through direct commercial sales (DCS). As a result, less advanced NVDs purchased through FMS have received more rigorous monitoring than more advanced NVDs purchased through DCS. In Saudi Arabia, DOD officials inventoried thousands of second-generation NVDs that were purchased through FMS in the early 1990s. Meanwhile, State approved licenses for the sale of thousands of advanced, third-generation NVDs to Saudi Arabia since 2005, which are subject to less rigorous end-use monitoring.

State has conducted human rights vetting for hundreds of individuals and units that were nominated for U.S.-funded training in the Gulf countries, but has not conducted comparable vetting for anticipated recipients of about \$188 million in U.S.-funded equipment for Bahrain and Oman. Such vetting is especially critical given Bahrain's use of its security forces to quell public demonstrations since Spring 2011. In November 2010, State established a new system for human rights vetting in the Gulf countries and has since vetted almost 800 individuals and units nominated for U.S.-funded training. However, recipients of equipment are not screened through this system. According to State, it does not vet recipients of equipment at the individual or unit level because the recipients are not generally known at the time that the assistance is approved, and State does not have procedures in place to conduct vetting later in the acquisition process.

Contents

Letter		1
	Background	3
	Implementation Gaps Limit the Effectiveness of U.S. Efforts to Safeguard Military Equipment in the Persian Gulf Countries	8
	DOD's and State's End-Use Monitoring Varies Significantly for NVDs Purchased by Persian Gulf Countries	24
	State Conducts Human Rights Vetting for Recipients of U.S.-Funded Training in Gulf Countries, but Does Not Conduct Comparable Vetting for Recipients of Equipment	31
	Conclusions	36
	Recommendations for Executive Action	37
	Agency Comments and Our Evaluation	38
Appendix I	Scope and Methodology	42
Appendix II	Comments from the Department of Defense	48
Appendix III	Comments from the Department of State	52
Appendix IV	GAO Contact and Staff Acknowledgments	62
Tables		
	Table 1: Defense Articles Purchased by the Gulf Countries Requiring Golden Sentry Enhanced End-Use Monitoring	9
	Table 2: Compliance Assessment Visits Conducted by DOD in the Gulf Countries	11
	Table 3: Objectives of Prelicense and Postshipment Blue Lantern Checks	13
	Table 4: Number of Blue Lantern Checks Conducted in the Persian Gulf Countries, Fiscal Years 2005 through 2010	15
	Table 5: Inventory Status for Defense Articles in the Gulf Countries Requiring Enhanced End-Use Monitoring, as of August 23, 2011	16
	Table 6: Number of Individuals and Units in the Gulf Countries Vetted through INVEST, as of August 15, 2011	35

Table 7: Foreign Military Financing Received by Bahrain and Oman, Fiscal Years 2005 through 2010	35
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Figures

Figure 1: Map of Gulf Cooperation Council Countries	4
Figure 2: Life Cycle of a Blue Lantern Check	14
Figure 3: Examples of Man-Portable NVDs	25
Figure 4: Number of NVDs in the Inventories of the Gulf Countries, as of August 23, 2011, that Had Been Purchased Through FMS	26
Figure 5: State's Human Rights Vetting Process in the Gulf Countries	33

Abbreviations

AECA	Arms Export Control Act of 1976
DCS	direct commercial sales
DOD	Department of Defense
DSCA	Defense Security Cooperation Agency
FMS	Foreign Military Sales
INVEST	International Vetting and Security Tracking
NVD	night vision device
SCIP	Security Cooperation Information Portal
State	Department of State
UAE	United Arab Emirates

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United States Government Accountability Office
Washington, DC 20548

November 17, 2011

The Honorable Ileana Ros-Lehtinen
Chairman
Committee on Foreign Affairs
House of Representatives

The Honorable Dan Burton
House of Representatives

The Honorable Mike Pence
House of Representatives

The Persian Gulf remains a region of significant national security concern to the United States as Iran pursues nuclear weapons, the United States continues to withdraw forces from Iraq, and political upheaval threatens the stability of governments in the region. Regional tensions, civil conflicts, and concerns about terrorist groups obtaining weapons have raised questions about the security and use of military equipment originating in the United States. From fiscal years 2005 through 2010, the United States authorized billions of dollars in arms sales and arms exports¹ to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE)² to promote national security and foreign policy goals. Transfers to the UAE are of particular concern, as the UAE has been cited by Congress as a transshipment point for illicit exports to Iran. In 1996, Congress required that the President establish a program to provide for the end-use monitoring of arms sales and exports. The Department of Defense (DOD) operates its Golden Sentry program to monitor arms sold through Foreign Military Sales (FMS), and the Department of State (State) operates its Blue Lantern program to monitor arms exported through direct commercial sales (DCS).

¹For the purposes of this report, arms sales refer to defense articles and services that the U.S. government sells to foreign governments and international organizations through Foreign Military Sales. Arms exports refer to defense articles and services licensed for export through the Department of State-administered direct commercial sales. Arms sales and arms exports to the Gulf countries include missile and missile defense systems, aircraft, and night vision devices, among other things.

²Throughout this report, we refer to these six countries as the Gulf countries.

You asked us to review arms sales and arms exports to the Persian Gulf. This is the second of two reports on the subject. Our first report found that DOD and State did not consistently document how arms sales and arms exports to the Gulf countries advanced U.S. foreign policy and national security interests.³ In addition, we found that State's database for licensing defense exports did not enable reliable estimates of the total value of authorized arms exports to the Gulf countries. The database included an undetermined amount of authorizations to U.S. military units stationed in those countries and counted some license values twice. In comparison, we were able to determine that DOD-administered FMS authorized \$22 billion in arms sales to the Gulf countries from fiscal years 2005 through 2009.

This report assesses the extent to which DOD and State (1) safeguard U.S. military technologies sold or exported to Gulf countries through their end-use monitoring programs, (2) provide similar or differing levels of protection for the same military technologies sold or exported, and (3) vet recipients of military training and equipment for potential human rights violations.

To address these objectives, we reviewed laws and regulations, analyzed data and documentation related to DOD's and State's end-use monitoring programs, and interviewed officials responsible for end-use monitoring and human rights vetting in Washington, D.C., and the Gulf countries. We reviewed and analyzed data and management reports from DOD's Security Cooperation Information Portal detailing the status of end-use monitoring activities in the Gulf countries, and reviewed DOD assessments evaluating compliance with end-use monitoring requirements. We drew a nongeneralizable sample of 34 Blue Lantern checks—including 25 checks selected randomly and 9 selected judgmentally—and reviewed State cables associated with these checks.⁴ We also obtained and analyzed State export licensing data to identify

³GAO, *Persian Gulf: U.S. Agencies Need to Improve Licensing Data and to Document Reviews of Arms Transfers for U.S. Foreign Policy and National Security Goals*, [GAO-10-918](#) (Washington, D.C.: Sept. 20, 2010).

⁴We drew a random, stratified sample of 25 checks out of 77 conducted in the Persian Gulf countries in fiscal years 2009 and 2010. In addition, we judgmentally selected 9 Blue Lantern checks from fiscal years 2005 through 2010 because they were higher priority checks or because they pertained to the export of night vision devices, a sensitive military technology.

licenses for night vision devices (NVD) authorized for export to the Gulf countries. To assess the extent of human rights vetting for recipients of U.S. military equipment and training in the Gulf countries, we reviewed State's human rights vetting guidance, as well as data and documentation on vetting. We conducted audit work in Saudi Arabia and the UAE, during which we met with host country officials and observed end-use monitoring checks for missiles and NVDs. We conducted phone interviews with U.S. officials responsible for end-use monitoring and human rights vetting in the countries that we did not visit—Bahrain, Kuwait, Oman, and Qatar.

We conducted this performance audit from October 2010 to November 2011 in accordance with generally accepted government auditing standards. These 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. Appendix I provides a more detailed description of our scope and methodology.

Background

Gulf Cooperation Council

Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE are key U.S. allies in the Persian Gulf (see fig. 1). The countries are primarily governed by longstanding ruling families under emirates and monarchies, and, with the exception of Bahrain and Oman, each possesses large oil or gas reserves. Together, these countries constitute the Gulf Cooperation Council, which they established in 1981 as a means to coordinate on security concerns, among other issues. The United States maintains close security ties with the Gulf countries. For example, Saudi Arabia and the UAE are two of the largest purchasers of U.S. arms in the world, the U.S. Navy's 5th Fleet is headquartered in Bahrain, and U.S. Central Command operates its forward command facilities in Qatar. Moreover, the United States has designated Bahrain and Kuwait as major non-NATO allies.

Figure 1: Map of Gulf Cooperation Council Countries



Sources: GAO; Map Resources (map).

In the 1990s, the U.S. military presence in the Persian Gulf and efforts to promote greater coordination among the Gulf Cooperation Council states was primarily aimed at containing conventional threats from Iraq and Iran. More recently, U.S. security cooperation has focused on addressing

transnational terrorism and proliferation networks and confronting regional security threats, in particular Iran. However, popular uprisings in the Persian Gulf and elsewhere in the Arab world strained U.S. relations with some Gulf Cooperation Council countries in 2011 and have drawn into focus the tension between preserving existing security relationships and promoting human rights. For example, human rights organizations and other observers have noted that the government in Bahrain may have violated human rights in its attempt to quell protests in February 2011 and suppress dissent in their aftermath.

Laws Governing Arms Exports and Sales

The Arms Export Control Act of 1976 (AECA) authorizes the President to control the sale or export of defense articles⁵ and services.⁶ The U.S. government sells defense articles and services to foreign governments and international organizations through FMS and authorizes the commercial export of defense articles and services to foreign governments and other entities through DCS. State has overall regulatory responsibility for both FMS and DCS, but DOD's Defense Security Cooperation Agency (DSCA) administers FMS, and the individual military departments implement the sale and delivery process for FMS.⁷ State's Directorate of Defense Trade Controls administers DCS by licensing exports from U.S. companies to foreign entities.

The AECA, as amended, also requires end-use monitoring for the sale or export of defense articles and services, and these responsibilities are delegated to the same agencies that administer the programs. A 1988 amendment to the AECA required the President to develop standards for identifying high-risk commercial exports for regular end-use monitoring.⁸ In consultation with other agencies, State developed a list of standards that may signal an illegal export or diversion, and therefore warrant end-use monitoring.⁹ In 1996, Congress amended the AECA to require the

⁵Throughout this report, we use the terms "military equipment" and "equipment" synonymously with "defense articles."

⁶AECA, as amended, 22 U.S.C. §§ 2751 et seq.

⁷DSCA's policies for implementing FMS are outlined in the *Security Assistance Management Manual*.

⁸22 U.S.C. § 2778(g)(7).

⁹Standards Identifying High-Risk Exports, 53 Fed. Reg. 37382 (Sept. 26, 1988).

President to establish a program for monitoring the end-use of defense articles and defense services sold, leased, or exported under the AECA, including through FMS and DCS.¹⁰ The amendment specified that the program should provide reasonable assurances that the recipient is complying with restrictions imposed by the U.S. government on the use, transfer, and security of the defense articles and defense services. DOD's DSCA administers the Golden Sentry program to monitor the end-use of defense articles and defense services transferred through FMS, and State's Directorate of Defense Trade Controls administers the Blue Lantern program to conduct end-use monitoring for defense articles and defense services exported under DCS. U.S. officials located in the Gulf countries conduct the monitoring for each program. DOD officials at Security Cooperation Organizations¹¹ conduct Golden Sentry end-use monitoring and State officials at U.S. embassies conduct Blue Lantern checks. Policies and procedures for the Golden Sentry and Blue Lantern programs are outlined in DOD's *Security Assistance Management Manual* and State's *Blue Lantern Guidebook*, respectively.

Restrictions on Security Assistance Based on Human Rights Concerns

A provision in the Foreign Assistance Act, as amended in 2008, commonly referred to as the "Leahy Law," prohibits the United States from providing any assistance under the act or AECA to any unit of the security forces of a foreign country if there is credible information that such unit has committed gross violations of human rights.¹² This law applies to assistance provided through the International Military Education and Training and Foreign Military Financing programs, among others. From 1997 through 2007, this provision was included as an amendment to State's annual foreign operations appropriation bills. In 2008, the

¹⁰See section 40A(a)(2) of the AECA; 22 U.S.C. § 2785(a)(2). This amendment also requires the President to establish an end-use monitoring program for defense articles sold, leased, or exported under the Foreign Assistance Act of 1961, which authorizes military equipment transfers through security assistance programs such as the Excess Defense Articles and Emergency Drawdown programs, among others.

¹¹Security Cooperation Organizations are the DOD administrative offices in foreign countries, under the legal authority of the U.S. Ambassador and often co-located with the U.S. embassy. These organizations act as the linkage between partner nations and all DOD organizations for security cooperation issues, ranging from FMS to combined exercises. They are also responsible for conducting Golden Sentry end-use monitoring for defense articles sold through FMS.

¹²22 U.S.C. § 2378d.

Foreign Assistance Act was amended to make these restrictions permanent. In addition, DOD's annual appropriations bill contains a similar "Leahy" provision that applies to DOD-funded training programs.¹³ This provision prohibits any funding made available through DOD's appropriations bill from being used to train a unit of security forces or foreign police forces¹⁴ if State provides to DOD credible evidence of gross human rights violations by such unit. According to DOD policy, this provision applies to Joint Combined Exchange Training and the Combating Terrorism Fellowship Program—two training programs that DOD has funded in the Persian Gulf countries.

The State and DOD Leahy provisions do not apply to training and equipment purchased through FMS or DCS using host country funds. These purchases are subject to a separate human rights provision, which limits security assistance to countries whose governments engage in a consistent pattern of gross violations of human rights.¹⁵ According to State, it reviews all arms sales and exports through FMS and DCS for human rights concerns, among other things. State's review process is described in greater detail in our previous report on arms sales and arms exports to the Gulf countries.¹⁶

¹³This provision is included as a recurring amendment in DOD's annual appropriations bill. For the most recent version of this provision, see Section 8058 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10 (Apr. 15, 2011).

¹⁴DOD's "Leahy" provision included foreign police forces for the first time in fiscal year 2011.

¹⁵22 U.S.C. § 2304(a)(2).

¹⁶[GAO-10-918](#).

Implementation Gaps Limit the Effectiveness of U.S. Efforts to Safeguard Military Equipment in the Persian Gulf Countries

DOD Monitors Military Equipment Based on Lists of Sensitive Items, while State Monitors it Case-by- Case Based on Sensitivity and Other Risk Factors

DOD Conducts Two Levels of End-Use Monitoring and Periodic Compliance Visits

Under its Golden Sentry program, DOD conducts two levels of monitoring—enhanced end-use monitoring and routine end-use monitoring—based on a list of specific sensitive defense articles. DOD conducts enhanced end-use monitoring for specifically identified sensitive defense articles, services, and technologies. Letters of Offer and Acceptance¹⁷ authorizing the sale of these items to countries in the Persian Gulf and elsewhere may contain specialized notes or provisos specifying that the purchaser must adhere to certain physical security and accountability requirements.¹⁸ For example, specialized notes for Advanced Medium Range Air-to-Air Missiles require the purchaser to conduct semiannual inventories by serial number and establish procedures to provide a continuous accounting for the items. To verify compliance with these provisos, DOD policy requires that it conduct serial number inventories for items designated as requiring enhanced end-use monitoring following delivery and at regular intervals thereafter. As of

¹⁷Letters of Offer and Acceptance are the FMS purchase agreements between the United States and a foreign purchaser.

¹⁸These specialized notes are outlined in Chapter 5 of the *Security Assistance Management Manual*.

July 2011, DOD had designated 16 defense articles that always require enhanced end-use monitoring when sold through FMS.¹⁹ As of August 23, 2011, the Gulf countries have purchased 9 of these 16 defense articles, including NVDs and various missiles (see table 1).

Table 1: Defense Articles Purchased by the Gulf Countries Requiring Golden Sentry Enhanced End-Use Monitoring

Defense article	Gulf country					
	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
Communications Security Equipment ^a	•	•	•	•	•	•
STINGER missiles and gripstocks	•				•	
Night Vision Devices (NVD)	•	•	•		•	•
Javelin missiles and command launch units			•			•
TOW-2B missiles		•	•		•	
Advanced Medium Range Air-to-Air Missiles (AMRAAM)	•	•	•		•	•
AIM-9X Advanced Sidewinder Air-to-Air missiles					•	
Harpoon Block II missiles			•			•
Large Aircraft Infrared Countermeasures (LAIRCM) ^b	•				•	
Standoff Land Attack Missile Expanded Response (SLAM-ER) missiles						
Joint Air-to-Surface Standoff Missiles (JASSM)						
Joint Standoff Weapon (JSOW)						
Standard Missile-3 (SM-3)						
Tomahawk missile						
Unmanned Aerial System (UAS) ^c						
Terminal High Altitude Area Defense (THAAD) ^d						

The Gulf countries have not purchased any of these defense articles.

Source: DSCA.

^aEnhanced end-use monitoring for Communications Security Equipment is administered by the National Security Agency and combatant commands, rather than DSCA. DSCA does not track Communications Security Equipment in its end-use monitoring database. Therefore, we do not include such equipment in further analyses of end-use monitoring in the Gulf countries that appear in this report.

^bSaudi Arabia has purchased Large Aircraft Infrared Countermeasures (LAIRCM) systems through FMS, but they have not yet been delivered.

^cThis refers to the most sensitive, category 1 unmanned aerial systems only. All other unmanned aerial systems are covered under routine end-use monitoring.

¹⁹In some instances, DOD may also require country-specific, enhanced end-use monitoring for other defense articles not included on this list.

^dOn September 9, 2008, DSCA notified Congress of a possible sale of three THAAD fire units and associated equipment and services worth almost \$7 billion. The UAE would be the first foreign purchaser of this missile defense system, although, as of October 27, 2011, the sale had not been finalized. The THAAD weapon system consists of missiles, mobile launchers, ground based radars, a tactical operations center, and support equipment. It intercepts ballistic missile warheads at high altitudes, therefore reducing the probability that debris and chemical or biological agents will reach the ground in damaging amounts.

DOD conducts routine end-use monitoring for defense articles and services sold through FMS that do not have any unique conditions associated with their transfer. Routine end-use monitoring is conducted in conjunction with other required security-related duties. For example, U.S. officials might observe how a host country's military is using U.S. equipment when visiting a military installation on other business. Given the large volume of defense articles transferred through FMS, DSCA officials have instructed DOD personnel to concentrate routine end-use monitoring efforts on a "watch list" of specific categories of items, including battle tanks, artillery systems, fixed wing aircraft, and helicopters. All other defense articles, such as uniforms, radios, and canteens, are still subject to routine end-use monitoring, but receive a lower priority.

In addition to enhanced and routine end-use monitoring, DOD conducts periodic Compliance Assessment Visits to review and evaluate the Security Cooperation Organizations' and host nations' overall end-use monitoring compliance programs. A Compliance Assessment Visit evaluates a country's compliance with specific physical security and accountability agreements, provisos, and other terms of sale. It may include facility visits, records reviews, reviews of local security procedures, and inventories of U.S. origin defense articles.²⁰ As of October 27, 2011, DOD has conducted a Compliance Assessment Visit in each of the Gulf countries except for Qatar, which has not received any defense articles requiring enhanced end-use monitoring except for Communications Security Equipment (see table 2). In May 2009, we reported that DOD did not have written guidance for selecting countries for compliance visits and recommended that DOD create written guidance

²⁰DOD may also conduct Familiarization Visits and Investigation Visits as part of its Golden Sentry end-use monitoring program. Familiarization Visits are intended to help the host nation and Security Cooperation Organization develop end-use monitoring compliance plans. DOD has conducted Familiarization Visits in all of the Gulf countries except for Qatar. Investigation Visits are designed to examine possible violations of the AECA. DOD has not conducted any Investigation Visits in the Gulf countries.

that incorporated a risk-based approach.²¹ According to DOD, it published written guidelines for identifying countries to receive compliance visits in its May/June 2011 End-Use Monitoring newsletter, and these guidelines will be included in forthcoming revisions to the *Security Assistance Management Manual*. These guidelines will be broad enough to take various factors into consideration, including the political and military stability of the region, the history of a country's compliance with the Golden Sentry program, and the makeup of a country's inventory of defense articles requiring enhanced end-use monitoring, among other factors.

Table 2: Compliance Assessment Visits Conducted by DOD in the Gulf Countries

Gulf country	Fiscal year						
	2005	2006	2007	2008	2009	2010	2011
Bahrain	•						•
Kuwait		•					
Oman					•		
Qatar ^a							
Saudi Arabia ^b		•		•			
UAE						•	

Source: DSCA.

^aDOD has not conducted a Compliance Assessment Visit in Qatar, which has not received any defense articles through FMS requiring enhanced end-use monitoring except for Communications Security Equipment. End-use monitoring for Communications Security Equipment is managed by the National Security Agency and combatant commands, and DSCA does not track this equipment in its end-use monitoring database.

^bDOD conducted its fiscal year 2006 Compliance Assessment Visit to assess the end-use monitoring program for military equipment sold to the Saudi Arabia National Guard. The fiscal year 2008 Compliance Assessment Visit assessed the end-use monitoring program for military equipment purchased by the Saudi Ministry of Defense and Aviation.

²¹GAO, *Defense Exports: Foreign Military Sales Program Needs Better Controls for Exported Items and Information for Oversight*, [GAO-09-454](#) (Washington, D.C.: May 20, 2009).

State Conducts End-use Monitoring on a Case-by-Case Basis by Evaluating the Sensitivity of Items and Other Perceived Risk Factors

Under its Blue Lantern program, State conducts end-use checks based on a case-by-case review of export license applications against established criteria or “warning flags” for determining potential risks. However, unlike DOD, State does not maintain a list of specific defense articles that are always subject to end-use monitoring. State categorizes risk factors into three types of indicators:

- *End-use/end-user indicators.* These include unfamiliar end-users or derogatory information on an end-user’s business.
- *Commodity indicators.* These include requests for especially sensitive technologies, such as NVDs, cruise missile technologies, or unmanned aerial vehicles.
- *Country/shipment indicators.* These include transshipment through multiple countries or countries of known diversion risk, or vague or suspicious delivery dates or locations.

Since fiscal year 2005, State has conducted two types of end-use monitoring checks in the Persian Gulf countries—prelicense checks and postshipment checks.²² State conducts prelicense checks prior to issuance of a license and conducts postshipment checks after an export has been approved and shipped. Table 3 summarizes the objectives of prelicense and postshipment checks.

²²State also occasionally conducts postlicense/preshipment checks if new information comes to light indicating possible concerns about a transaction which were not known at the time the license was approved. According to State officials, it did not conduct any postlicense/preshipment checks in the Gulf countries from fiscal years 2005 through 2010.

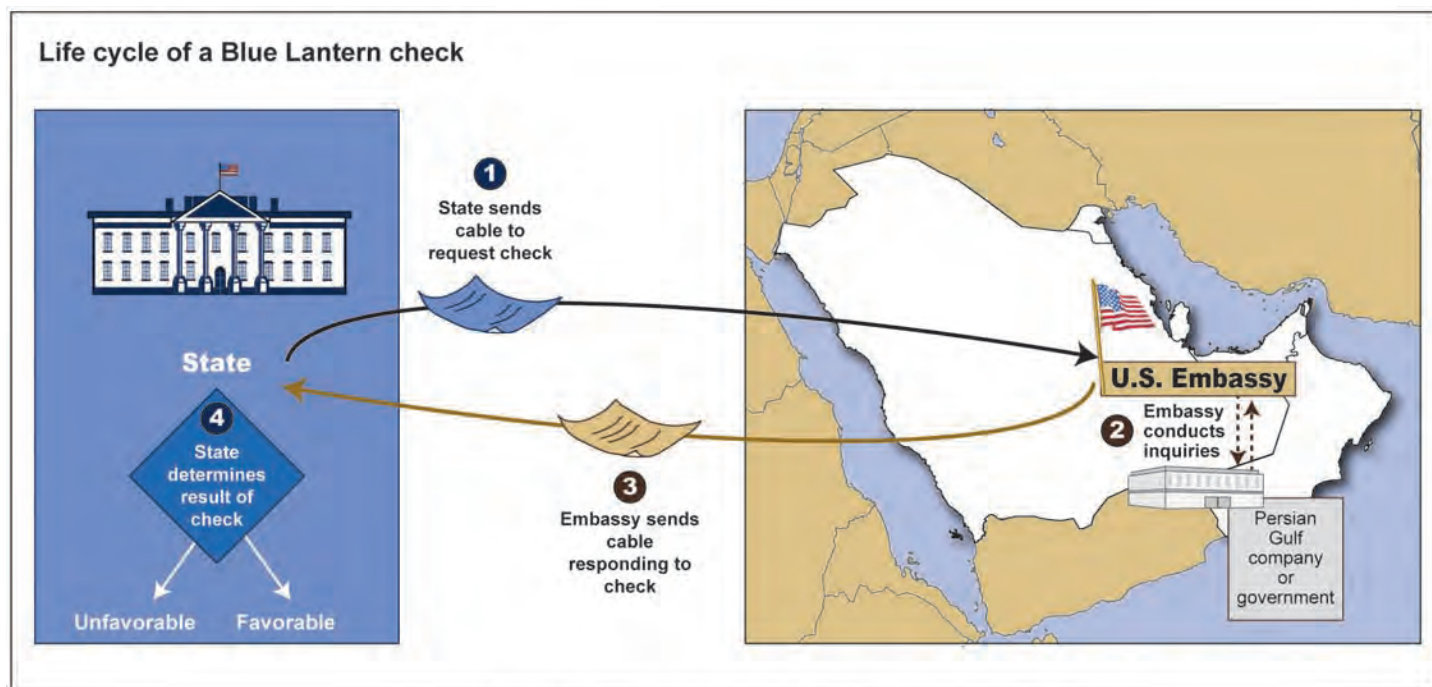
Table 3: Objectives of Prelicense and Postshipment Blue Lantern Checks

Prelicense check	Postshipment check
- confirm the <i>bona fides</i> of an unfamiliar consignee or end-user - ensure details of a proposed transaction match those identified on a license application - confirm that the end-user listed on the license application has ordered the items in question - verify the security of facilities where items may be permanently or temporarily housed - help to ensure that the foreign party understands its responsibilities under U.S. regulations and law	- confirm that the licensed items exported from the United States have been received by the party or parties named on the license - determine whether the items have been or are being used in accordance with the provisions of that license - identify any parties involved in the transaction that are not listed on the license application - inquire with the consignee and end-user as to the specific use and handling of the exported articles, or other issues related to the transaction

Source: State.

Blue Lantern checks are often initiated when a State Compliance Specialist or Licensing Officer in Washington, D.C., identifies one or more risk factors associated with a transaction. A check may also be initiated if an entity of concern is associated with a transaction outlined in an export license application. As shown in figure 2, State's Directorate of Defense Trade Controls requests a Blue Lantern check by sending a cable to the U.S. embassy in the country that is involved in the transaction. The cable may request that embassy personnel make inquiries to confirm the *bona fides* of the specified end-user or other parties to the transaction. It may also include specific questions for the embassy to ask the subject or subjects of the check. When embassy personnel have completed the check, they send a return cable with their findings, and State determines whether to close the case favorably or unfavorably. According to State, if the critical questions have been answered satisfactorily, the transaction appears legitimate, and the *bona fides* of the end-users or other parties are confirmed, the case will likely be closed "favorable." If the transaction's legitimacy cannot be confirmed, the consignees or end-user appear untrustworthy, or if there are other troubling discrepancies, the case will likely be closed "unfavorable."

Figure 2: Life Cycle of a Blue Lantern Check



Sources: GAO analysis of State data; Map Resources (map); Nova Development (clip art).

From fiscal years 2005 through 2010, State conducted 169 Blue Lantern checks in the Gulf countries, including 74 prelicense checks and 95 postshipment checks (see table 4).²³ Saudi Arabia and the UAE accounted for about 76 percent of these Blue Lantern checks. According to data from State's export licensing database, over this period, State approved 11,754 licenses for arms exports to the Gulf countries,²⁴ about one-third of which included provisos.²⁵

²³Blue Lantern checks conducted from fiscal years 2005 through 2010 may not correspond to licenses approved during those years because deliveries of items may occur within four years of a license approval.

²⁴Approved licenses may not necessarily result in deliveries.

²⁵Provisos impose limitations or other requirements on parties to the export license. For example, a proviso might limit the technical specifications of an item authorized for export or require the end-user to provide security and accountability for an item.

Table 4: Number of Blue Lantern Checks Conducted in the Persian Gulf Countries, Fiscal Years 2005 through 2010

Gulf country	Prelicense checks	Postshipment checks	Total	Percentage of total
Bahrain	4	1	5	3.0%
Kuwait	8	10	18	10.7
Oman	6	9	15	8.9
Qatar	0	2	2	1.2
UAE	41	46	87	51.5
Saudi Arabia	15	27	42	24.9
Total	74	95	169	100%

Source: GAO analysis of State Blue Lantern data.

Note: This table excludes 23 checks that State classified as “no action,” in which State did not task an embassy with conducting a check. It also excludes 8 checks that State classified as “no response,” in which State either did not receive a response from the embassy or State deemed the response unsatisfactory.

DOD’s Database Summarized the Current Inventory Status for Sensitive Defense Articles, but Could Not Verify Past Inventories Conducted Before July 2011

While DOD’s database provided a snapshot of the status of Golden Sentry end-use monitoring in the Gulf countries as of August 23, 2011, it could not confirm whether past inventories were conducted on schedule in these countries. Because the database lacked this capability, DOD does not currently have assurance that its personnel in the Gulf countries completed past inventories on time, which may have resulted in gaps in accounting for sensitive equipment shipped through FMS. However, according to DOD officials, a new function that DOD added to its end-use monitoring database will enable it to verify completion of past inventories from July 2011 forward.

DOD tracks end-use monitoring for sensitive defense articles using the Security Cooperation Information Portal (SCIP)—a web-based database DOD designed to manage various security assistance activities, including the Golden Sentry program. As shown in table 5, our analysis of data from the SCIP indicated that the Gulf countries had received 14,367 sensitive defense articles requiring enhanced end-use monitoring, as of August 23, 2011. According to information entered into the SCIP by DOD personnel located in the Gulf countries, 946 of these items had been disposed of by the host country, demilitarized, or expended in training, and 63 could not be accounted for and were determined to be lost inventory. DOD considers these defense articles to be “inactive” and no longer requires regular inventories for them. DOD personnel were able to observe and conduct serial number inventories for slightly more than 80

percent of the 13,358 remaining items for which regular inventories are required. They reported not being able to observe or inventory the remaining items—predominantly NVDs located in Saudi Arabia—because they were deployed or otherwise unavailable for observation.

Table 5: Inventory Status for Defense Articles in the Gulf Countries Requiring Enhanced End-Use Monitoring, as of August 23, 2011

Defense article	Observed or Inventoried	Not observed or inventoried	Disposed, Not demilitarized, or expended in training	Inventory loss	Total
STINGER missiles and gripstocks	99	0	888	0	987
Night Vision Devices (NVD)	7,964	2,521	14	50	10,549
Javelin missiles and command launch units	863	0	21	0	884
TOW-2B missiles	1,366	0	18	13	1,397
Advanced Medium Range Air-to-Air Missiles (AMRAAM)	349	24	5	0	378
AIM-9X missiles	120	0	0	0	120
Harpoon Block II missiles	36	10	0	0	46
Large Aircraft Infrared Countermeasures (LAIRCM)	4	2	0	0	6
Total	10,801	2,557	946	63	14,367

Source: GAO analysis of DOD Golden Sentry data.

DOD also uses management reports generated by the SCIP to track Golden Sentry end-use monitoring in the Gulf countries and elsewhere. For example, the “Delinquent Inventory Report” identifies items that have not been inspected or inventoried within a pre-determined amount of time. According to DSCA officials, Golden Sentry program managers generate these reports at least monthly to determine whether any items in the countries under their responsibility are “delinquent.” If the report identifies that there are delinquent inventories, program managers responsible for overseeing end-use monitoring activities in that region will contact DOD personnel in country to seek an explanation and determine a remediation plan. DSCA also uses country-specific “Reconciliation Reports” to compare implemented FMS purchases for defense articles requiring enhanced end-use monitoring with defense articles that have been

entered into the SCIP. This helps to ensure that all defense articles requiring enhanced end-use monitoring have been entered into the SCIP and are included in the schedule of inventories for DOD personnel in that country.

DOD's end-use monitoring data and management reports did not include documentation that would enable us to determine whether DOD had completed required inventories in the Gulf countries prior to July 2011. The SCIP was capable of retrieving and displaying information on previous inventories conducted for a single defense article (an individual serial number), but it could not show whether past inventories were completed on time or summarize all inventory information for a country. Thus, determining whether past inventories had been conducted as scheduled would require manual calculations based on thousands of lines of serial number-specific information. DSCA's management reports provided a real time snapshot of the status of inventories in the Gulf countries, but they could not provide similar information for past points in time. According to DSCA officials, they added a new function to the SCIP in July 2011 that will enable it to generate historical, country-level information detailing whether past inventories were completed on time. They noted, however, that the new feature will not provide historical information on inventories conducted before the function was added.

DOD Officials at Gulf Country Posts Have Not Documented Some End-Use Monitoring Efforts

DOD personnel in the Gulf countries seldom document their efforts to verify host country compliance with security and accountability conditions for sensitive military equipment or activities they undertake to monitor less sensitive items because DOD does not have a formal policy requiring them to do so. Our *Standards for Internal Control in the Federal Government* state that agencies should clearly document transactions and all significant events, the documentation should be readily available for examination, and all documentation should be properly managed and maintained.²⁶

²⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

DOD Officials Do Not Document Efforts to Verify Host Country Compliance with Security and Accountability Conditions for Sensitive Defense Articles

As part of enhanced end-use monitoring for sensitive defense articles, DOD guidance requires that DOD personnel in the Gulf countries and elsewhere verify host country compliance with the physical security and accountability conditions that accompany the sale of sensitive defense articles through FMS. DOD personnel conduct these activities in conjunction with their scheduled serial number inventories of these items. Advanced Medium Range Air-to-Air Missiles, for example, must be secured according to U.S. government requirements, which include perimeter fencing, lighting for exterior doors and along perimeter barriers, doors, locks, keys, alarms, and surveillance. Countries that purchase Advanced Medium Range Air-to-Air Missiles must also adhere to certain accountability requirements. Specifically, they must conduct a 100 percent, serial number inventory of the missiles on a semiannual basis and establish procedures that provide a continuous accounting of receipt, transfer, storage, shipment, and when applicable, destruction or demilitarization of the missiles. Similar security and accountability conditions apply to other sensitive defense articles purchased by the Gulf countries through FMS, including other missile systems and NVDs.

DSCA and the various military departments have developed checklists unique to each sensitive defense article for DOD personnel to use when verifying host country compliance with security and accountability requirements. However, five of the six DOD officials responsible for Golden Sentry end-use monitoring in the Gulf countries that we interviewed said that they used the checklists only as a loose guide for verifying compliance with FMS security and accountability conditions.²⁷ Furthermore, most said that they did not fill out the checklists during their end-use monitoring activities or maintain documentation of these checklists after completion because DOD has not formally required them to do so. As result, DOD does not have documentation that the Gulf countries have fulfilled the security and accountability requirements that accompany their purchase of sensitive defense articles from the United States. According to the DOD official in charge of the Golden Sentry program, the requirement to use the checklists to verify compliance with host country security and accountability conditions and document the results of these efforts has been communicated to DOD personnel in the

²⁷The DOD official responsible for Golden Sentry end-use monitoring in Qatar said that he has not used a checklist because the only defense article received by Qatar that requires enhanced end-use monitoring is Communications Security Equipment, which is monitored by United States Central Command (CENTCOM).

DOD Officials Inconsistently Document End-Use Monitoring Activities for Less Sensitive Items

Gulf countries through informal channels, such as end-use monitoring forums, newsletters, and periodic Compliance Assessment Visits in these countries. He said that these requirements would be formalized in forthcoming revisions to the *Security Assistance Management Manual*.

DOD conducts routine end-use monitoring for less sensitive defense articles that do not have any unique conditions associated with their sale, but officials in the Gulf countries inconsistently document these efforts. DOD policy specifies that routine end-use monitoring responsibilities are performed in conjunction with other required security assistance duties. The Gulf countries have received tens of thousands of defense articles through FMS that require routine end-use monitoring, including combat aircraft, helicopters, armored personnel carriers, small arms, and ammunition, among other things. According to DSCA officials, they have instructed DOD personnel in the Gulf countries and elsewhere to document their routine end-use monitoring activities through memos for the record. However, of the six DOD officials responsible for Golden Sentry end-use monitoring in the Gulf countries we interviewed, only one said he documented routine end-use monitoring efforts. The other DOD officials said that they did not document their routine end-use monitoring activities because formal policy does not require them to do so. DOD officials we interviewed in one Gulf country said that they would prefer more specific guidance on the activities that constitute routine end-use monitoring and how to document these efforts. DSCA officials responsible for administering the Golden Sentry program acknowledged that there are no formal policies requiring DOD personnel to document their routine end-use monitoring activities. Instead, they stated that they have communicated these instructions to DOD personnel through end-use monitoring forums, newsletters, and periodic in-country visits. According to DSCA officials, forthcoming revisions to the *Security Assistance Management Manual* will clarify requirements for conducting and documenting routine end-use monitoring.

Inconsistent Use of Site Visits to End-Users, Delays in Requesting Checks, and Closing Cases without Confirmation of Receipt Limit the Effectiveness of Blue Lantern Monitoring

State's Use of Site Visits to Verify End-User Compliance with License Provisos is Inconsistent

The AECA requires that end-use monitoring programs be designed to provide reasonable assurance that the recipient is complying with the requirements imposed by the United States government with respect to use, transfers, and security of defense articles and defense services. To address this requirement, State uses Blue Lantern postshipment checks to confirm that items exported through DCS have been received by the end-user and to determine whether those goods are being used in accordance with the conditions of their licenses. Postshipment checks are not automatic; rather, they are conducted if State determines they are necessary based on certain risk factors. When State tasks an embassy to conduct a postshipment check, State may include a request to conduct a site visit to the end-user, but this is not required by law or State policy.

We determined that State officials in the Gulf countries conducted Blue Lantern postshipment checks without visiting end-users of U.S. military equipment in 10 of 13 cases that we reviewed. Without conducting a site visit, embassy officials would not have been able to verify that items were being used in accordance with the terms of their licenses. We drew a sample of 34 Blue Lantern checks—including 25 checks selected randomly and 9 checks selected judgmentally—and requested the cables associated with those checks.²⁸ (See app. I for more information on how we drew our sample.) Our sample included 13 cases in which State tasked the embassy to conduct a postshipment check for military

²⁸We drew a random, stratified sample of 25 checks out of 77 conducted in the Gulf countries in fiscal years 2009 and 2010. In addition, we judgmentally selected 9 Blue Lantern checks from fiscal years 2005 through 2010 because they were higher priority checks or because they pertained to the export of NVDs, a sensitive military technology.

equipment.²⁹ Of those 13 checks, embassy officials in the Gulf countries conducted three site visits to end-users of U.S. equipment.³⁰ In the majority of the 10 other cases, embassy officials made inquiries with the host government end-users to confirm receipt of the items, but did not conduct a site visit because the cable from State did not require them to do so. Embassy officials did conduct site visits to private companies acting as intermediaries in order to confirm that they were reliable recipients of U.S. defense equipment in 5 of these 10 cases. However, the risk that U.S. equipment could be lost or diverted is not limited to intermediaries. In 2007, State reported to Congress that Kuwait had lost 115 of its NVDs that it purchased from the U.S. government through FMS.

State also requests postshipment checks to verify compliance with specific conditions associated with the export of sensitive items. Export licenses for sensitive items, such as NVDs, may include conditions, or provisos, requiring the end-user to conduct regular inventories of the items and ensure that they are being stored in secure facilities. State's *Blue Lantern Guidebook*, which is designed to help posts conduct Blue Lantern end-use checks, states that site visits provide valuable information on security measures and inventory procedures, as well as compliance with key licensing provisos. However, again, State officials inconsistently³¹ use site visits to verify compliance with conditions among end-users of sensitive equipment in the Gulf countries because State requests, but does not require, posts to conduct such visits. For example, embassy officials in the UAE faxed the UAE military to confirm receipt of sensitive equipment, but did not conduct an inventory or physically verify that the equipment was being stored in secure facilities and was being used in accordance with the purpose on the license, as State had requested. In contrast, post officials in Saudi Arabia and Qatar conducted

²⁹Our sample of 34 checks included 27 checks classified as postshipment checks. Of these, we excluded 10 checks from our analysis because State closed the Blue Lantern case without tasking post to conduct a check. We also excluded 4 checks for brokers because these checks were not associated with a specific shipment of military equipment. This left 13 postshipment checks that we included in this analysis, including 8 we selected randomly and 5 we selected judgmentally.

³⁰One of the three site visits was conducted by DOD personnel in Saudi Arabia.

³¹Inconsistent use of site visits can mean two things. In some cases, State does not always request site visits as part of postshipment checks. In other cases, when State requests a site visit it is not conducted by embassy officials.

Delays in Requesting and
Conducting Checks Prevented
State from Verifying Receipt of
Some Items

site visits to confirm receipt of the equipment, performed inventories, and verified that the equipment was stored in secure facilities.

In some instances, embassy officials in the Gulf countries could not confirm receipt of U.S. defense equipment or verify compliance with security and accountability conditions imposed on the recipients of this equipment because State waited for several years before requesting the Blue Lantern check. For example, officials in Qatar were unable to verify the location of a shipment of sensitive equipment, in part, because State waited three years before requesting the check. The check was for an April 23, 2008, shipment of NVDs, but State did not send a cable to post requesting a check on these items until April 22, 2011—three years later. As a result, when embassy officials tried to conduct the check, they discovered that the commercial end-user had relocated and they could not account for the items. In another example, officials in Saudi Arabia experienced difficulties accounting for 766 NVDs because more than three years passed between the date of the first shipment and when State conducted a Blue Lantern check. By the time the embassy official attempted to conduct the check in May 2011—which was supposed to have included an inventory of the 766 NVDs—the items had been issued to different units located throughout the country and were not available for inventory. As of July 2011, embassy officials had received written confirmation showing where all but 128 of the NVDs were located, but they could not conduct a serial number inventory or verify whether the NVDs were being stored in secure facilities. According to State, it not only has a responsibility to confirm receipt, but also to confirm continued, authorized end-use and disposition of U.S. defense articles. Accordingly, there may be instances in which conducting a postshipment check well after an item's export, including years later, provides useful information on the continued authorized end-use of the defense article. However, we found that State did not conduct any subsequent postshipment checks in the Gulf countries to confirm the continued authorized end-use of the defense article, which would also provide useful information on the disposition of defense articles. Moreover, State lacks internal guidance that would help inform its decision of when to conduct a postshipment check.

State Closes Some Cases
without Receiving
Confirmation of Receipt

We identified some instances in which State closed Blue Lantern cases before receiving confirmation from posts that the end-user had received the items. After the embassy responds to a Blue Lantern request, State officials in Washington, D.C., make a determination whether to close the Blue Lantern case favorably or unfavorably. According to the *Blue Lantern Guidebook*, if the critical questions have been answered

satisfactorily, the transaction appears legitimate, and the *bona fides* of the end-users or other parties are confirmed, the case likely will be closed favorable. When State requests a postshipment check, it asks the U.S. embassy to verify that the end-user received the U.S. defense equipment it ordered. We found two cases in our sample of 13 postshipment checks, however, in which State closed the Blue Lantern case as favorable without confirming that the items had been received by the end-user. For example, in the UAE, embassy officials were asked to verify receipt of a thermal imaging camera by the UAE Armed Forces and to conduct a site visit to the intermediary to determine if the company was a reliable recipient of U.S. defense equipment. During the site visit, embassy officials discovered that the thermal camera was still held by the intermediary and had not yet shipped to the end-user, the UAE Armed Forces. However, State closed the case as “favorable,” without tasking post to follow-up and confirm that the UAE Armed Forces had received the thermal camera. In another case in Oman, State requested that embassy officials verify that the Omani government end-user had received more than 100 firearms, but they could not do so because the shipment was being held by U.S. Customs and Border Protection. State closed the case as “favorable,” without waiting for post to confirm that the end-user had received the firearms. In comments on a draft of this report, State said that, after it facilitated the release of the shipment, an intermediary Omani company provided written confirmation that it had delivered the firearms to the Omani government. State also said that it verified the *bona fides* of the respective transactions and that it is standard practice to close certain cases prior to receiving confirmation that the end-user had received the items.

DOD's and State's End-Use Monitoring Varies Significantly for NVDs Purchased by Persian Gulf Countries

U.S. Government Considers NVDs to Be a Sensitive Military Technology Prone to Diversion

The U.S. government considers NVDs to be a sensitive military technology that is vulnerable to diversion.³² According to DOD, control and security of NVDs continues to be a major national security concern, and its policy is to treat these systems as a valuable, limited, and sensitive national security resource to be husbanded and invested in support of national security objectives.³³ NVDs provide U.S. forces a technological advantage by facilitating the location, recognition, and defeat of opposing forces during periods of low battlefield visibility, a capability also sought by terrorist groups. Night vision technology may be incorporated into man-portable devices, such as binoculars, weapons sights, and thermal imagers, or devices mounted onto other platforms, including helicopters and unmanned aerial systems.³⁴ Figure 3 shows an example of a third-generation, head-mounted night vision goggle and a thermal imaging device, both of which have been purchased by the Gulf countries.

³²NVDs are classified as Significant Military Equipment under category XII(c) of the United States Munitions List.

³³Department of Defense, *Policy for International Transfer and Export Control of Night Vision Systems, Equipment, Components, Services, Technical Data, and Related Technology*, June 12, 2009.

³⁴According to DOD policy, night vision technology encompasses thermal imaging, image intensification, and any other technology that provides vision, imaging, or scene information in any portion of the infrared spectrum. See Department of Defense, *Policy for International Transfer and Export Control of Night Vision Systems, Equipment, Components, Services, Technical Data, and Related Technology*, June 12, 2009.

Figure 3: Examples of Man-Portable NVDs



Source: DOD.

Night vision goggle



Source: FLIR Systems, Inc.

Thermal Imager

The U.S. government has authorized the sale of NVDs to Gulf governments through FMS and licensed exports of NVDs to private and governmental entities in these countries through DCS.³⁵ All requests for the sale or export of NVDs are evaluated on a case-by-case basis and undergo an interagency review, including a national security review by the Defense Technology Security Administration.³⁶ The decision to release NVD technology to foreign end-users is based on the type of equipment, the end-users' ability and willingness to safeguard the equipment, and whether the end-use is consistent with enhancing or maintaining U.S. national security (e.g., assisting in antiterrorist or antipiracy operations). NVDs are the only military technology the Gulf countries have purchased through FMS and DCS that require enhanced end-use monitoring (i.e., delivery verification and regular inventories) when purchased through FMS.

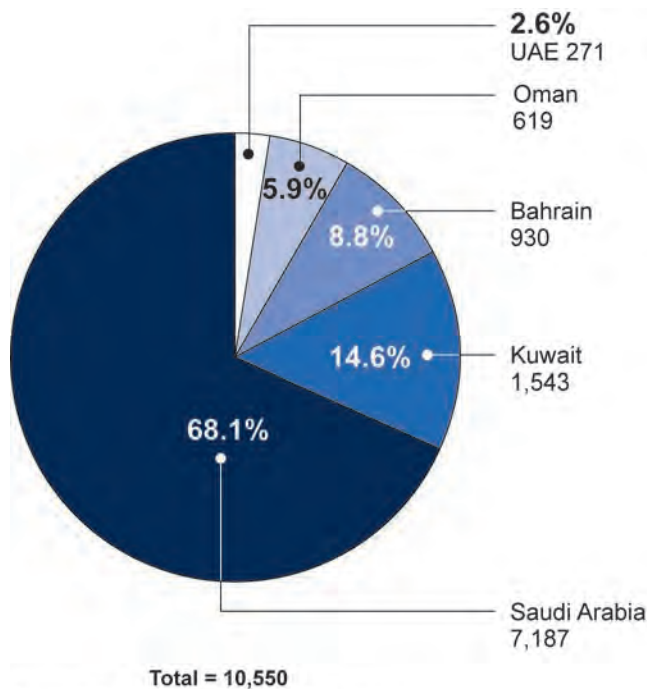
³⁵Night vision systems based on zero- and first-generation technology are licensed by the Department of Commerce under its list of controlled, dual-use items. We did not include these items in the scope of our report.

³⁶The review process for NVDs and other defense articles is discussed at length in GAO's prior report on arms sales and exports to the Persian Gulf. See [GAO-10-918](#).

DOD Guidance Requires Tracking and Inventorying Man-Portable NVDs Purchased by Gulf Countries through FMS

Until a policy change that took effect on October 1, 2011, DOD guidance, some of which was not documented, required that DOD conduct serial number inventories of man-portable NVDs purchased by the Gulf countries following delivery and at regular intervals thereafter. To facilitate these inventories, DOD tracks man-portable NVDs by serial number in the SCIP. According to data from the SCIP, the Gulf countries had received 10,550 NVDs through FMS, as of August 23, 2011 (see fig. 4). NVDs purchased by Saudi Arabia constituted almost 70 percent of the total number of NVDs in the Persian Gulf countries purchased through FMS.

Figure 4: Number of NVDs in the Inventories of the Gulf Countries, as of August 23, 2011, that Had Been Purchased Through FMS



Source: GAO analysis of DOD's Golden Sentry data.

Before October 1, 2011, DOD guidance required that personnel in the Gulf countries conduct 100 percent serial number inventories for all NVDs following delivery. According to the DSCA Program Manager for the Golden Sentry program, DOD personnel in these countries were then required to conduct inventories of 50 percent of all second-generation NVDs annually (100 percent biannually) and 100 percent of all third-generation NVDs annually. However, the required frequency for these inventories was not documented in formal DOD guidance. Instead, DSCA

could specify the required inventory frequency on a country-by-country basis, and this requirement was subsequently reflected in the SCIP, which DOD personnel in the Gulf countries use to plan and carry out their inventories.³⁷ On September 22, 2011, DOD issued a new policy, effective October 1, 2011, which specified that NVDs sold through FMS to non-NATO countries, including the Persian Gulf countries, would be subject to a serial number inventory within 90 days of delivery, tracked by serial number in the SCIP database, and inventoried annually thereafter. However, the policy provided DSCA with discretion to modify the established criteria based on risk assessments, record of compliance with security and accountability measures, or reported end-use violations. Accordingly, DSCA disseminated implementation guidelines through its End-Use Monitoring newsletter which further refined the criteria for conducting Golden Sentry inventories of man-portable NVDs. These guidelines reflect a risk-based approach that stipulates differing requirements based on the decade in which the items were purchased:

- *NVDs purchased before December 31, 1990.* These NVDs will no longer require regular serial number inventories or tracking through enhanced end-use monitoring. Instead, they will be covered under routine end-use monitoring.
- *NVDs purchased between January 1, 1991, and December 31, 2000.* DOD personnel will be required to establish a baseline count for these NVDs and conduct at least one serial number inventory, after which regular serial number inventories will no longer be required and the NVDs will be covered under routine end-use monitoring.
- *NVDs purchased on or after January 1, 2001.* The end-use monitoring requirements will not change for these NVDs. They will still require 100 percent annual inventories and tracking in the SCIP by serial number.

³⁷According to DSCA, the required inventory frequency for second-generation NVDs in Saudi Arabia was set at 50 percent annually (100 percent biannually) after completion of a Compliance Assessment Visit in Saudi Arabia in 2007.

State Does Not Systematically Conduct End-Use Checks for or Track All NVDs in the Gulf Countries

We found that State did not conduct end-use checks on all NVD shipments to Gulf countries from fiscal years 2005 through 2010. The *Blue Lantern Guidebook*, which outlines State's policies for the program, states that Blue Lantern checks are selected based on perceived risk factors, one of which is sensitive technologies, such as NVDs. According to the State official who was in charge of the Blue Lantern program until August 2011, State attempts to conduct end-use monitoring checks on all shipments of complete NVD systems. He noted that this is not a formal policy requirement, but rather an informal objective to more closely align State's practices with DOD's. According to State, complete NVD systems include night vision goggles, monoculars, and image intensifier tubes—the technology that allows one to view images through the goggles or monoculars. We reviewed State's data on licenses for defense exports to the Gulf countries and identified at least 34 licenses for 8,757 man-portable NVDs that were exported to the Gulf countries from fiscal years 2005 through 2010, all of which included security and accountability provisos.³⁸ State conducted end-use checks on 9 of these 34 licenses, or about 26 percent of all such licenses.³⁹ These checks covered 2,242 of the 8,757 NVDs exported to the Gulf countries during this period. In contrast to DOD's end-use monitoring for NVDs, from fiscal years 2005 through 2010, State did not conduct postshipment checks for any NVDs authorized for export to the Gulf countries more than once.

In addition, State has not conducted any end-use checks on man-portable, thermal imaging systems exported to the Gulf countries, as of September 2011. According to U.S. Army night vision specialists, thermal imaging technology enables warfighters to find and engage targets in complete darkness, a capability that night vision goggles based on image intensification technology do not have. From fiscal years 2005 through 2010, State approved 44 licenses authorizing the export of about 480 thermal imaging systems to the Gulf countries. These included 6 licenses for 140 man-portable thermal imaging systems, which are more prone to diversion. However, State did not conduct any end-use checks on these

³⁸We used State's licensing data to identify 45 licenses for man-portable NVDs based on image intensification technology that were authorized for export to the Gulf countries from fiscal years 2005 through 2010 and asked State to verify shipments on these licenses as of September 9, 2011. State confirmed that the NVDs had fully shipped on 34 of those 45 licenses.

³⁹These included 8 postshipment checks for 1,862 man-portable NVDs and 1 prelicense check for 380 man-portable NVDs.

sensitive items. In contrast, DOD subjects these systems under its Golden Sentry program to enhanced end-use monitoring. According to data from DOD's end-use monitoring database, Bahrain purchased six thermal imagers through FMS that DOD will track by serial number and monitor regularly.

Furthermore, State does not systematically track or record by serial number NVDs that the Gulf countries have purchased through DCS. According to State, it can determine the number and location of NVDs exported through DCS by analyzing data from its export licensing database and shipping data from the U.S. Census Bureau's Automated Export System database. If necessary, it can also obtain serial numbers for NVDs purchased through DCS by contacting the U.S. exporter. For example, we identified one instance in which State obtained serial numbers from a U.S. exporter at the request of embassy personnel to enable an inventory of NVDs in Saudi Arabia. However, unlike DOD, State does not systematically compile this information. As a result, State does not have ready access to serial-number specific information on the total number of NVDs in the inventories of the Gulf countries, their location, and their current disposition.

**Less Advanced NVDs
Purchased through FMS
Have Received More
Rigorous End-Use
Monitoring than Advanced
NVDs Purchased through
DCS**

As a result of DOD's and State's different approaches to end-use monitoring, some less advanced, second-generation NVDs purchased by the Gulf countries through FMS have received more rigorous end-use monitoring than more advanced third-generation NVDs purchased through DCS. In some Gulf countries, the NVDs purchased through FMS and DCS are included in the inventory of the same end-user. According to DSCA officials, DOD personnel in Saudi Arabia have been required to track and conduct annual serial number inventories on half of the almost 6,000 second-generation NVDs purchased by Saudi Arabia's Ministry of Defense and Aviation and the Saudi Arabia National Guard through FMS in the early 1990s. For example, DOD officials conducted their most recent serial number inventory of the more than 4,000 NVDs in the Saudi Arabia National Guard's inventory in February and March 2011 by visiting 29 locations over a five-week period. Meanwhile, State has approved at least 13 licenses for the sale of more than 11,000 advanced, third-generation NVDs to Saudi Arabia's Ministry of Defense and Aviation through DCS since 2005. However, because these NVDs were purchased through DCS, they will be subject to less rigorous end-use monitoring than the older, less-advanced NVDs purchased through FMS.

The UAE Has Not Provided a Required NVD Compliance Plan to DOD

DOD and State require entities in the Gulf countries that purchase NVDs through FMS and DCS to meet comparable physical security and accountability requirements. For example, DOD and State both require the purchaser to secure the NVDs against loss, theft, or unauthorized access. Both agencies also require that the purchaser conduct regular inventories of the NVDs and make their records available to U.S. government officials upon request. For NVDs purchased through FMS, DOD also requires that the purchaser provide a written physical security and accountability plan (NVD compliance plan) within 30 days of acceptance of the Letter of Offer and Acceptance outlining how they will comply with these requirements. However, as of August 18, 2011, the UAE military had not provided an NVD compliance plan, despite having purchased more than 300 NVDs through FMS since 2008.⁴⁰ According to DSCA, it raised this concern as part of a May 2010 Compliance Assessment Visit in the UAE and again as recently as October 24, 2011. DSCA officials stated that they would notify the UAE that if they do not receive a signed NVD compliance plan by December 31, 2011, DSCA will cease to recommend NVD sales to the UAE through FMS. DOD took similar action towards Saudi Arabia's Ministry of Defense and Aviation in February 2011 because it had not furnished an NVD compliance plan. In May 2011, the Ministry of Defense and Aviation provided a copy of its compliance plan, and DOD subsequently resumed consideration of NVD sales.

⁴⁰ According to DOD officials, the UAE has an NVD compliance plan in place for its Presidential Guard but not for the rest of its armed forces.

State Conducts Human Rights Vetting for Recipients of U.S.-Funded Training in Gulf Countries, but Does Not Conduct Comparable Vetting for Recipients of Equipment

State Conducts Human Rights Vetting for Individuals and Units Nominated for U.S.-Funded Training in the Gulf Countries

Data from State's new vetting database indicate that State has conducted human rights vetting for about 770 individuals and 12 units in the Gulf countries that were nominated for U.S.-funded training. U.S. laws prohibit certain types of assistance from being provided to any unit of the security forces of a foreign country if there is credible evidence that such unit has committed gross violations of human rights.⁴¹ In keeping with these laws and State human rights policies, State's policy is to vet security force units and their commanders for unit training, and individual security force members for individual training. DOD's policy requires that all DOD-funded training events with foreign individuals and units be referred to State for human rights vetting. State conducts the human rights vetting process on behalf of DOD for DOD-funded programs.

The Gulf countries have received various types of U.S.-funded training that is subject to State's and DOD's human rights laws.⁴² For example,

⁴¹22 U.S.C. § 2378d; for the most recent DOD provision, see also Section 8058 of the Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10 (Apr. 15, 2011).

⁴²According to State, training and equipment purchased by the Gulf countries through FMS or DCS using their own funds is not subject to these human rights restrictions and therefore not subject to State's human rights vetting process. However, as part of its case-by-case review of potential arms sales and exports, State takes into account the human rights record of the intended recipient. This review process is described in greater detail in our previous report on arms sales and arms exports to the Persian Gulf. See [GAO-10-918](#).

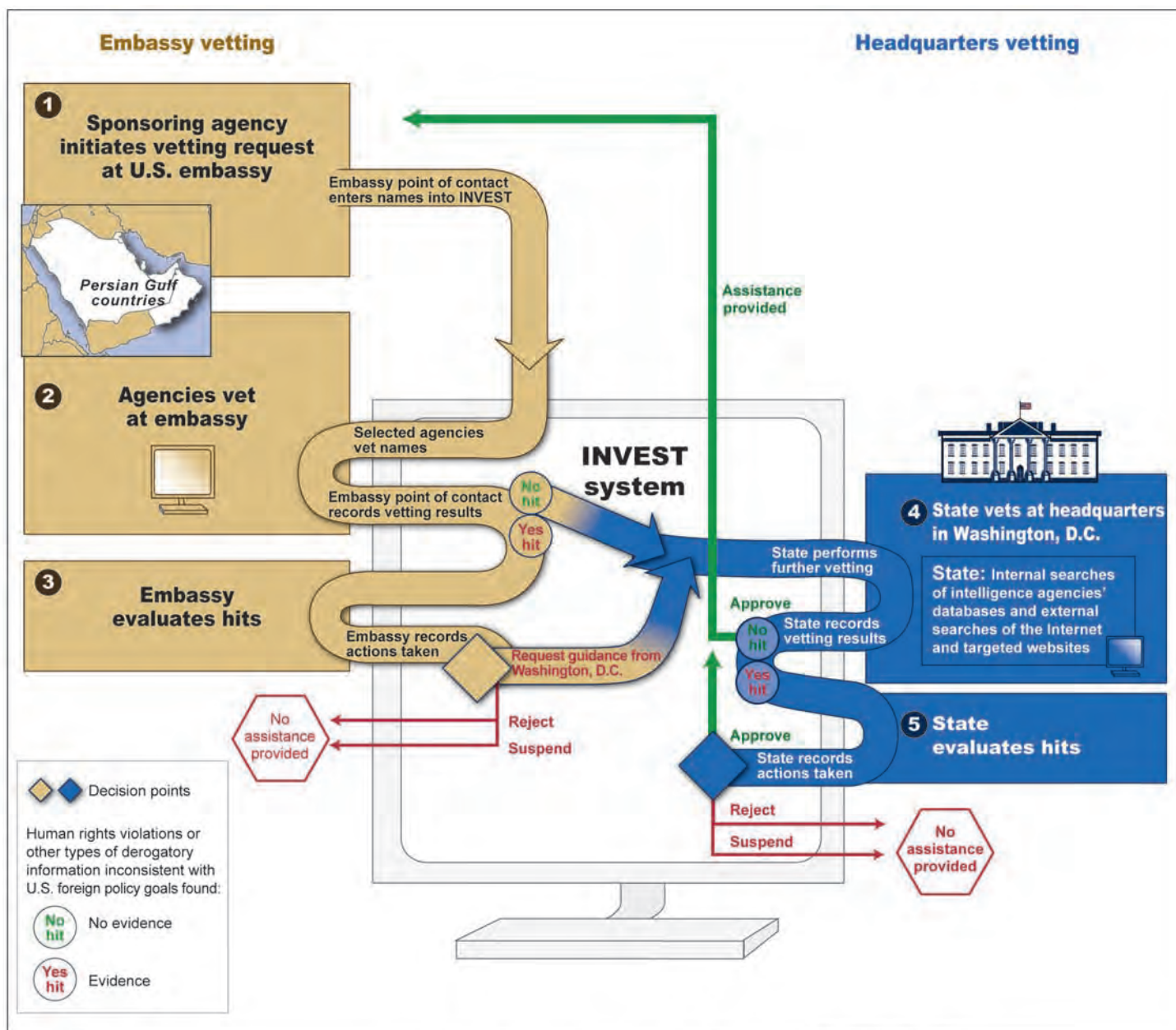
Bahrain and Oman received about \$4.3 million in assistance through the International Military Education and Training program in fiscal years 2009 and 2010 to send officers to U.S. war colleges and to receive English language or other technical training in the United States.⁴³ The same two countries also received almost \$2.5 million in Antiterrorism Assistance to improve aviation security and responses to mass casualty events, among other things. Over the same period, Oman, Saudi Arabia, and UAE received about \$2.4 million through the Export Control and Related Border Security program, some of which funded training designed to help customs officials and other enforcement agents identify controlled commodities during inspections. Members of the security forces of the Gulf countries have also participated in DOD-funded Joint Combined Exchange Training exercises with U.S. special operations forces.

As shown in figure 5, State uses a multistep process for conducting human rights vetting. The process begins at the U.S. embassy in the home country of the unit or individual nominated for training when a sponsoring office requests human rights vetting for security force units or individuals that have been proposed for U.S.-funded training. Names are first vetted by selected sections at the embassy by querying databases frequently used by their offices and consulting other relevant sources.⁴⁴ For example, the consular section might search its internal database, which includes information on individuals that have applied for U.S. visas or may be ineligible for U.S. visas, and the Department of Homeland Security might search its enforcement database, which includes information on entities suspected of or involved in violating federal laws. When vetting at post has been completed, the list of candidates for training is transmitted to State headquarters in Washington, D.C., where they undergo a second stage of screening by officials in the Bureau of Near Eastern Affairs and the Bureau of Democracy, Human Rights, and Labor. These officials consult intelligence databases and other classified and unclassified sources. If no derogatory information is found, State notifies the embassy that the candidates have been approved, and training may proceed.

⁴³Saudi Arabia also received a nominal amount of assistance through the International Military Education and Training program in fiscal years 2009 and 2010.

⁴⁴Under State's policy, the political section is the only section at post required to conduct vetting. Vetting by other sections is optional and varies from post to post. In the Gulf countries, the number of sections that conducted vetting ranged from three in the UAE to seven in Saudi Arabia.

Figure 5: State's Human Rights Vetting Process in the Gulf Countries



Sources: GAO analysis of State documentation; Map Resources (map); Nova Development (clip art).

In November 2010, State implemented the International Vetting and Security Tracking system (INVEST) in the Gulf countries to facilitate the human rights vetting process.⁴⁵ INVEST is a web-based tracking system that was designed to provide a means of processing, documenting, and tracking human rights vetting requests and results. Prior to the implementation of INVEST, State used cables to communicate vetting requests and results between State headquarters in Washington, D.C., and the U.S. embassies in the Gulf countries. We previously recommended that State strengthen the process for human rights vetting of foreign security forces by establishing a systematic monitoring mechanism that would ensure that vetting procedures are carried out at overseas posts.⁴⁶ State concurred with the recommendation and took steps to establish a systematic monitoring mechanism.

According to data from INVEST, State completed human rights vetting for 766 individuals and 12 units in the Gulf countries between November 16, 2010, when the new database was implemented, and August 15, 2011 (see table 6). State completed vetting for recipients of training in weapons of mass destruction interdiction, anti-money laundering strategies, and specialized English courses, among other things. As of August 15, 2011, vetting for another 176 individuals in the Gulf countries was in progress.

⁴⁵State implemented INVEST worldwide in 2010 and 2011. The countries in State's Bureau of Near Eastern Affairs, including the Gulf countries, began using INVEST in November 2010.

⁴⁶GAO, *Security Assistance: Lapses in Human Rights Screening in North African Countries Indicate Need for Further Oversight*, [GAO-06-850](#) (Washington, D.C.: July 28, 2006).

Table 6: Number of Individuals and Units in the Gulf Countries Vetted through INVEST, as of August 15, 2011

Gulf country	Number of individuals	Number of units
Oman	161	0
UAE	326	4
Qatar	51	4
Bahrain	85	0
Saudi Arabia	90	4
Kuwait	53	0
Total	766	12

Source: State data from INVEST.

State Does Not Conduct Individual- and Unit-Level Human Rights Vetting for Recipients of U.S.-Funded Equipment in the Persian Gulf

In contrast to its vetting process for recipients of training, State does not conduct individual- or unit-level human rights vetting for recipients of U.S.-funded equipment in Gulf countries. U.S.-funded equipment provided through certain programs is subject to the same human rights provisions that apply to U.S.-funded training programs. State has conducted human rights vetting for hundreds of individuals and units that received U.S.-funded training in the Gulf countries, but has not conducted comparable vetting for the anticipated recipients of more than \$188 million in U.S.-funded equipment for Bahrain and Oman. From fiscal years 2005 through 2010, Bahrain and Oman received about \$148 million through the U.S.-funded Foreign Military Financing program to purchase military equipment from the United States, including NVDs, missile systems, helicopters, and small arms (see table 7). In addition, Bahrain was authorized to receive equipment valued at about \$40 million through the Excess Defense Articles program. According to State officials, recipients of U.S.-funded equipment would only be vetted if the same entities that received the equipment also received U.S.-funded training.

Table 7: Foreign Military Financing Received by Bahrain and Oman, Fiscal Years 2005 through 2010

U.S. dollars in millions							
Gulf country	Fiscal year						Total
	2005	2006	2007	2008	2009	2010	
Bahrain	\$18.8	\$15.6	\$15.0	\$4.0	\$8.0	\$19.0	\$80.4
Oman	19.8	13.9	13.5	4.7	7.0	8.8	\$67.8
Total	\$38.7	\$29.5	\$28.5	\$8.7	\$15.0	\$27.8	\$148.2

Source: State's Congressional Budget Justifications.

According to State, vetting for the anticipated recipients of equipment currently takes place through memos drafted by State and cleared by the relevant regional bureaus at the time that funding is allocated for the countries that will receive assistance. In these memos, State regional bureaus confirm, in consultation with the respective embassies, that they are not aware of credible evidence of gross human rights violations by any units that might receive assistance under the funding authorization. However, according to State, the exact items to be financed and the exact units or individuals to receive the items are not generally known at the time the funding is obligated, and may not be known until many months or even years later. The official that oversees human rights vetting at State said that the anticipated recipient of equipment listed in the funding allocation memos is typically not a specific unit or individual, but rather a much higher-level entity, such as the Ministry of Interior, in the country slated to receive assistance.

State does not currently have procedures in place to conduct vetting later in the acquisition process when the exact recipient unit or individual is known. However, according to State, it is developing policy guidance and identifying procedures to standardize the collection of timely information on recipient units of equipment in order to conduct equipment vetting through INVEST and improve the effectiveness of its vetting process. The procedures will likely incorporate a two stage process. The first stage of vetting would be initiated when State receives a formal request for equipment. During this stage, the embassy, regional bureau, and the Bureau of Democracy, Human Rights, and Labor would sign off on a memo similar to the current method of vetting for U.S.-funded equipment. The second stage would occur near the end of the acquisition process and before shipment of the equipment when the exact recipient of the equipment is known. During this second stage, the unit scheduled to receive the equipment would be vetted through INVEST, similar to vetting for U.S.-funded training.

Conclusions

DOD and State established the Golden Sentry and Blue Lantern programs, respectively, to provide reasonable assurance that arms sold or licensed for export to foreign governments do not end up in the possession of individuals or groups who pose a threat to the United States or its allies. However, gaps in implementing these programs in the Gulf countries may limit the ability of DOD and State to adequately safeguard defense articles upon their arrival, storage, and eventual use in those countries. For example, both DOD and State view NVDs as a sensitive technology sought by terrorists, but their approaches to

monitoring NVDs varies widely. Paradoxically, more modern third-generation NVDs sold to Gulf countries through direct commercial sales receive less rigorous end-use monitoring than older, less advanced NVDs purchased through FMS. Gaps in implementing State's Blue Lantern monitoring program have resulted in State not physically verifying receipt of some items or confirming some end-users' compliance with license conditions—even though State has identified the need for a postshipment check—thus reducing confidence in the security of arms exported to these entities. Also, the absence of DOD documentation of its efforts both to verify host country security and accountability procedures for sensitive military equipment and to monitor less sensitive items limits assurance that equipment sold through FMS is being used as intended. Moreover, DOD's inability to obtain a required compliance plan from the UAE, outlining its security and accountability procedures for more than 300 NVDs purchased since 2008, erodes confidence in the security of arms sold to a country that has been used by illicit actors to transship sensitive equipment. If the UAE does not provide a compliance plan, DOD could consider not recommending further NVD sales through FMS.

State and DOD have developed policies to prevent U.S. assistance from being used to provide training for units or individuals who have committed gross violations of human rights. However, State's absence of procedures to conduct individual- and unit-level human rights vetting of recipients of U.S.-funded equipment increases the risk that such equipment may ultimately be used by violators of human rights. Given recent unrest in some Gulf countries, this could result in U.S.-funded equipment being misused to quell peaceful demonstrations.

Recommendations for Executive Action

To close gaps in the implementation of end-use monitoring programs in the Gulf countries that may limit the ability of DOD and State to adequately safeguard defense articles upon their arrival, storage, and eventual use in those countries, we recommend that the Secretaries of Defense and State take steps to harmonize their approaches to end-use monitoring for NVDs to ensure that they receive equal levels of protection regardless of how they are obtained by foreign recipients. Such steps might include developing a plan or schedule for how and when each department's end-use monitoring approaches would be harmonized.

We also recommend that the Secretary of Defense take the following two actions:

-
- develop guidance requiring DOD officials to document their efforts to verify host country security and accountability procedures for sensitive equipment and their activities to monitor less sensitive equipment, and
 - obtain from the UAE government an NVD compliance plan, as required under the conditions of sale through FMS, or develop an appropriate response.

We further recommend that the Secretary of State take two actions to issue policies and procedures that:

- provide guidance to Compliance Specialists regarding when to request embassy personnel to conduct postshipment checks, and when to close checks, and
- stipulate that when postshipment checks are requested, U.S. embassy personnel should conduct site visits to end-users to physically verify compliance with conditions associated with an export license.

To reduce the risk that U.S.-funded equipment may be used by violators of human rights in the Gulf countries, we recommend that the Secretary of State implement individual- and unit-level human rights vetting for recipients of U.S.-funded equipment.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD and State for their review and comment. Both DOD and State provided written comments, which we have reprinted in appendixes II and III, respectively. DOD and State also provided technical comments, which we incorporated in this report, as appropriate.

DOD and State both agreed with our recommendation to take steps to harmonize their approaches to end-use monitoring for NVDs. DOD stated that it welcomed this recommendation and offered to provide any assistance needed to State to provide consistent monitoring of sensitive technology regardless of the method through which the transfer is made. State said that it intends to increase the number of end-use checks on NVDs that are comparable to those sold through FMS. However, State noted that human resource constraints in Washington, D.C., and at its embassies around the world will pose the greatest challenge to achieving full harmonization. Accordingly, it plans to explore how existing DOD resources in-country may be leveraged to support end-use monitoring for sensitive items exported through DCS.

DOD agreed with our recommendation to develop guidance requiring its personnel to document efforts to verify host country security and accountability procedures for sensitive equipment and activities to monitor less sensitive equipment. DOD noted that forthcoming revisions to the *Security Assistance Management Manual* will include new requirements that address this recommendation. DOD also agreed with our recommendation that it obtain from the UAE government an NVD compliance plan, as required under the conditions of sale through FMS, or develop an appropriate response. DOD stated that it has continued to work with the UAE to obtain the plan and, on October 24, 2011, met with UAE officials to inform them that NVD exports through FMS may be affected if the UAE Ministry of Defense does not provide an NVD compliance plan by December 31, 2011.

State disagreed with our recommendation to issue policies and procedures stipulating that U.S. embassy personnel conduct site visits to end-users as part of requested postshipment checks. State said that we misinterpreted data from certain cases to reach the conclusions that led to this recommendation and that we based our conclusion on several isolated examples of Blue Lantern checks conducted in the Gulf countries. However, our recommendation is based on our finding that when postshipment checks were requested, State inconsistently used site visits to verify whether defense articles had been received by an end-user and whether items were being used in accordance with the terms of their licenses. We drew this conclusion by analyzing a sample of 13 postshipment checks which State requested for the Gulf countries from fiscal years 2005 through 2010 and determining that U.S. embassy officials conducted site visits to end-users for only 3 of these 13 checks. Embassy officials did conduct site visits to private companies acting as intermediaries in order to confirm that they were reliable recipients of U.S. defense equipment in some cases, but the risk that U.S. equipment could be lost or diverted is not limited to intermediaries. Separately, our report cited specific examples of Blue Lantern checks to highlight State's inconsistent use of site visits. For example, embassy officials did not conduct site visits to verify receipt and confirm compliance with license conditions in the UAE, even though they were requested to do so in their tasking from State, whereas they did in Saudi Arabia and Qatar. In its comments, State also noted that it accepts host government official assurances that equipment was received and inventory control and accounting systems were working in certain appropriate instances. However, without conducting a site visit, State was not able to verify that items were being used in accordance with the terms of their license, a key objective of the Blue Lantern program. Therefore, we continue to believe

that our recommendation on the need for policies and procedures on using site visits remains valid.

State also disagreed with our recommendation to provide guidance to its Compliance Specialists on when to request embassy personnel to conduct postshipment checks and when to close checks. We note that our recommendation is not prescriptive and is designed to allow State flexibility on when to request and close checks, but without losing the opportunity to close them successfully. State commented that the Blue Lantern checks cited in our report gave a misleading impression and led to incorrect conclusions. Our report cited two instances when State could not confirm receipt of NVDs or physically verify compliance with security and accountability conditions for the recipients of these items because it waited several years before requesting a check. In the first instance, embassy officials in Qatar could not verify the location of a shipment of NVDs, in part, because State waited three years after shipment to request a check. State's comments on this draft did not explain why State waited three years to request this check. In the second instance, State intentionally waited until after the second and last of two NVD shipments to Saudi Arabia to request a check, at which point the items had been issued to different units located throughout the country and were not available for inventory. However, State offered no explanation for why it waited 18 months after final export to request the check. As we noted in the report, State lacks internal guidance that would help inform its decision of when to conduct a postshipment check.

We continue to believe that State Compliance Specialists could benefit from guidance on when to close Blue Lantern cases and, therefore, we have not modified our recommendation. In our report, we also cite 2 examples of postshipment checks among the 13 we reviewed in which State closed Blue Lantern cases as favorable before receiving confirmation from embassy officials that the end-user had received the items. In its written comments, State noted that in both of these cases embassy officials confirmed the *bona fides* of the transactions. We have added language to the report to reflect State's comments. While this statement is accurate, it misses our point. In both instances, State also explicitly requested that embassy officials verify receipt of the items by the end-user. Although embassy officials reported back to State that they were not able to verify receipt by the end-user, State closed both cases as favorable instead of leaving these cases open until embassy officials could confirm receipt.

State agreed with our recommendation to implement individual- and unit-level human rights vetting for recipients of U.S.-funded equipment and noted that it is already working on plans to improve human rights vetting procedures with the aim of more effectively screening recipients of equipment. According to State, this new approach will permit equipment vetting to be conducted through INVEST much closer to the time of delivery and should significantly improve effectiveness over the current process, which relies on the information available when funding for equipment is allocated, sometimes years before delivery.

We are sending copies of this report to relevant congressional committees, the Secretaries of Defense and State, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-4347 or at yagerl@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 listed in appendix IV.



Loren Yager
Director, International Affairs and Trade

Appendix I: Scope and Methodology

To assess the extent to which the Department of Defense (DOD) and the Department of State (State) safeguard U.S. military technologies sold or exported to Persian Gulf countries¹ through their end-use monitoring programs, we reviewed relevant laws and regulations, interviewed U.S. and host country officials, and analyzed end-use monitoring and licensing data. For DOD's Golden Sentry end-use monitoring program, we reviewed relevant program guidance in the *Security Assistance Management Manual* and standard operating procedures used by the Security Cooperation Organizations in the Gulf countries. We also reviewed reports summarizing the findings from DOD's Compliance Assessment Visits in the Gulf countries. We interviewed and obtained documentation from U.S. officials in the Defense Security Cooperation Agency, Defense Technology Security Administration, and U.S. Central Command (CENTCOM). We also interviewed officials representing military departments that implement Foreign Military Sales (FMS), including the Navy International Programs Office, the Office of the Deputy Assistant Secretary of the Army for Defense Exports and Cooperation, and the Office of the Deputy Under Secretary of the Air Force for International Affairs. We traveled to Riyadh, Saudi Arabia, and Abu Dhabi, United Arab Emirates (UAE), and interviewed U.S. officials in the respective Security Cooperation Organizations responsible for conducting end-use monitoring. We observed U.S. officials conducting end-use monitoring for night vision devices (NVD) and Advanced Medium Range Air-to-Air Missiles in Saudi Arabia and the UAE, respectively. We also interviewed host country officials in these two countries to discuss their end-use monitoring procedures. We conducted phone interviews with U.S. embassy officials responsible for Golden Sentry end-use monitoring in the other four Gulf countries.

To determine the total number of defense articles requiring enhanced end-use monitoring in the Gulf countries and their inventory status, we obtained and analyzed data from DOD's end-use monitoring database—the Security Cooperation Information Portal (SCIP). Specifically, the Defense Security Cooperation Agency queried the SCIP to provide us with “Ad Hoc” reports for each of the Gulf countries, which included information on the defense articles purchased by each country; the date that these items were last inventoried; and their “disposition status,” that is, the status of their inventories. We cross referenced these data by comparing the total count

¹The Persian Gulf countries included in our study are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Throughout this report we refer to these six countries as the Gulf countries.

for each defense article in the “Ad Hoc” report to the “SCIP Quantity” in each country’s Enhanced End-Use Monitoring Reconciliation Report, which includes all the sensitive defense articles that have been purchased by the Gulf countries and entered into the SCIP database, and were able to confirm most quantities. As a result, we determined the SCIP data to be sufficiently reliable for the purposes of this engagement. To determine the total number of sensitive defense articles in the Gulf countries that require enhanced end-use monitoring and the inventory status of these defense articles, we collapsed the 12 “disposition status” categories into 4 new categories—“observed or inventoried;” “not observed or inventoried;” “disposed, demilitarized, or expended in training;” and “inventory loss.” We excluded defense articles that had been purchased by the Gulf countries but had not yet been delivered to these countries. Finally, we calculated the number of defense articles that fell into each of these four categories.

For State’s Blue Lantern program, we reviewed relevant program guidance, including State’s *Blue Lantern Guidebook*, and cables associated with selected checks. We interviewed officials in State’s Directorate of Defense Trade Controls who administer the Blue Lantern program and review export licenses. We also interviewed U.S. embassy officials in the Gulf countries that conduct Blue Lantern checks. We traveled to Saudi Arabia and the UAE to interview Blue Lantern points of contact and conducted phone interviews with embassy officials in the other four Gulf countries. In Saudi Arabia, we observed a Blue Lantern postshipment check for NVDs. We also interviewed host country officials in Saudi Arabia and the UAE to discuss their end-use monitoring procedures. We obtained information from State on “unfavorable” Blue Lantern checks in the Gulf countries that were referred to enforcement and we reviewed State’s Compliance Office Reports detailing enforcement actions taken as a result of Blue Lantern checks. Finally, we received a briefing from State officials on potential violations of the Arms Export Control Act of 1976 involving the Gulf countries, which have been communicated to Congress through section 3 reports.

To summarize the number and type of Blue Lantern checks conducted in the Gulf countries, we obtained and analyzed data from State on checks conducted in the Gulf countries from fiscal years 2005 through 2010. These data included 23 checks classified as “no action,” in which U.S. embassies were not tasked by State to conduct a check, and 8 checks classified as “no response,” in which State either did not receive a response from post or State deemed the response unsatisfactory. We excluded these 31 checks from our analysis. To determine the reliability of these data, we cross-referenced license numbers between State’s Blue

Lantern and licensing databases, and we used State cables to corroborate various fields in the Blue Lantern database. We determined that these data were sufficiently reliable for our purposes. To more closely examine how State carries out Blue Lantern checks, we drew a nongeneralizable sample of 34 Blue Lantern checks—including 25 selected randomly and 9 selected judgmentally—and requested State cables for these checks. First, we selected a random sample of 25 checks out of 77² that State initiated involving the Gulf countries during fiscal years 2009 and 2010.³ We limited our sample to checks during these years to increase the likelihood that the embassy officials who conducted these checks would still be in their current positions, thereby enabling further discussion about the specific details of the checks. We stratified our sample by the results of the checks. Specifically, we sampled 100 percent of the “unverifiable” cases, 50 percent of the “unfavorable” cases, 25 percent of the “favorable” cases, and 25 percent of the “no action” cases. Our random sample included both prelicense and postshipment checks and included at least one case from each country. We also judgmentally selected an additional six cases for our sample that involved checks on NVDs that were conducted during fiscal years 2005 through 2010. We included checks on NVDs in our sample because they are a sensitive military technology and are the only item sold through both FMS and DCS to the Gulf countries that are on DOD’s list of items requiring enhanced end-use monitoring. In addition, we judgmentally selected three cases from fiscal years 2005 through 2010 that were designated by State as priority level 2, or higher priority, Blue Lantern checks. Priority level 2 checks are based on more substantial indications that a violation of the International Traffic in Arms Regulations may have occurred or will be attempted. We requested both the cables from State to the embassy and the embassy’s response cable to State for each of our sample cases. State was unable to provide us with the cables for 11 of the 34 cases because officials decided not to send a cable requesting the embassy to conduct a Blue Lantern check in those cases. Our final sample included 23 cases—6 prelicense checks and 17 postshipment checks. Of those 17 postshipment checks, 4 involved checks on brokers, and were not

²State initiated 84 checks involving the Gulf countries between fiscal years 2009 and 2010, but in order to draw our random sample, we excluded 4 checks that we selected judgmentally as well as 3 checks that were recorded twice in the data because they involved a check in more than one Gulf country.

³Our sample is based on the date when Blue Lantern checks were closed by State.

associated with verifying the delivery of specific items on a license. The remaining 13 postshipment checks consisted of 8 we selected randomly and 5 we selected judgmentally. We then analyzed and recorded information about each case, including the subject of the check, the commodity checked, the time it took post to conduct the check, license conditions, whether or not site visits were requested and conducted, inventories requested and conducted, and any follow-up that post indicated was necessary.

To assess the extent to which DOD and State provide similar or differing levels of protection for the same military technologies sold or exported to the Gulf countries, we interviewed DOD and State officials in Washington, D.C., and the Gulf countries, as well as host country officials in Saudi Arabia and the UAE. This included the Defense Security Cooperation Agency and State's Directorate of Defense Trade Controls, who oversee end-use monitoring for NVDs purchased by the Gulf countries through FMS and DCS, respectively, and the Defense Technology Security Administration, which is responsible for setting policy and reviewing requests for the sale or export of NVDs. We received a briefing on, and practiced using various types of image intensification and thermal NVDs at the Army's Night Vision and Electronic Sensors Directorate in Fort Belvoir, Virginia. Additionally, we observed DOD and State officials conduct a serial number inventory of NVDs in Saudi Arabia as part of a Blue Lantern postshipment check. We reviewed DOD and State end-use monitoring program guidance, DOD policies regarding the transfer and end-use monitoring for NVDs, and NVD security and accountability requirements included in DCS license provisos and FMS Letters of Offer and Acceptance. We obtained and analyzed DOD end-use monitoring data on the number of NVD systems subject to enhanced end-use monitoring in the Gulf countries, and we reviewed Blue Lantern data and cables associated with checks conducted on NVDs in these countries.

In order to identify export licenses for NVDs and determine the extent to which State has conducted Blue Lantern postshipment checks on shipments associated with these licenses, we requested State's defense exports licensing data for the Gulf countries from fiscal year 2005 through May 2011. We checked the licensing data for duplicate records and cross-referenced selected licenses for NVDs with information from the Blue Lantern database and determined that these data were sufficiently reliable for the purpose of identifying licenses for NVD exports to the Gulf countries. To determine the universe of licenses for exports to the Gulf countries that included NVD technology, we first conducted a key word search on terms associated with NVD technology—including "image

intensifiers,” “thermals,” “night vision,” “infrared,” and “Forward Looking Infrared (FLIR)” systems—in pertinent database fields. To ensure that we captured all relevant licenses for NVD technology, we also manually reviewed all licenses for exports to the Gulf countries that included U.S. Munitions List Category XII(c) items—the category that includes NVD technology. Next, we pared down our master list in several ways. First, we limited our list to licenses that were approved from fiscal years 2005 through 2010 to maintain consistency with the Blue Lantern data we received. Second, we limited the licenses to those with security and accountability provisos for permanent export to the Gulf countries by checking the relevant fields in State’s licensing data and then vetting the list of licenses we developed with the Defense Technology Security Administration to ensure that they all had security and accountability provisos. Third, with the exception of image intensifier tubes, we excluded licenses that were exclusively spare parts for NVD systems, rather than full NVD systems. Finally, to make an appropriate comparison with NVDs sold through FMS that are subject to enhanced end-use monitoring, we further limited the DCS licenses to those that may be used as man-portable systems. We identified 45 licenses for nonthermal NVDs and 6 licenses for thermal imaging systems that met all of our criteria. We shared our list of NVD licenses with the Army’s Night Vision and Electronic Sensors Directorate to confirm that the licenses were all NVDs and distinguish those that were man-portable from those that were platform-mounted. We also provided our list to State in order to verify whether shipments had been made on these licenses as of September 9, 2011. State verified that complete shipments had been made on 34 of the 45 licenses for man-portable NVDs authorized for export to the Gulf countries.

To assess the extent to which DOD and State vet recipients of military training and equipment for human rights concerns, we reviewed relevant laws, including the “Leahy Law” in the Foreign Assistance Act and DOD’s 2011 appropriations bill, the most recent version of DOD’s “Leahy” provision. We also reviewed DOD’s and State’s vetting policies and procedures, including State’s *Guide to the Vetting Process*; State’s *International Vetting and Security Tracking (INVEST) User Guide*; and standard operating procedures used by the U.S. embassies in Kuwait, Saudi Arabia, and the UAE to conduct vetting. We interviewed officials in State’s Bureaus of Democracy, Human Rights, and Labor, and Near Eastern Affairs that oversee and conduct vetting, respectively, in Washington, D.C., and U.S. embassy officials that conduct human rights vetting in the Gulf countries. To determine the amounts of U.S.-funded training and equipment provided to the Gulf countries that are subject to

human rights vetting, we reviewed State's annual Congressional Budget Justification documents, DOD's and State's jointly-developed Foreign Military Training reports, and DOD data on the value of Excess Defense Articles authorized for Bahrain. To determine the number of individuals and units in the Gulf countries that have been vetted through INVEST, we obtained data from State's INVEST database. These data included information on the type of training provided, the agency sponsoring the training, the funding source, the event date, and the status of vetting, among other things. We cross referenced these data with documentation of vetting we obtained from U.S. embassies in Saudi Arabia and the UAE and determined that these data were sufficiently reliable to describe the number of individuals and units in the Gulf countries for which State had completed human rights vetting. To determine State's process for vetting recipients of U.S.-funded equipment in the Gulf countries for human rights concerns, we interviewed officials from State's Bureau of Democracy, Human Rights, and Labor, and received written responses to questions from State's Bureau of Political-Military Affairs.

We conducted this performance audit from October 2010 to November 2011 in accordance with generally accepted government auditing standards. These 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.

Appendix II: Comments from the Department of Defense



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2400 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2400

NOV 10 2011

Mr. Loren Yager
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Yager:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) draft report, GAO-12-89, "PERSIAN GULF: Implementation Gaps Limit the Effectiveness of End-Use Monitoring and Human Rights Vetting for U.S. Military Equipment," dated October 13, 2011 (GAO Code 320813).

DoD has reviewed the draft report and welcomes periodic reviews of important programs such as the end-use monitoring (EUM) of defense articles and services. DoD appreciates recommendations meant to enhance the oversight and effectiveness of these efforts. DoD sees value in certain GAO recommendations, but is concerned that the language used at times overstates possible flaws in our EUM efforts. Our specific comments concurring with these recommendations are attached.

Additional comments and recommendations to correct technical and other factual information have been provided to GAO through separate correspondence.

DoD appreciates GAO's feedback and assistance with our efforts at continuous process improvement, and the Department also emphasizes each U.S. security cooperation office identified in the draft report was in compliance with existing DoD policy guidance at the time of the GAO's audit. My point of contact on this matter is Mr. Chuck Handal. He may be contacted at Shuceri.handal@dsca.mil or by telephone 703-601-3653.

Sincerely,

A handwritten signature in black ink, reading "Mike Minahan".

Mike Minahan
Brig Gen, USAF
Principal Director, Middle East Policy



GAO DRAFT REPORT DATED OCTOBER, 2011
GAO-12-89 (GAO Code 320813)

"Implementation Gaps Limit the Effectiveness of End-Use Monitoring and Human Rights
Vetting for U.S. Military Equipment"

DEFENSE SECURITY COOPERATION AGENCY (DSCA) COMMENTS ON
GAO DRAFT REPORT ON END-USE MONITORING IN GULF COOPERATION COUNCIL
COUNTRIES (GCC)

The Defense Security Cooperation Agency (DSCA) appreciates the opportunity to comment on this draft report. DSCA welcomes periodic reviews of important programs such as end-use monitoring (EUM) of defense articles and services, and looks forward to recommendations meant to enhance the oversight and effectiveness of these efforts. DSCA sees value in certain GAO recommendations, but is concerned that the language used at times overstates possible flaws in our EUM efforts. While the draft report highlights areas where the GAO believes DoD could more thoroughly document its EUM activities, the draft report confirms that there are no major accountability gaps in DoD's EUM program for exports of defense equipment to the GCC via the Foreign Military Sales (FMS) Program.

The report's primary recommendation is to take steps to harmonize approaches in end-use monitoring of Night Vision Devices (NVD) with the Department of State to ensure that NVDs receive equal levels of protection regardless of how they are obtained by foreign recipients. DSCA welcomes this recommendation and will provide any assistance needed to the State Department to ensure these sensitive items are appropriately monitored by both agencies.

DSCA concurs with the recommendation to develop written guidance requiring DoD personnel to document and maintain records of EUM activities related to DOD-to-foreign government transfers. Although all inventories of equipment that requires enhanced EUM are documented in a database, documenting visits to storage facilities and the host nation security and accountability procedures will enhance the monitoring program. DSCA has already drafted language for inclusion in the updated version of the Security Assistance Management Manual (SAMM), which provides this guidance.

DSCA also concurs with the recommendation to obtain a NVD Control Plan from the United Arab Emirates (UAE). This requirement was highlighted during a DSCA Compliance Assessment visit (CAV) in May 2010. Since the CAV report was published, DSCA has been working with the U.S. Liaison Office (USLO) to obtain the plan. In December 2010, the USLO formally notified DSCA that coordination to draft the plan with the MoD was on-going. Since that time, the USLO has continued to work with the MoD to obtain the plan. On 24 October 2011, DSCA met with UAE officials and again formally discussed the requirement for the MoD to submit the NVD Control Plan and stated that unless it is received by 31 December, 2011, future NVD exports via FMS may be affected. DSCA expects the MoD will provide the plan by the requested date.

DSCA is concerned however, that the GAO report overstates any possible implementation gaps in DoD's EUM program. Each of the security cooperation offices (SCOs) identified in the draft report was in compliance with existing DoD policy guidance at the time of the GAO's audit.

Additional comments and recommendations to correct technical and other factual information have been provided to the GAO through separate correspondence.

DoD Responses to GAO Recommendations:

RECOMMENDATION 1: To close gaps in the implementation of end-use monitoring programs in Persian Gulf countries that may limit the ability of DoD and State to adequately safeguard defense articles upon their arrival, storage, and eventual use in those countries, we recommend that the Secretaries of Defense and State take steps to harmonize their approaches to end-use monitoring for NVDs to ensure that they receive equal levels of protection regardless of how they are obtained by foreign recipients. Such steps might include developing a plan or schedule for how and when each agency's end-use monitoring approaches would be harmonized.

DOD RESPONSE: Concur. As noted above, DSCA welcomes the opportunity to assist the Department of State to provide consistent monitoring of sensitive technology regardless of the method of which the transfer is made.

RECOMMENDATION 2: To close gaps in the implementation of end-use monitoring programs in Persian Gulf countries that may limit the ability of DoD and State to adequately safeguard defense articles upon their arrival, storage, and eventual use in those countries, we recommend that the Secretary of Defense develop guidance requiring DoD officials to document their efforts to verify host country security and accountability procedures for sensitive equipment and their activities to monitor less sensitive equipment.

DOD RESPONSE: Concur. DSCA has developed written guidance requiring DoD personnel to document and maintain records of EUM activities related to DOD-to-foreign government transfers. This guidance will be included in Chapter 8 of the updated Security Assistance Management Manual and will require SCOs to document physical security and accountability practices observed during inventories. These observations will be recorded via memorandums for record and maintained with enhanced EUM checklists for audit during future DSCA-led Compliance Assessment Visits beginning on January 1, 2012.

GAO RECOMMENDATION 3: To close gaps in the implementation of end-use monitoring programs in Persian Gulf countries that may limit the ability of DoD and State to adequately safeguard defense articles upon their arrival, storage, and eventual use in those countries, we recommend that the Secretary of Defense obtain from the UAE government an NVD compliance plan, as required under the conditions of sale through FMS, or develop an appropriate response.

DOD RESPONSE: Concur. DSCA highlighted the need for this plan as one of its recommendations during the most recent CAV to the UAE in May 2010. Since the CAV report was published, DSCA has been working with the U.S. Liaison Office (USLO) in UAE to obtain the plan. In December 2010, the USLO formally informed DSCA that efforts to obtain the NVD

Compliance Plan were in-progress. The UAE has provided a NVD Control Plan for the Presidential Guard units and work has continued to obtain a plan from the Ministry of Defense (MoD).

On 24 October 2011, DSCA met with UAE officials to formally discuss the UAE's requirement to submit the NVD Control Plan and stated that unless it is received by 31 December, 2011, future NVD exports via FMS may be affected. Formal documentation of the meeting will be provided as a record of the request in addition to a DSCA letter addressed to the ranking visiting official. DSCA expects the MoD will provide the plan by the requested date.

Appendix III: Comments from the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



Ms. Jacquelyn Williams-Bridgers
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441 G Street, N.W.
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United States Department of State

Chief Financial Officer

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NOV 04 2011

Dear Ms. Williams-Bridgers:

We appreciate the opportunity to review your draft report, "PERSIAN GULF: Implementation Gaps Limit the Effectiveness of End-Use Monitoring and Human Rights Vetting for U.S. Military Equipment," GAO Job Code 320813.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Steven Rice, Deputy Director, Bureau of Political-Military Affairs at (202) 663-2803.

Sincerely,

A handwritten signature in dark ink, appearing to read "James L. Millette".

James L. Millette

cc: GAO – Joseph Christoff
PM– Andrew J. Shapiro
State/OIG – Evelyn Klemstine

Department of State Comments on GAO Draft Report

**PERSIAN GULF: Implementation Gaps Limit the Effectiveness of End-Use
Monitoring and Human Rights Vetting for U.S. Military Equipment**
(GAO 12-89, GAO Code 320813)

Thank you for the opportunity to comment on your draft report entitled "*Persian Gulf Arms Transfer Monitoring: Implementation Gaps Limit the Effectiveness of End-Use Monitoring and Human Rights Vetting for U.S. Military Equipment*." With respect to the three recommendations GAO made in the report, we accept the first, disagree with and ask you to reassess the second, and are already working to address the third.

We will work to better harmonize State and Department of Defense (DoD) approaches regarding the end-use monitoring of night vision devices (NVDs) to ensure adequate levels of protection regardless of how they are obtained by foreign recipients. As GAO noted, both State and DoD fulfill end-use monitoring requirements pursuant to Section 40A of the Arms Export Control Act. With respect to end-use monitoring for Direct Commercial Sales (DCS), State identifies high-risk exports and conducts end-use monitoring to provide reasonable assurances that defense articles and services are used for purposes provided.

We must note that there are significant differences in resources that State and DoD can draw on for end-use monitoring. Neither we nor embassies around the world have the human resources to complete a 100% check on all NVD exports. Overcoming this constraint will be one of the greatest challenges for State and DoD to harmonize their approaches.

Further, the report does not consider that the number and type of NVDs exported via FMS varies sometimes significantly from those exported DCS. For instance, State licenses the export of large infrared devices in small quantities. These devices are not "man portable" and are often in a fixed location. (See the example below in BL 11002 regarding the presidential palace in the UAE.) We do not believe a 100% check is required of every NVD export transaction.

Regardless, we will look for opportunities to improve and harmonize practices on end-use monitoring of NVDs with DoD. As we informed GAO, we intend to increase the number of end-use inquiries on NVDs that are comparable to those sold via FMS – namely portable viewing devices in significant quantity, which represent a high-risk of diversion. Where practicable and appropriate we will

See comment 1.

See comment 2.

2

request on-site visits and physical accounting. We have and will continue to participate in DoD end-use monitoring visits to foreign countries. We recently returned from such a trip to Colombia. Finally, we will explore with DoD when and how existing DoD resources in country may be leveraged to support DCS exports.

Regarding your second recommendation, the Department of State disagrees with GAO's conclusions on Blue Lantern site visits and the manner in which the Department closes out post-shipment Blue Lantern checks. A site visit by a U.S. official may not be feasible or required for all NVD-related transactions. In certain appropriate instances, we accept host government official assurances that hardware has been received and inventory control and accounting systems are working. We believe GAO has misinterpreted the data from certain cases to reach its conclusions.

The report references particular State licenses and Blue Lantern cases. In our view, these references lack a full accounting and thereby give a misleading impression. For example, the draft report concludes that the Department of State makes "inconsistent use of site visits" in paragraph one, page 19. However, the Department believes that the report reaches an incorrect conclusion. Accordingly, we provide the following information on end-use inquiries for these license transactions:

050021404 (p.18-19) – Post made inquiries with UAE HQ and received confirmation that the NVDs were received and were being used according to authorized end-use and license provisos. We did not request a site visit because we believed that written assurances from a host government with an established record of favorable end-use monitoring is sufficient. A more thorough accounting via mandatory site visit or physical inspection takes place more commonly when the government end-user is unknown, or the end-user is a private entity, which was not the case.

050949378 (p.18-19) – Physical inspection of 10 NVDs occurred. The case was closed favorably.

1010477 (p.19 second paragraph) – Post made inquiries with the Saudi Ministry of Defense, which conducted an inventory of NVDs located in Khamis Mushayt, Riyadh and Tabuk. We did not request a site visit because we were sufficiently satisfied with the assurances from Saudi authorities. Much like the UAE example above, we accept assurances from a host

See comment 3.

See comment 4.

3

government that the items have been received and are being used according to the provisions of U.S. Government authorization. In this particular instance, the Saudi Ministry of Defense conducted a physical count of NVDs at locations of multiple defense units across the country and reported those findings to Post. In addition, this inquiry remains open as we await completion of the MOD's audit. To date, we have accounted for 638 of 766 NVDs.

As a point of clarification, the license was issued in March 2007. Final export did not occur until October 2009. The end-use inquiry was initiated in May 2011, 18 months after final export. We intentionally waited until final export before initiating the post-license check. The aim in this case was to make optimal use of resources by having a single check cover all items exported. Thus, we achieved a full-scope assessment of where all of the items were exported, to whom and for what specific end-use.

Regarding cases that were closed prior to receiving confirmation that the end-user had actually received the items (p. 20 second paragraph), both cases were closed favorably after Post confirmed the bona fides of the respective transactions:

BL 11002 (p.20, second paragraph): Abu Dhabi confirmed that one thermal camera had been received and was in temporary storage until the receipt of a second camera, at which point both items were to be installed for security purposes in a Presidential palace. This is a standard case closure practice for certain transactions and well within the scope of the inquiries. We confirmed the bona fides of the transaction and the end-user/use. End-use inquiries are conducted for a variety of reasons. Physical receipt of items is only one reason.

BL11002 (p.20, second paragraph): Based on cable and e-mail exchanges with Post, we confirmed that the Royal Court of Oman had placed an order for the firearms and was a legitimate end-user. For GAO's benefit, we note that when the firearms were initially exported from the U.S., they were misrouted through Germany and were seized by German authorities. The German government released the firearms after the U.S. exporter obtained a DSP-61 temporary import license. Unfortunately, that was not the proper procedure from the standpoint of U.S. Customs & Border Protection (CBP), which seized the firearms upon return to the U.S. The U.S. exporter then entered into a dispute resolution process with CBP. Separately and without our knowledge of the preceding, a Compliance official travelled to Oman for

See comment 5.

See comment 6.

See comment 7.

4

a CENTCOM conference. While in country, he met with Royal Court and Omani import company officials, both of whom discussed the delay and presented their bona fides personally. Upon return, the Compliance official contacted CBP and assisted in satisfactory resolution of the seizure and eventual export to Oman. Compliance received written confirmation from the Omani company that the firearms were received and delivered to the Royal Court.

See comment 8.

The Department of State believes GAO misinterpreted the data from the cases cited above resulting in incorrect findings. In light of the additional information provided, the Department respectfully requests that GAO reassess its conclusion in this area.

Finally, regarding your third recommendation, the Department of State is already working on plans to improve human rights vetting procedures with the aim of more effectively addressing equipment. As the report notes, the Department is developing policy guidance and identifying procedures to standardize the collection of timely information on recipient units for equipment. This approach will permit equipment vetting to be conducted through INVEST much closer in time to delivery of the assistance, and should significantly improve effectiveness over the current process, which relies on the information available when funding for equipment is allocated.

As a point of clarification, the Department notes that the draft report on the “highlight” page and again on page 29 may give the impression that the INVEST vetting system introduced in November 2010 was adopted only for the GCC. This is not the case. The new INVEST system for Leahy vetting was developed and rolled out worldwide, and, in the case of countries under the Near Eastern Affairs Bureau, to include the GCC, launched in November 2010.

See comment 9.

Unrelated to your recommendations, the Department notes that the report’s referring to “Persian Gulf countries” may connote that Iran and Iraq are included in the subset of countries studied, which is not the case. Further, paragraph two currently states: “With uprisings occurring throughout the Persian Gulf, this could result in U.S.-funded equipment being misused to quell peaceful demonstrations.” The Department requests that GAO consider striking this language, because this statement is inaccurate. Of the six GCC countries, only Bahrain has experienced on-going public demonstrations. The term “uprising” is misleading and does not reflect the reality of the GCC countries. Furthermore, the sentence is speculative

See comment 10.

5

See comment 11.

and does not provide any context into how GCC countries might respond to demonstrations.

See comment 12.

The Department of State also requests your reconsideration of additional language. Paragraph three currently states: "Such vetting is especially critical given Bahrain's use of its military to quell public demonstrations since spring 2011." The Department requests that GAO adjust this language to the following: "Such vetting is especially critical given the regional unrest since spring 2011." We justify the request by noting that Bahrain responded to public demonstrations with a mix of security forces, rather than just military forces. The Bahraini government's response to demonstrations is being examined by the Bahrain Independent Commission of Inquiry (BICI), which is expected to publish its report on November 23, 2011. Given the questions surrounding the response, it is not accurate to single-out Bahrain's military in the GAO report.

Following are GAO's comments on the Department of State's letter dated November 4, 2011.

GAO Comments

1. We did not recommend that State conduct a 100 percent check on all NVD exports; rather, we recommended that State and DOD take steps to harmonize their approaches to end-use monitoring for NVDs to ensure that these sensitive items receive equal levels of protection regardless of how they are obtained. Nonetheless, in DOD's comments on this draft it offered to provide any assistance needed to State to ensure that sensitive items are appropriately monitored by both agencies.
2. State asserted that our report does not consider that the number and type of NVDs sold through FMS may vary from those exported through DCS. However, we accounted for this possible difference by limiting our analysis to a comparison of State's and DOD's end-use monitoring for man-portable NVDs—the primary focus of DOD's end-use monitoring for NVDs. Specifically, DOD conducts enhanced end-use monitoring (i.e., delivery verification by serial number and regular follow-up serial number inventories) for man-portable NVDs, whereas it conducts routine end-use monitoring (i.e., observations in conjunction with other duties) for platform-mounted NVDs, such as the larger infrared devices cited by State. Accordingly, we did not recommend that State or DOD conduct a 100 percent check on every NVD sale or export, but rather that they harmonize their approaches to end-use monitoring for NVDs to ensure equal protection for these sensitive items regardless of the method of transfer.
3. State asserted that our conclusion on State's inconsistent use of site visits is based on isolated Blue Lantern cases that give a misleading impression. However, we drew our conclusion based on an analysis of a sample of 13 postshipment checks that State requested in the Gulf countries from fiscal years 2005 through 2010. We determined that U.S. embassy officials conducted site visits to end-users for only 3 of these 13 checks. Separate from this analysis, we cited examples in our report of instances in which State did and did not conduct site visits to end-users to verify receipt and confirm compliance with license conditions for sensitive defense articles. For example, we noted two instances in which embassy officials in Saudi Arabia and Qatar conducted site visits to end-users to verify receipt and confirm compliance with license conditions. In contrast, we cited another

example to illustrate an instance when embassy officials in the UAE did not conduct a site visit, as requested by State.

4. State's assertion that it did not request a site visit in this instance differs from our documentary evidence. For this postshipment check, State requested that embassy officials verify the serial numbers for a shipment of NVDs and confirm that all of the devices were secure, functional, and being used only for the purpose stated on the license. Moreover, State explicitly asked in its tasking cable that embassy officials conduct a site visit to gather and verify this information. However, as State notes in its comments, embassy officials did not conduct a site visit in this instance. Instead, the embassy received a fax from the UAE Armed Forces 14 months after the check was requested stating that all the items had been fully received. The fax did not comment on whether the NVDs were being used in accordance with the authorized end-use and license provisos.
5. We cited this Blue Lantern check as an example of an instance in which delays in requesting and conducting a check prevented State from conducting a serial number inventory of a shipment of NVDs or verifying that these items were being stored in secure facilities. State said that it did not request a site visit because it was sufficiently satisfied with assurances from the Saudi authorities that the items had been received and were being used according to the provisions of the export license. However, during our fieldwork in Saudi Arabia, we accompanied an embassy official on the Blue Lantern check in which he attempted to conduct a serial number inventory of the 766 NVDs shipped on this license. However, the Saudi authorities informed the embassy official that the devices had been issued to units located throughout the country. As a result, he was unable to independently verify that the NVDs had been received and were being used in accordance with the provisions of their license. State further asserts that it intentionally waited until final export before initiating the postshipment check for these NVDs in order to make optimal use of resources by conducting a single check to cover all of the items exported. However, rather than initiate the check immediately following final export, State waited an additional 18 months to conduct the check (more than three years after the first of two shipments of NVDs). State's comments on this draft did not explain why State waited 18 months after final export to conduct the check.

6. While State's written comments noted that, in both of these cases, embassy officials confirmed the *bona fides* of the transactions, this misses our point. We cited these two cases as examples of Blue Lantern checks that were closed as favorable before receiving confirmation that the end-user had received the items. In both of the cases cited in our report, State explicitly requested in its tasking cables that embassy officials verify receipt of the items by the end-user. Although embassy officials reported back to State that they were not able to verify receipt by the end-user, State closed both cases as favorable instead of leaving these cases open until embassy officials could confirm receipt.
7. We agree that officials from Embassy Abu Dhabi visited the intermediary and confirmed the *bona fides* of this transaction. However, State explicitly requested in its tasking cable that U.S. officials verify receipt of the thermal imaging camera by the UAE Armed Forces. In this instance, embassy officials were unable to confirm receipt by the UAE Armed Forces because the camera was still being held by the consignee. Rather than leave the Blue Lantern case open until embassy officials could verify receipt, State closed the case as favorable and did not request that Embassy Abu Dhabi conduct any additional follow-up.
8. We agree that officials from Embassy Muscat visited the intermediary and confirmed the *bona fides* of the transaction. However, State asked in its tasking cable that Embassy Muscat verify that the Royal Court received the firearms. When Embassy Muscat notified State that the firearms had not yet been received by the Royal Court, State closed the case as favorable. It was not until later that State received written confirmation from the Omani intermediary that it had received the firearms and delivered them to the Royal Court.
9. We agree and did not intend to imply that INVEST was implemented only in the Persian Gulf countries. We revised the report to clarify that INVEST was implemented worldwide in 2010 and 2011 to facilitate human rights vetting.
10. We list the six Persian Gulf countries that are included in the scope of this study in the Highlights page and on the first page of the report. We do not believe any additional clarification is necessary.

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11. While Bahrain is the only Gulf country included in the scope of this study to have experienced ongoing public demonstrations, Oman and Saudi Arabia have also experienced some degree of political unrest in 2011. We have modified the language in the report to clarify this distinction.
 12. We agree and have revised the report to refer more broadly to Bahrain's security forces, rather than Bahrain's military.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Loren Yager, (202) 512-4347 or yagerl@gao.gov

Staff Acknowledgments

Key contributors to this report were Joseph A. Christoff, Director (ret.); Jeff Phillips, Assistant Director; Drew Lindsey, Analyst-in-Charge; Juan Avila; Rachel Dunsmoor; and Adam Vogt. Martin de Alteriis, Justin Fisher, and Mitchell Karpman provided assistance with design and methodology, statistics, and data analysis, respectively. Ashley Alley provided legal support, Etana Finkler and Jena Sinkfield provided graphics support, and Sarah McGrath provided assistance in editing and report preparation.

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