

SIGIR OVERSIGHT

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SECTION 3

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SIGIR AUDITS

From March 2004 through April 30, 2008, SIGIR has issued 115 audit products, with 7 new audit products added since February 1, 2008. Details on SIGIR audits are presented throughout this report.

This quarter, SIGIR audits addressed a diverse range of issues and programs, including:

- the fifth in a continuing series of focused contract audits dealing with outcomes, cost, and oversight associated with major reconstruction contracts in Iraq
- an attestation to the amount of Development Fund for Iraq (DFI) cash being held by the United States prior to its transfer to the Government of Iraq (GOI)
- progress made in addressing issues raised in three prior SIGIR reports regarding anticorruption efforts in Iraq, the transfer of completed reconstruction projects to the GOI, and contract administration for the Iraqi Police Training Program

- interim reports on contract terminations, and Iraqi security force information.

Table 3.1 lists these audit products.

SIGIR is currently working on 10 ongoing audits and will start a number of new audits next quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR's reports have produced scores of recommendations designed to improve the management of reconstruction and relief activities and take corrective actions as needed. The implementation of audit recommendations is crucial. SIGIR auditors regularly follow up on open recommendations, seeking to achieve their full implementation to the extent practical.

- For information on all SIGIR audit work completed as of April 30, 2008, see Appendix H, Table H-1.
- For the status of implementation of SIGIR recommendations from its audit reports, includ-

SIGIR FINAL AUDIT PRODUCTS, SINCE FEBRUARY 1, 2008

REPORT NUMBER	REPORT TITLE	DATE ISSUED
08-011	Outcome, Cost, and Oversight of Electricity-sector Reconstruction Contract with Perini Corporation	April 2008
08-012	Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central	March 2008
08-013	Interim Report on Iraq Reconstruction Contract Terminations	April 2008
08-014	Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program	April 2008
08-015	Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report, <i>Measuring Stability and Security in Iraq</i>	April 2008
08-016	U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan	April 2008
08-017	Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste	April 2008

TABLE 3.1

ing recommendations that remain open, see Appendix H, Table H-2.

- For the full text of all final audit products, visit the SIGIR website: www.sigir.mil.

SIGIR's audit work is closely coordinated with other audit entities engaged in Iraq-related work; that coordination is reinforced by representatives of these entities who meet together quarterly under the umbrella of the Iraq Inspectors General Council (IIGC) to more formally coordinate their work. The IIGC's objective is to prevent duplication of effort and to share information and experiences gained from ongoing audit activity. On February 13, 2008, the IIGC met at SIGIR headquarters in Arlington, Virginia, with some members participating by phone from Baghdad and U.S. locations.

These organizations attended the meeting: SIGIR, Army Inspector General (Army IG), Department of Defense Office of Inspector General (DoD OIG), Department of State Office of Inspector General (DoS OIG), U.S. Agency for International Development Office of Inspector General (USAID OIG), Defense Contract Audit Agency (DCAA), U.S. Army Audit Agency (USAAA), Air Force Audit Agency, Naval Audit Service, and Government Accountability Office (GAO).

FINAL SIGIR AUDIT PRODUCTS FOR THIS QUARTER

Outcome, Cost, and Oversight of Electricity-sector Reconstruction Contract with Perini Corporation

(SIGIR-08-011, APRIL 2008)

Introduction

The December 2006 amendment to SIGIR's enabling legislation requires that, before its termination, SIGIR must prepare a final forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund. This mandate was expanded in the 2008 National Defense Authorization Act, P.L. 110-181, to require preparation of a final forensic audit report "on all amounts appropriated or otherwise made available for the reconstruction of Iraq." To meet this requirement, SIGIR has undertaken a series of focused contract reviews examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, the fifth in the series of focused contract reviews, examines reconstruction work contracted by the U.S. government and performed by Perini Corporation. The report discusses work performed under a major design-build contract awarded in 2004 in the electricity sector.

In March 2004, at the request of the Coalition Provisional Authority (CPA), the U.S. Army Corps of Engineers (USACE) awarded contract W914NS-04-D-0011—an indefinite-delivery-indefinite-quantity cost-plus award-fee contract—to Perini Corporation to provide design-build

services in the electricity sector. The objective was to construct electrical transmission and distribution facilities in southern Iraq, and the contract had a not-to-exceed amount of \$500 million and a base period of two years plus three option years.

The objectives were to be accomplished by issuing task orders against the basic contract. The government subsequently issued 11 task orders—1 for contractor mobilization and 10 for the construction of electricity distribution networks and the rehabilitation or construction of substations. The task orders required Perini to submit a site-assessment report (generally 30 days after issuance of the task order) and a cost proposal for agreed-upon work (generally 15 days after submission of the site-assessment report).

Initially, the CPA's Program Management Office (PMO) had program-management responsibilities. In May 2004, the Project and Contracting Office (PCO) replaced the PMO. In November 2004, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) assumed management of all CPA contracts. The USACE Gulf Region Division (GRD) provided quality assurance (QA) services.

Under terms of the contract, the contractor submits periodic invoices to the government for payment. PCO procedures required that the contacting office review and approve the invoices and that a contracting officer representative certify the receipt of goods or services.

Limitation of Assessment

Incomplete contract documentation constrained the SIGIR assessment. The missing documents

were important to a more complete evaluation of GRD's QA program. GRD officials made extra efforts to locate missing documents after the exit conference at the conclusion of SIGIR's fieldwork. Despite the remaining data limitations, SIGIR believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Results

Of the 10 task orders under this contract, 5 were completed—but several were significantly descoped—and 5 were terminated for the convenience of the government. In general, PCO terminated the task orders because it believed that Perini's proposed costs were too high; its decision to terminate the task orders appears to have protected the government's interests. In all cases, the decision to reduce task order scope or terminate a task order was made after a site assessment was completed but prior to the start of construction. No projects that were started were left unfinished by Perini. Nevertheless, SIGIR identified a number of areas in which the government's management of the contract could have been improved with relation to QA responsibilities, award-fee decisions, and control of personnel turnover among key contracting officials.

Construction Outcome and Costs

The U.S. government paid almost \$123 million to Perini on the contract, including \$668,476 for Task Order 1 (mobilization). Approximately \$8 million in award fees were authorized. One task-order was completed, and the others were either

reduced in scope or terminated for convenience. According to PCO officials, the quality of Perini's construction was very good, but the U.S. government often judged the company's cost proposals to be too high, largely because of its indirect costs, and the government elected not to continue the work with Perini. Also, for some projects that were started, the government was displeased with Perini's delays and extension requests. Security issues also affected several task orders.

Approximately one year into the contract, government officials decided to remove work from the Perini contract and complete it through firm-fixed-price contracts awarded to other international contracting companies. As discussed earlier, the task orders required Perini to conduct a site assessment and then submit a cost proposal for agreed-upon work. All descopings or project terminations occurred after the site assessments were completed but before construction started—generally because the government and Perini could not come to terms on cost. The results of these task orders are shown in Table 3.2.

SIGIR's review of contract documents generally identifies three primary reasons for reducing the scope of work on these task orders:

- Perini cost proposals that significantly exceeded budgets and available funding
- concerns about the company's management of project schedules
- security issues

Former PCO officials cited Perini's high indirect cost estimates as a major contributing factor

to its high cost estimates. The high indirect costs also made it difficult for the government and Perini to come to an agreement and definitize the five partially completed task orders. In April 2005, Modification 5 to the contract was issued to require Perini to provide a detailed indirect-cost report, but the first report arrived in June 2005 after most task orders had already been descoped or terminated. (SIGIR has previously reported that delays in beginning construction work under the design-build contracts contributed to high indirect costs.⁶⁸⁵)

There is little information in the contract file that addresses project delays. There are requests for excusable delays from Perini and correspondence from the contracting officer complaining about delays. However, there is little information about why the contracting officer considered Perini's requests unreasonable. The contractor's requests cite security issues, Iraqi religious observances, land ownership issues, and the inability to access some sites. Without more information, it is not possible for SIGIR to judge the reasonableness of these requests.

As a result of the high costs and delays, the government elected to reduce the scope of the work under a number of contract task orders and to try to achieve the same results through direct contracting. Former PCO officials stated that this decision delayed completion of the projects but allowed the program to stay within budget and complete more reconstruction. The option years on the Perini contract were not exercised.

CONSTRUCTION TASK ORDER OUTCOMES

COMPLETED TASK ORDERS	OUTCOME	PROBLEMS
Task Order 2	Completed 5 of 8 projects; the other 3 projects are removed from the task order prior to the start of construction.	High cost estimates, delays, and security concerns are cited.
Task Order 3	Completed 7 of 12 projects; the other 5 projects are removed from the task order prior to the start of construction.	High cost estimate is cited as a reason for removing 1 project from the task order, but no reasons are identified for removing the other 4.
Task Order 6	Perini is directed to complete engineering and procurement for 4 projects and deliver the equipment to a government warehouse. Eleven projects are removed from the task order prior to the start of construction.	High cost estimates are cited.
Task Order 7	Completed 3 of 6 projects.	Concerns about construction milestone schedule.
Task Order 8	Completed 3 of 4 projects. One project is removed from the task order prior to construction.	Concerns about management of construction milestone schedule.
TERMINATED TASK ORDERS		
Task Order 4	Terminated for convenience prior to construction.	High cost estimates, delays, and security.
Task Order 5	Terminated for convenience prior to construction.	Security.
Task Order 9	Terminated for convenience prior to construction.	High cost estimates and delays.
Task Order 10	Terminated for convenience prior to construction.	Local Iraqis living at the site.
Task Order 11	Terminated for convenience prior to construction.	High costs and delays.

Note: Task Order 1, not shown above, was a non-construction task order used for capturing mobilization costs to begin the construction work.

Source: SIGIR analysis of contract data.

TABLE 3.2

Contract Administration and Oversight

SIGIR identified various issues relating to oversight that had a negative impact on completion of the projects.

Available information indicates that GRD did not effectively execute its QA responsibilities. PCO contracted with GRD to provide QA services for a fee of 4% of the contract cost. PCO procedures require the submission of a QA report for every inspection at a work site. SIGIR requested copies of the QA reports from GRD

and received reports on only four substations (39 reports on one, 36 reports on one, and 5 reports on each of 2 others). Although this may be a recordkeeping issue, it seems to support the contention of former PCO officials who were responsible for the contract that PCO received limited value for the funds paid to GRD for QA. According to PCO officials, they had to rely on their program-management contractor to supplement the QA effort.

Insufficient documentation was maintained

to adequately support the award-fee process and decisions. Further, the metrics for cost control under the award-fee plan were mostly for administrative compliance and did not include quantifiable metrics of sufficient weight to create incentive for Perini to control costs. SIGIR also found that the government did not use an effective award-fee conversion scale to create incentives for superior contractor performance. The government awarded more than 70% of the award-fee pool to Perini for the entire period of its work, although the company's performance scores were "average" or "above average."

There was high turnover of key contract-administration personnel. For example, based on a review of relevant documentation, SIGIR determined that at least 14 contracting officers were involved in the contract in the approximately two and a half years after its award. This averages out to a new contracting officer every 65 days. According to a former senior PCO official, the turnover rate hampered progress.

Although SIGIR initially had difficulty locating many documents related to quality assurance inspections and other supporting contract payments, GRD officials made extra efforts to locate many of these documents from multiple locations in Iraq, as well as the United States, as our fieldwork neared completion. Ultimately, SIGIR was able to obtain and reconcile documentation to support the 188 payments that the U.S. government made to Perini on the contract.

SIGIR's findings relating to oversight reflect processes that were in place at the time of contract award and execution, mostly between 2004

and 2006. A senior GRD official stated that the agency has recently hired local Iraqi nationals to enhance its QA efforts. In addition, a senior JCC-I/A official stated that the government has shifted its contracting strategy in Iraq away from cost-plus award-fee type contracts and now focuses on achieving results through firm-fixed-price contracts. The scope of the audit did not include an assessment of the impact of current processes.

Recommendation

JCC-I/A has assumed responsibility for contracts that originated with other contracting entities. This limits JCC-I/A's accountability for problems in contract file management that they inherited. However, SIGIR believes that it is incumbent upon JCC-I/A—the current contract manager—to ensure that contract files contain sufficient documentation to support the validity of contract payments made. Accordingly, SIGIR recommends that the Commander, JCC-I/A, direct that actions be taken to ensure that all contract files, including contracts transferred from other entities, contain documents to support key contract management and payment actions and that such files be retained in a central location to the extent practical.

Lessons Learned

SIGIR identified lessons learned that may be applicable to future contract-management strategies in environments like those characterizing Iraq reconstruction. When using large, indefinite-delivery indefinite-quantity cost-plus type contracts:

- Require the prime contractor to provide detailed project-level indirect cost reports under the contract to facilitate strategic decision-making.
- Ensure the provision of proper quality-assurance inspections, including sufficient numbers of trained personnel.
- Incorporate control of indirect costs as a quantifiable metric in the award-fee plan, and give the metric enough weight to motivate the contractor to scrutinize and control those costs.
- Explore alternative strategies for managing contracts to achieve stability in the contracting-officer workforce.

Management Comments and Audit Response

In the draft report, SIGIR identified a material management-control weakness resulting from a lack of documentation to support payments on the contract. SIGIR included a draft recommendation that GRD determine if the documents are on file or report the material weakness as prescribed by Army Regulation 11-2. GRD subsequently provided copies of Perini invoices and pay vouchers to support all payments on the contract. SIGIR also recognized that processes changed as a result of the transition of program management from PCO to GRD. Accordingly, in preparing the final report SIGIR deleted the draft recommendation related to the material weakness. However, SIGIR added a new recommendation to this report, addressing the need for JCC-I/A to establish accountability over the contract files that they inherited from other entities. GRD also provided technical comments that

are addressed in the report where appropriate. GRD also commented that SIGIR had not made sufficient effort to obtain documents from the finance center in Millington, Tennessee. However, SIGIR contacted the finance center during the audit and was assured that the audit team had been provided all available documents. Senior GRD leaders were made aware of the missing documentation very early in the audit and were also unable to locate the missing documents until special efforts were made near the conclusion of SIGIR's field work.

GRD also commented that SIGIR had not requested copies of QA reports until the exit conference in February. However, SIGIR has emails showing that the audit team had made multiple requests for the reports, starting more than two months prior to the exit conference.

Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central

(SIGIR-08-012, MARCH 2008)

Introduction

In December 2007, SIGIR was asked to:

- attest to the amount of Development Fund for Iraq (DFI) cash that was controlled by the U.S. Army Joint Area Support Group-Central (JASG-C) Comptroller/DFI Account Manager (stored in the basement vault of the U.S. Embassy Annex in Baghdad)
- ensure that the cash on hand agreed with government accounting records
- attest to the transfer of the cash to the Government of Iraq (GOI)

However, at the time of SIGIR's review, the JASG-C had not finalized transfer procedures. Therefore, this report provided an attestation only to the amount of cash on hand relative to the accounting records and compliance with applicable procedures.

UN Security Council Resolution 1483, passed in 2003, assigned responsibility for managing the DFI to the Coalition Provisional Authority (CPA). Resolution 1483 noted that DFI funds should be disbursed at the direction of the CPA, in consultation with the Iraqi interim administration. In addition, the resolution required that the DFI funds be used in a transparent manner in Iraq for these purposes: to meet the humanitarian needs of the people; for economic reconstruction and repair of infrastructure; for continued disarmament; for the costs of civilian administration; and for other purposes benefiting the people of Iraq. The DFI was the primary financial vehicle to channel revenue from ongoing Iraqi oil sales, unencumbered Oil-for-Food deposits, and repatriated national assets to the relief and reconstruction efforts for Iraq.

CPA Regulation Number 2, "Development Fund for Iraq," issued in June 2003, described the responsibilities for the administration, use, accounting, and auditing of the DFI. The regulation was intended to ensure that the fund was managed in a transparent manner for and on behalf of the Iraqi people, consistent with Resolution 1483, and that all DFI disbursements would be used for purposes benefiting them.

During the CPA administration of Iraq, the CPA Comptroller managed the DFI funds. When

the CPA was dissolved in June 2004, the CPA Comptroller was realigned as the JASG-C Comptroller and assumed responsibility for control of the DFI. The Iraqi Minister of Finance, through a number of memorandums, granted DFI administrative and delegation authority to the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A).⁶⁸⁶ On December 31, 2007, JCC-I/A's stewardship of the DFI program ended.

Department of Defense Financial Management Regulation (FMR) Volume 5 governs all DoD disbursing policy by establishing and enforcing requirements, principles, standards, responsibilities, procedures, practices, and liability for disbursing officers, certifying officers, and other accountable officials throughout the department. Chapter 3 of Volume 5 governs cash operations, safeguarding funds and related documents, and advancing funds to agents.

Objectives

The objectives of this attestation were to conduct a physical count of DFI funds in the possession of JASG-C to determine:

- Did the cash on hand agree with JASG-C accounting records?
- Did the procedures used to store funds comply with applicable financial-management regulations?

Results

SIGIR conducted two cash counts on January 11, 2008, and February 26, 2008. Each count showed that the amount of cash in the vault matched the DFI entry in the JASG-C accounting records.

SIGIR made two counts because the expected transfer of the funds to the GOI did not occur. The review also showed that JASG-C complied with applicable regulations in maintaining accountability for the funds pending transfer. SIGIR's attestation to actual amounts is necessarily limited to the time when the attestation occurred.

SIGIR conducted the February 26 count of the cash stored in the embassy vault in accordance with the terms of a Memorandum of Agreement between SIGIR and JASG-C. The auditors identified the sum of \$24,455,189.40 in U.S. currency in the vault. This amount agreed with official accounting records.

Interim Report on Iraq Reconstruction Contract Terminations

(SIGIR-08-013, APRIL 2008)

Introduction

Rebuilding Iraq is a U.S. national security and foreign policy priority: Iraq reconstruction is the largest U.S. assistance program since World War II. Approximately \$46.3 billion has been appropriated for Iraq reconstruction activities since the beginning of Iraq reconstruction activities in 2003. As of January 2008, approximately \$35.46 billion of this amount has been obligated, much of it under contractual arrangements.

SIGIR has often been asked about problems in the U.S. reconstruction program, including the extent to which contracts have been terminated because of poor contractor performance. Government contracts generally contain clauses allowing the U.S. government to end a contract

when the need for the supplies or services no longer exists, when the contractor's performance becomes unsatisfactory, or when some other situation develops that warrants closure.

To address this issue, SIGIR assessed the availability of aggregate information on such contract actions involving Iraq reconstruction. This interim report provides an overview of the termination for convenience and default processes and available information regarding contract terminations. A follow-on review will provide additional insights on factors and circumstances related to such decisions for selected contracts and the reasons for ending them.

Interim Results

Although information on contract terminations is incomplete, available data shows that approximately 855 Iraq reconstruction contracts—or task orders within individual contracts—have been terminated for the convenience of the U.S. government or because of default on the part of the contractor. This information comes from the Iraq Reconstruction Management System (IRMS), and, as of March 2008, contained 47,321 projects. IRMS was intended to be the repository and archive for storing all reconstruction and non-reconstruction project data from the various U.S. implementing agencies operating in Iraq. However, it does not provide a complete or consistent picture of reconstruction activities and contract changes because not all executing agencies use IRMS on a regular basis.

A limitation of IRMS is that it does not contain complete information on projects done by

the U.S. Agency for International Development (USAID) or DoS, projects completed before 2006, or projects funded by appropriations other than the Iraq Relief and Reconstruction Fund. Adding terminations from these sources would certainly raise the number of terminated projects. Nonetheless, contract termination data available from the IRMS provides the most complete data on contract terminations. Table 3.3 shows the number of terminations identified in IRMS, as of March 20, 2008.

It is important to note that contracts and task orders that incur problems are sometimes modified to change or reduce the scope of work to be performed—rather than terminated. This practice is referred to as descoping, and it is effectively a partial termination. When applied to contracts with problems, it has the effect of ending the contract or task order without the need to terminate for convenience or default. SIGIR’s work has identified numerous instances in which contract modifications are used instead of a termination, but data is not available that shows the frequency of these actions. Descoping is an appropriate

process, but does mask problem projects and the extent they occur.

Nevertheless, given the level of interest in the issue of contract terminations, SIGIR plans to conduct a follow-on review, relying to some extent on a series of case studies to examine more closely the basis for those decisions, the percentage of work completed at the time of termination for each contract or task order, and the costs related to those actions. In the next report, SIGIR will also address whether any of the defaulted contractors were awarded follow-on contracts and whether the contracting officers considered the contractor’s performance on prior contracts before awarding a new one.

This interim report contains no conclusions or recommendations.

Management Comments and Audit Response

SIGIR received comments on a draft of this interim report from GRD and ITAO. GRD said that the failure of IRMS to provide a complete picture of Iraq reconstruction derives from the fact that

CONTRACT TERMINATIONS IN THE IRMS DATABASE, AS OF MARCH 20, 2008

	DoD						TOTAL
	GRD ^a	JCC-I/A ^b	MNC-I ^c	AFCEE ^d	USAID ^e	DoS ^f	
Terminated for Convenience	145	402	128	68	0	0	743
Terminated for Default	87	14	11	0	0	0	112
Total Terminations	232	416	139	68	0	0	855

^a the U.S. Army Corps of Engineers Gulf Region Division (GRD)
^b the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)
^c the Multi-National Corps-Iraq (MNC-I)
^d the Air Force Center for Engineering and the Environment (AFCEE)
^e the U.S. Agency for International Development (USAID), and
^f the U.S. Department of State (DoS)

Source: IRMS database, March 20, 2008.

TABLE 3.3

not all of the executing agencies use IRMS on a regular basis. GRD also stated that the failure of these agencies to routinely input data impacts the system's ability to provide current and accurate information.

ITAO disagreed that IRMS was ever intended to be a repository and archive for storing reconstruction and non-reconstruction data from the various U.S. implementing agencies operating in Iraq. However, several ITAO documents identify this as the purpose for the system. Nonetheless, as stated in this report and GRD's official comments, not all agencies input data to IRMS on a regular basis.

Both GRD and ITAO also provided technical comments, which were incorporated into this report as appropriate. SIGIR also received technical comments from USAID, which are included in this report where appropriate.

Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program

(SIGIR-08-014, APRIL 2008)

Introduction

This is a follow-up to SIGIR's October 2007 report.⁶⁸⁷ It updates the status of (1) improvements undertaken by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) to its management of the DynCorp contract for the Iraqi Police Training Program (IPTP), and (2) INL's implementation of SIGIR's recommendation in that report. This report also updates the status of recommendations made in the January 2007 joint report of SIGIR and DoS Office of Inspector General on Task Order 0338 of the Dyn-

Corp contract.⁶⁸⁸ Moreover, this report continues SIGIR's oversight of INL's contract administration for the IPTP. The follow-up work for this report was conducted under Project 8015.

INL's mission is to develop policies and manage programs to combat international narcotics production and trafficking, combat international crime, and strengthen law enforcement and other rule-of-law institutional capabilities outside the United States. To that end, INL awarded contract S-LMAQM-04-C-0030 to DynCorp on February 18, 2004. The contract—for a base year and four one-year options—is now in its last option year.⁶⁸⁹ According to INL, the contract for the IPTP will be extended only for the time necessary to re compete the contract in 2009.⁶⁹⁰

Although the contract includes tasks in support of INL programs for Iraq and Afghanistan, SIGIR's focus is on the contract tasks for Iraq. Among those tasks, DynCorp is required to provide housing, food, security, facilities, training support systems, and a cadre of law enforcement personnel with various specialties to support the Iraqi civilian police-training program. The current task order covering the IPTP expires on April 30, 2008, when a new task order will be awarded. According to INL officials, as of March 28, 2008, INL had obligated about \$1.75 billion and had spent \$1.42 billion in pursuit of the Iraq program.

SIGIR's October 2007 report stated that INL officials had previously uncovered serious weaknesses in INL's management of the contract and had undertaken a number of improvements, including:

- organizing contract files
- increasing the size of INL headquarters staff and contract-management personnel in Iraq
- improving project oversight and business processes, as well as oversight of property management
- collecting for excess or erroneous charges

Because of the magnitude of the problems confronting INL and the number of actions planned to address them, SIGIR recommended that INL (1) develop a coordinated, comprehensive corrective-action plan that is approved by the assistant secretary, (2) make a commitment to provide the resources necessary to implement the plan, and (3) establish a process to assess the plan's implementation and its impact on the bureau's oversight of the DynCorp contract.

The January 2007 joint report stated that poor contract administration by INL and the DoS Office of Acquisition Management resulted in property unaccounted for and millions of dollars put at unnecessary risk. Specifically, DoS had paid about \$43.8 million to manufacture and temporarily store trailers for a residential camp that had never been used; the sum included \$4.2 million for unauthorized work associated with the camp. In addition, DoS may have spent another \$36.4 million for weapons and equipment, including armored vehicles, body armor, and communications equipment that could not be accounted for because invoices were vague and backup documentation and property-book list-

ings were lacking for the specific items. The joint report recommended a number of actions to help remedy the situation.

Results

INL has made a concerted effort to implement the recommendations in prior reports on the IPTP by SIGIR and the DoS Office of Inspector General. With regard to the recommendation in the October 2007 report, INL has developed a detailed project plan that includes initiatives to improve contract management. For example, the plan identifies the detailed tasks associated with property management in Iraq, efforts to recover contested charges under the contract, the reconciliation of invoices, and the various tasks to recompetite and award the contract in late 2009.

With regard to the recommendations in SIGIR's January 2007 report, INL has several responsive actions underway. For example, it has arranged to make use of the trailers associated with the 1,040-person residential camp,⁶⁹¹ sought reimbursement for payments that may not have been properly authorized, and requested and received invoice audits.

While INL's actions are in various stages of completion, SIGIR believes that, taken together, they are improving the overall administration of the contract. SIGIR encourages INL to bring its efforts to a timely completion and plans to continue to monitor INL's progress. Because of the actions taken and underway, SIGIR provides no additional recommendations.

Management Comments and Audit Response

INL concurred with SIGIR's presentation of the facts and chose not to provide official comments.

Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report, *Measuring Stability and Security in Iraq*

(SIGIR-08-015, APRIL 2008)

Introduction

Section 9010 of the Defense Appropriations Act of 2007, Public Law 109-289, requires the Secretary of Defense to submit a quarterly report to the Congress that presents a comprehensive set of performance indicators and measures of progress toward military and political stability in Iraq. One indicator being reported is information on the number of Iraqi Security Forces (ISF) authorized (required), assigned (on the payroll), and trained. SIGIR reviewed available information to assess:

- the reliability and usefulness of the number of forces authorized, assigned, and trained, as reflected in the March 2008 DoD Section 9010 Report, *Measuring Stability and Security in Iraq* (9010 Report)
- the methodology for gathering the information, including the extent to which DoD reviews and/or validates this information

To achieve the objectives, SIGIR reviewed and analyzed the DoD March 2008 9010 Report relating to the ISF and compared information in that report with earlier 9010 Reports. SIGIR also reviewed prior reports by SIGIR, GAO, the

Independent Commission on the Security Forces of Iraq (Jones Report), and others. Also, SIGIR held discussions with officials in the Office of the Under Secretary of Defense (Policy).

The audit plan called for SIGIR to hold discussions and obtain information from officials of the Multi-National Force-Iraq (MNF-I), Multi-National Security Transition Command-Iraq (MNSTC-I), and the Multi-National Corps-Iraq (MNC-I). As a basis for these discussions, SIGIR provided written questions related to the objectives. SIGIR received a written response to the questions through the Office of the Under Secretary of Defense late in the review cycle and incorporated this information in this report, as appropriate. However, SIGIR plans to conduct additional follow-on work with U.S. officials in Iraq to obtain a more complete understanding of data-gathering and reporting methodologies, as well as efforts to strengthen related processes.

Results

The results of SIGIR's work to this point show that efforts have been made to improve the information on the numbers of Iraqi security forces authorized, assigned, and trained included in DoD's 9010 Reports. However, the details included in the reports and other available information suggest a continuing need for caution in relying on the accuracy and usefulness of the numbers. This is because:

- There are continuing uncertainties about the true number of assigned and trained Iraqi personnel who are present for duty at any one

time. A substantial number of personnel still on the payroll are not available for duty for various reasons, such as being on leave, absent without leave, injured, or killed.

- Evolving changes in reporting methodology makes it difficult to compare information from one report to earlier reports.
- The numbers of personnel reported as trained are not easily correlated with those assigned, the latter including persons not yet trained. Further, both assigned and trained numbers include persons no longer on duty, and the number of trained personnel, in and of itself, is widely recognized as an inadequate indicator of force capability.
- The shortage of officers and non-commissioned officers in the Iraqi security forces remains a significant long-term shortfall that could take a decade to address.
- There is a recognized need for additional Iraqi security forces by 2010 to field a counterinsurgency force capable of protecting the country against internal threats and insurgency.
- Iraqi forces still rely on substantial logistical support of Coalition forces.
- With a current focus on addressing internal security needs, the longer-term focus on the force structure needed to counter external threats has yet to be addressed.

Information on numbers of ISF personnel included in 9010 Reports are reportedly derived from multiple sources within individual Iraqi ministries based on processes that continue to evolve. This includes ongoing efforts to develop

an automated data system to manage Iraqi military manpower accountability and pay. DoD made some efforts to determine and comment on the reliability of the data presented in the 9010 Reports; however, as the GOI assumes greater control over the forces trained and assigned, U.S. officials envision that they will have less visibility over data reliability. SIGIR's follow-on work will further assess efforts to improve data collection and reliability.

Management Comments and Audit Response

OSD provided informal comments on a draft of this report, and these comments were incorporated into this report, as appropriate.

MNSTC-I provided comments on a draft of this report, which generally concurred with the report's conclusions. MNSTC-I also provided specific comments on statements made in this report, which we incorporated as appropriate.

MNSTC-I commented that SIGIR's discussions on (1) shortages of officers and non-commissioned officers, (2) additional forces needed by 2010 for internal security, (3) police recruiting exceeding training capacity, and (4) deficiencies in logistics and combat support were beyond the scope of work. Although some information in this report goes beyond the specific objectives regarding the accuracy of the numbers, the information is relevant to the broader objectives because it provides important context for understanding the accuracy and usefulness of the information being reported.

U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan

(SIGIR-08-016, APRIL 2008)

Introduction

This is the latest in a series of reports by SIGIR assessing U.S. government anticorruption efforts in Iraq. SIGIR instituted reviews of these programs in recognition of the significant detrimental effect of corruption on Iraq's economic, social, and political reconstruction. SIGIR has described the impact of corruption in Iraq as the "second insurgency."

Previous SIGIR reports concluded that U.S. efforts in this area lacked a comprehensive plan featuring metrics that tie programs to an overall strategy as well as baselines from which progress can be measured. Moreover, SIGIR found that these efforts have gone through periods of high activity and periods when they have languished. In a January 2008 report, SIGIR reported that the U.S. Embassy-Iraq had taken, or planned to take, steps to improve U.S. anticorruption activities as part of a new anticorruption management plan. If those measures were effectively implemented, SIGIR said, they would address all SIGIR recommendations. SIGIR's objective for this report was to review the progress of DoS and the U.S. Embassy in that regard.

Results

SIGIR found that DoS and the U.S. Embassy are taking steps to implement the revised anticorruption management plan approved by the Secretary of State on January 9, 2008. Although the action plan is in the early stages of implementation,

progress to this point is encouraging. Recent actions support the plan's goals to elevate the priority of anticorruption activities by reorganizing personnel and assets and improving oversight and coordination. Specifically, on March 11, 2008, DoS appointed a new Coordinator for Anticorruption Initiatives in Iraq, who will report directly to the Deputy Chief of Mission and will synchronize all U.S. anticorruption policy and programs. Moreover, the Embassy has reasigned staff to the office of the coordinator and is recruiting personnel experienced in anticorruption work.

The Embassy has also begun to move forward in other ways. It has drafted a preliminary Anticorruption Strategy Framework; set up seven Anticorruption Working Group (ACWG) subgroups with specific areas of responsibility, such as strategy and planning, assessments, public education, and program deconfliction and coordination; and completed an initial inventory of all U.S.-funded anticorruption programs. Moreover, to monitor and provide support for GOI efforts, the Embassy has decided to track the status of each anticorruption initiative that the government announced in a January 2008 anticorruption conference.

SIGIR notes, and is encouraged by, the progress the Embassy has made in just the three months since SIGIR's last anticorruption report. At this point, the Embassy is addressing the concern SIGIR raised in January 2008 that prior efforts to revitalize and coordinate U.S. anticorruption efforts have been largely ineffective and suffered from a lack of management follow-through. SIGIR continues to encourage

the Embassy’s sustained commitment to managing effective anticorruption efforts, particularly in terms of day-to-day leadership and senior-official oversight. SIGIR will continue to provide quarterly status reports on the program.

Management Comments and Audit Response

SIGIR provided a draft copy of this report to DoS and U.S. Embassy-Iraq. Neither organization had comments on the draft report.

Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste

(SIGIR-08-017, APRIL 2008)

Introduction

This is the latest in a series of SIGIR reports on the transfer of U.S. government-funded reconstruction assets⁶⁹² to the GOI. As SIGIR reported in July 2007,⁶⁹³ an effective capital project transfer process is essential for three principal reasons. First, it allows the GOI to recognize that a project is complete and that the United States has provided all necessary documentation and training. Second, it validates that the GOI accepts responsibility for project operation and maintenance (O&M) and capital replacement. Third, GOI acceptance and maintenance of projects is critical to ensure that the billions of dollars in U.S. reconstruction assistance is ultimately not wasted because capital assets are not adequately maintained and utilized.

SIGIR has previously identified problems in

the asset transfer process, including:

- the lack of a uniform process among U.S. agencies for transferring completed projects to the GOI
- unilaterally transferring projects to individual ministries—such as for electricity—or transferring projects to provincial or local officials without assurances that ministry officials with budget authority were prepared to sustain the transferred asset

SIGIR recommendations included steps to improve the process and also to improve prospects that the GOI would adequately maintain the transferred assets.

The objective of this review was to determine U.S. progress on implementing one key SIGIR recommendation directed at improving the adequacy of U.S. policies, plans, and procedures for transferring U.S.-funded reconstruction projects to the GOI. Future reports will address other SIGIR recommendations on asset transfer, as well as GOI efforts to sustain transferred assets.

Results

U.S. agencies involved in reconstruction activities have taken steps to improve the asset transfer policies, plans, and processes, but further actions are needed to address longstanding problems that have hindered the program’s effective implementation. DoS, DoD, and the U.S. Agency for International Development (USAID) have responsibilities for managing asset-transfer activities.

The principal organization charged with managing these efforts—the DoS Iraq Transition

Assistance Office (ITAO)—has established an Asset Recognition and Transfer Working Group (ARTWG). The ARTWG includes members of the other implementing agencies and has led efforts to develop a draft Interagency Agreement (IA) on a U.S. transfer process that would be used by all of the implementing agencies. This action addresses previous SIGIR concerns that all agencies were not a party to a 2006 agreement to use a common transfer policy. ITAO also drafted a Memorandum of Understanding (MOU) in November 2007 with the GOI on respective asset transfer roles and responsibilities. Nevertheless, planned procedural changes in the draft IA and the draft agreement with the GOI still do not fully address certain critical deficiencies in the transfer process.

These deficiencies, if not adequately addressed, will place the overall U.S. investment in many capital asset projects at risk of being ineffectively and inefficiently used or not used at all. Such an occurrence would greatly increase existing concerns over waste related to U.S. reconstruction activities in Iraq. SIGIR identified these specific areas that need to be addressed:

- The program currently lacks clear management accountability among the involved agencies—DoS, DoD, and USAID—for the transfer process. The program's overall management structure is fragmented, thus leading to inefficient and ineffective asset-transfer practices. For example, the draft IA includes only projects funded by the Iraq Relief and Reconstruction Fund (IRRF). As a result, projects with a total value of more than \$2.2 billion—but funded
- out of the USAID-managed Economic Support Fund (ESF), and the DoD-managed Iraq Security Forces Fund (ISFF) and Commander's Emergency Response Program (CERP)—are excluded. Further, the working group is an informal body that relies on member cooperation rather than clear lines of management authority and responsibility and implementing policies and practices. As such, there is no mechanism to ensure accountability.
- The draft IA between U.S. reconstruction agencies does not standardize the asset transfer process, but rather provides guidance for agencies to implement their own policies and procedures. This stove-piping of responsibilities creates a proliferation of different standards and procedures, which contributes to a lack of transparency for the transfer process and creates confusion for both the United States and the GOI. During the course of this audit, officials from USAID, GRD, and MNSTC-I told SIGIR that U.S. reconstruction agency officials may search for Iraqi officials willing to sign for and accept the projects at a myriad of levels, including ministries, provinces, and local communities. In response and as a last resort, U.S. officials in some cases have unilaterally transferred projects when efforts to obtain GOI formal acceptance of the project have failed. Although the draft IA provides guidance on the use of this measure, the volume of transfers may be well beyond what was envisioned. For example, in December 2007, MNSTC-I notified two ministries that it was unilaterally transferring 575 IRRF projects. MNSTC-I

subsequently revised this number to 388 IRRF projects, which were valued at more than \$1 billion. Some of the projects had been “informally transferred” previously. Unilateral transfer by its inherent nature places investments at greater risk of not being properly maintained.

- U.S. efforts to obtain GOI signature to the MOU on asset transfer roles and responsibilities have come to a stalemate. The Deputy Prime Minister has not responded to the MOU delivered in November 2007. Furthermore, even if signed, the MOU may not yield significant improvements: it states that the document’s requirements are not binding on either party. Moreover, the absence of a signed agreement with the GOI raises the concern that the GOI will not invest the resources—staff, training, and funding—necessary to realize the full benefit of the U.S. reconstruction investment. The GOI needs to become a more active partner in the process.

Conclusion

ITAO, DoD, and USAID have made efforts to improve plans, policies, and procedures for the transfer of assets to the GOI. However, the U.S. program continues to have serious weaknesses that ultimately could place much of the U.S. reconstruction investment at risk. The U.S. program suffers from the lack of a management structure that provides clear authority and accountability, as well as a transparent set of uniform transfer policies and procedures. These program weaknesses are further compounded

by the lack of a timely response to a formal asset transfer agreement proposed by the U.S. government.

Recommendations

To address longstanding issues that have adversely affected—and will likely continue to affect—the implementation of the asset transfer program, and to reduce the risk that U.S.-funded capital assets in Iraq are not used or wasted, SIGIR recommends that the U.S. Ambassador and Commander, MNF-I, working jointly, direct that these actions be taken:

- Assess the current management structure for the asset-transfer process and develop a new structure that provides clear lines of authority, responsibility, and accountability.
- Direct that a single set of transparent, uniform policies, processes, and procedures on asset transfer be developed for use by all involved agencies and for all U.S. projects regardless of funding source.
- Establish specific criteria for using unilateral transfers as a “last resort” method of transferring low-risk assets. These criteria should make clear that unilateral transfers should be the exception rather than a common practice, and that investment costs and the complexity of sustainability should be considered.
- Immediately enter into high-level discussions with the GOI on the MOU for the transfer of assets completed by all U.S. reconstruction agencies from all funding sources.

Management Comments and Audit Response

SIGIR received written comments on a draft of this report from DoS and GRD. DoS agrees that a uniform asset-transfer process should be used but believes that the technical details of transferring assets should be left to the implementing agencies. DoS did not agree that the process should cover projects from all funding sources. GRD also disagreed that the use of different processes and procedures is hampering the U.S. government turnover of assets to the GOI. SIGIR continues to believe that a single uniform process is needed and will continue to examine this issue in follow-on work.

ONGOING AND PLANNED AUDITS

SIGIR conducts primarily performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs—often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits⁶⁹⁴ of major Iraq reconstruction contracts that will enable SIGIR to respond to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction.

ONGOING AUDITS

SIGIR is currently working on these ongoing audits:

- SIGIR-7022: Review of Spending and Performance Under FluorAMEC Joint Venture Contracts—Electric & Public Works/Water Sectors (focused contract review)
- SIGIR-7023: Review of Spending and Performance under Research Triangle Institute (RTI) Contracts
- SIGIR-8001: Survey of Iraq Security Forces Fund (ISFF)
- SIGIR-8003: Review of Spending and Performance under Kellogg Brown & Root Services, Inc (KBR) Reconstruction Projects—Oil Sector (focused contract audit)
- SIGIR-8004: Review of 100 SIGIR Audits (Capping Report)
- SIGIR-8006: Review of Spending and Performance Under Parsons Reconstruction Projects—Security and Justice
- SIGIR-8016: Survey of U.S. Government Contracts Related to the Personal Security Functions in Iraq
- SIGIR-8017: Review of Department of Defense Contracts in Iraq with the Aegis Private Security Company
- SIGIR-8018: Review of Quick Response Fund (QRF) and Iraq Rapid Assistance Program (IRAP)
- SIGIR-8019: Joint Review with State Department IG of Blackwater Contract and Associated Task Orders for Worldwide Personal Protective Services (Replaces former SIGIR Project 7018)

PLANNED AUDITS

Recently, the Congress passed the National Defense Authorization Act for Fiscal Year 2008. The act expanded the scope of SIGIR’s work and extended the tenure of this temporary organization beyond the previous end date of 2008. SIGIR

will remain in operation until 180 days after the date on which amounts appropriated or otherwise made available for the reconstruction of Iraq that are unexpended are less than \$250 million.

The legislation extended SIGIR's audit authority to include all funds devoted to Iraq reconstruction, without regard to fiscal year and without being limited to specific appropriation accounts. This change also expanded the scope of a previous legislative mandate for SIGIR to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction before SIGIR goes out of existence. Further, the legislation also gave SIGIR a lead role in developing a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, task orders, and delivery orders for the performance of security and reconstruction functions in Iraq, in consultation with other inspectors general.

SIGIR has recently developed a new strategic plan for calendar years 2008-2009, based on an overall assessment of its audit efforts to date, as well as recently enacted legislative requirements. SIGIR plans to complete its audit efforts within the context of three broad goals:

- Improve business practices and accountability in managing contracts and grants associated with Iraq reconstruction.
- Assess and strengthen the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction.
- Seek to continuously improve SIGIR products and services.

Goal 1: In preparation for fulfilling the requirement for a future forensic audit report, SIGIR has been completing a series of focused

contract audits of large Iraq reconstruction contracts and will culminate this work with the requisite capping report to meet the requirement for a final forensic audit report. These audits have focused on overall contract administration and oversight, contract outcomes, and assessing vulnerabilities to fraud, waste, and abuse. SIGIR will expand future contract audit coverage to include contracts across additional reconstruction funding and appropriations, years of funding, programs, and include construction as well as non-construction contracts. SIGIR also will give expanded emphasis to audits of personal security contracts in line with the new legislative requirements.

Goal 2: At the five-year point in Iraq, and during this period of transition and transfer, questions are expected to be asked concerning the overall progress that has been made in accomplishing U.S. goals in key programmatic areas affecting the potential for stable Iraq self-governance, economic development, and security. Therefore, SIGIR will also devote resources to increase audit coverage of programs aimed at assisting in these three areas.

Goal 3: To increase SIGIR's capabilities to address the forensic audit and other expanded requirements, SIGIR expects to launch a pilot effort to form three two-person forensic audit cells, each comprising an auditor and an investigator, to enhance SIGIR's capacity to detect fraud and to develop the necessary evidentiary information to support civil or criminal prosecutions.

SIGIR is developing a more detailed tactical-level working plan focusing on individual audits to be completed under its strategic plan. For more details on SIGIR's new strategic audit plan, visit the SIGIR website: www.sigir.mil/audits.

INSPECTIONS

This quarter, SIGIR assessed and reported on seven projects. Four of the seven were construction assessments of relief and reconstruction work funded under the Commander's Emergency Response Program (CERP). SIGIR also assessed two projects, one construction and one sustainment, which were funded by the Iraq Relief and Reconstruction Fund (IRRF), and a project funded through the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL).

SIGIR's sustainment assessments focus on whether the projects delivered to the Iraqis were operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determined whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment visit. In addition, SIGIR determined whether sustainability was adequately planned for and whether sustainment activities are likely to continue.

These were the general objectives of SIGIR's construction assessments:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor's quality control (QC) and the U.S. government's quality assurance (QA) programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

Since its inspections program began in summer 2005, SIGIR has completed 115 project assessment reports, 96 limited on-site inspections, and 481 aerial assessments.

As in previous quarters, security concerns in parts of the country have impeded Iraq reconstruction projects and SIGIR assessments, significantly limiting access to project sites. Because of insurgent activity in the Nassriya area, the on-site inspections of the Nassriya Water Treatment Plant were limited to only 30 minutes each. Along the same lines, both the private security contractor and the U.S. Army would not grant the Inspection team's requests for escorts to the Al-Ghazaliyah G-6 Sewage Lift Station project. Consequently, SIGIR was unable to perform an on-site assessment.

This quarter, SIGIR Inspections assessed, for the first time, an activity funded through INL. The Nassriya Prison Expansion Project was funded under INL for the construction of an additional medium security building to house 400 inmates, an accompanying visitation building, site work, utility connections, and all appropriate security structures complete with all furniture, fixtures, equipment, and buildings ready for sustained operation. The Nassriya Prison Expansion Project was approximately 17% complete when inspected, and the design and construction were consistent with the contract objectives. If the current quality of construction and effective project management continues, an inmate housing unit with a bed capacity for 400 inmates will be completed.

Table 3.4 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix I.

Figure 3.1 shows the approximate location of each project assessed this quarter, as well as in previous quarters.

SIGIR PROJECT ASSESSMENTS

This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, www.sigir.mil.

Nassriya Water Treatment Plant, Nassriya, Iraq

SIGIR PA-07-116

The objective of the delivery order was to design and construct a new water supply system consisting of a new water treatment plant capable of producing 240,000 cubic meters per day of potable water and approximately 110 kilometers of transmission piping for five cities within the Thi-Qar province. In addition, the task order required a period of operations and maintenance (O&M) by the contractor after successful performance testing and three training classes, both classroom and on-the-job training for Iraqis identified by the Ministry of Municipalities and Public Works (MMPW).

SEVEN PROJECTS ASSESSED THIS QUARTER (\$ THOUSANDS)

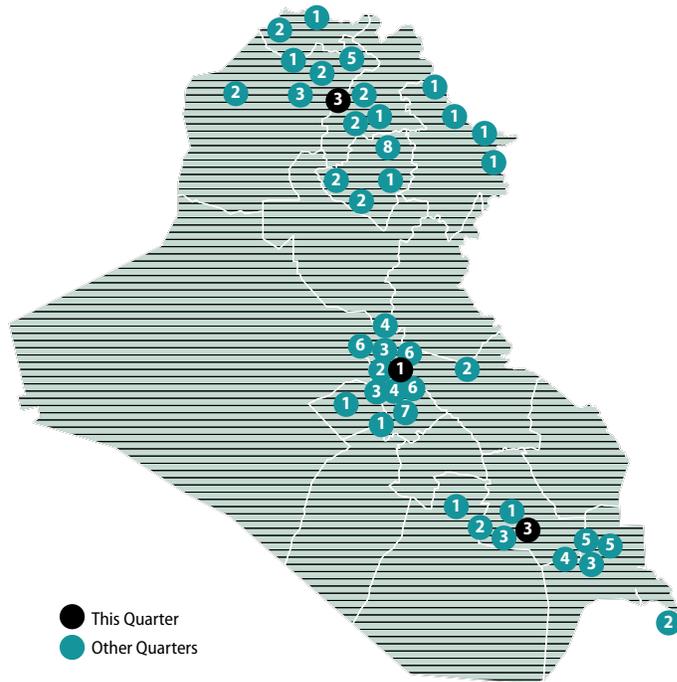
PROJECT NAME	ASSESSMENT TYPE	GOVERNORATE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Nassriya Water Treatment Plant	Sustainment	Nassriya	\$276,730	GRD	IRRF	FluorAMEC	South
Repair of the Al-Ghazaliyah G-6 Sewage Lift Station	Construction	Baghdad	\$329	GRD	CERP	Local	Central
Kurdistan Ministry of Interior Complex	Construction	Erbil	\$7,400	GRN	CERP	Tigris (Turkey)	North
Sarwaran Primary School	Construction	Erbil	\$694	GRN	CERP	Local	North
Binaslawwa Middle School	Construction	Erbil	\$602	GRN	CERP	Local	North
Nassriya Prison Expansion	Construction	Nassriya	\$6,263	GRS	INL	Local	South
Nassriya Prison Follow-up	Construction	Nassriya	\$15,523	GRS	IRRF	Local	South

TABLE 3.4

Figure 3.1

PROJECT ASSESSMENTS

Approximate locations of the 115 projects where inspections were conducted, analyzed, and reported to date.



Costing approximately \$277 million, the Nassriya Water Supply project, which includes the Nassriya Water Treatment Plant and associated facilities and conveyance (transmission) lines, is the largest water project funded by the U.S. government in Iraq and one of the largest reconstruction projects in general.

This project was originally conceived as a cost-sharing project with the Government of Iraq (GOI). The U.S. government would fund the water supply project and the GOI would fund the permanent power required to operate it; repair the leaks in the distribution system to allow potable water to flow from the conveyance lines to the end user; and provide a qualified and motivated staff to be trained by the contractor, FluorAMEC, to operate and maintain the facility after the project was turned over to the GOI.

To increase the quantity and quality of water available to the citizens living in five cities in the Thi-Qar governorate, the Nassriya Water Treatment Plant was designed to operate 24 hours per day, with a total capacity output of 240,000 cubic meters of potable water per day (10,000 cubic meters per hour). Construction began in August 2004, commissioning was completed in June 2007, and the project was officially turned over to the GOI on September 12, 2007. However, at the time of turnover, the GOI had failed to provide reliable power from the national grid, repair the leaks in the distribution system, and provide a qualified and motivated staff to be trained.

During commissioning, FluorAMEC was unable to test the total operating output of the facility because the GOI had not established reliable power from the national grid to the water treatment plant.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether the completed project was operating at the capacity stated in the original contract or task order objective. To accomplish this, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to the appropriate Iraqi ministry, and when observed during the site visits.



Sewage water pervades the Nassriya communities.



The disabled flow meter for the high-service pump-station meter vault.

Conclusions

SIGIR visited the Nassriya Water Treatment Plant twice—on December 6, 2007, and February 21, 2008. During both site visits, the plant was operating only one shift of eight hours a day and producing 2,000-2,300 cubic meters per hour of potable water. In addition, the amount of finished water was provided only to three of the five cities. The citizens of the cities of Al-Diwayah and Suq Al-Shoyokh did not have access to the finished water because of illegal taps into the transmission line and poor distribution systems. Consequently, at the time of the SIGIR site visits, the water treatment plant was producing only 20% of its designed output, operating only one eight-hour shift a day, and serving only 60% of the intended cities.

This was caused by a number of factors:

- There was a lack of reliable power from the national grid.
- The old distribution system was afflicted with leakages and was unable to withstand the higher pressures and flows.
- There were illegal taps in the water transmission line to Al-Diwayah.
- Unqualified and unmotivated MMPW staff were unwilling to consistently attend the contractor-provided training.

For almost four years, the GOI has not addressed these issues. Because the Iraqi ministries were unable to install reliable power from the national grid and provide an adequate number of qualified and motivated staff, the water treatment plant was operating at a rate of only 2,300 cubic meters an hour during the second on-site inspection on February 21, 2008. In addition, because of the refusal of the MMPW to address the issue of illegal taps and the decrepit state of the distribution system, potable water is not available for the cities of Al-Diwayah and Suq Al-Shoyokh. As a result of Iraqi delays, potable water is reaching only a fraction of the Iraqi people for which it was designed and intended.

ITAO and USACE are committed to making this project successful. To save the significant investment made by the U.S. government on behalf of and for the benefit of the Iraqi people, ITAO, USACE, and MMPW created a technical assessment team to determine the current condition of the water treatment plant, the adequacy of the MMPW staff, and potential solutions.

Signs of Improvement

Because of the efforts of the U.S. government—specifically the U.S. Ambassador, ITAO, and USACE—to influence the GOI, some improvements have been noticed since the SIGIR site

Example of leaks in the distribution lines throughout Iraq.



visits. For example, although an accurate measurement of finished water cannot be determined because of the disabling of the flow meters, it has been reported that the Nassriya Water Treatment Plant has increased finished water production from 2,300 cubic meters an hour to 6,000 cubic meters an hour. In addition, the governor and city council of Al-Diwayah recently decided to remove the illegal taps from the transmission lines, which will allow the water treatment plant to reopen the line and provide finished water to Al-Diwayah.

Although these actions are encouraging, the GOI still needs to find long-term solutions to the issues of reliable power from the national grid; leaking distribution lines; and qualified and motivated staff to operate and maintain the water treatment plant 24 hours per day, seven days per week. The U.S. Ambassador, ITAO, and USACE are dedicated to helping the GOI find and implement the necessary solutions.

Recommendations and Management Comments

To protect the U.S. government's investment of approximately \$277 million, SIGIR recommended that the ITAO Director thoroughly review the report of the technical assessment team and the subsequent proposal, identify the most

effective way to increase operational output to design capacity, avert further deterioration of plant equipment, and expedite the implementation of the plan. ITAO and GRD reviewed a draft of the report and generally agreed with its conclusions and recommendations and both provided clarifying information for the final report. SIGIR reviewed the clarifying comments and revised the final report as appropriate.

Repair of the Al-Ghazaliyah G-6 Sewage Lift Station, Baghdad, Iraq

SIGIR PA-07-118.1

The objective of the contract was to restore two lift stations in the Al-Ghazaliyah area to designed operational capacity. On September 26, 2006, Delivery Order 0006 of Contract W917BG-06-D-0007 was issued to a local contractor for \$328,775. The repair and rehabilitation work was to include replacement and maintenance of generators and pumps at each site, necessary electrical and control work, and limited architectural renovations. The two lift stations covered by this contract were the Al-Ghazaliyah G-6 and G-7 sewage lift stations. The Notice to Proceed was issued on November 7, 2006, with a period of performance to complete the project in 150 days. On November 10, 2007, the delivery order was terminated because a "Change in Security Condi-

tions” occurred at both sewage lift stations, which prohibited the contractor from completing the projects.

Project Assessment Objective

The objective of this project assessment was to provide real-time relief and reconstruction project information on the repair of the Al-Ghazaliyah G-6 sewage lift station in Baghdad, Iraq, to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined:

- Were the project components adequately designed before construction or installation?
- Is the construction or rehabilitation in compliance with the standards of the design?
- Is an adequate quality management program being used?
- Does the contract or task order address the sustainability of the project?
- Will the project results be consistent with its original objectives?

Previously, the U.S. Army was able to escort the SIGIR inspection team to the Al-Ghazaliyah G-7 sewage lift station.⁶⁹⁵ But because of insurgent activity in the area of the Al-Ghazaliyah G-6 sewage lift station, both the U.S. Army and the private security contractor denied the assessment team’s repeated requests for escorts to inspect the site. Consequently, this assessment relies solely on information obtained from the contract file and aerial imagery of the project site. The contract file included the contract, contract modifications, Bill of Quantity, quality control (QC) and QA reports, construction progress photographs, and invoices.

Conclusions

The assessment determined that:

- The contract file did not contain documentation of component design. The contract’s Statement of Work required the contractor to prepare architectural, structural, mechanical, plumbing, and electrical designs; the Bill of Quantity required the contractor to inspect and report on the cover pumps, valves, lines, manholes, controls, generators, and distribution panels. The required design submittals from the contractor—such as schematic diagrams identifying the flow of sewer water entering and exiting the Al-Ghazaliyah G-6 and throughout the Al-Ghazaliyah area—were not included in the contract file. In addition, no diagrams providing clarity on the location and function of specific pieces of equipment were included.
- Because inspectors were unable to visit the Al-Ghazaliyah G-6 sewage lift station, SIGIR based the assessment of work quality on contract file documentation. The contract file documented that the U.S. Army Corps of Engineers (USACE) conducted an inspection in April 2007, which found significant examples of inferior quality work performed by the contractor. For example, one submersible pump was not connected to the generator or national power grid, the piping connection was not completed, the ampere meter for the generator was not working, and poor quality work was noted in the service building. USACE brought these deficiencies to the attention of the contractor.

Aerial imagery of the Al-Ghazaliyah G-6 Sewage Lift Station.



- The contractor's QC plan was sufficiently detailed, including the use of daily QC reports to document construction deficiencies; however, the contractor's QC program implementation did not identify any significant construction deficiencies, such as potentially dangerous electrical installation practices. Further, there was no QC deficiency log for this project.
- The U.S. government QA program suffered from the deteriorated security situation in the area. According to USACE documentation, only 11 daily QA reports exist for this project; the last daily QA report was issued in December 2006.
- The contract and delivery order requirements addressed sustainability. The contract's "Warranty Management" clause required the contractor to provide a one-year overall warranty of construction; the delivery order required the contractor to provide all O&M manuals and all certified warranties. To maintain continuous use of the on-site generators, the delivery order provided that the sewage lift station be furnished with a six-month fuel supply.
- The contract was terminated because the deteriorated security situation in the area prohibited the contractor from completing work. Consequently, the Al-Ghazaliyah G-6 sewage lift station renovation and construction project results were not consistent with the original objectives of the delivery order. The delivery order Statement of Work required the contractor to "provide a complete and useable facility upon the conclusion of construction..." When the contract was terminated, the Al-Ghazaliyah G-6 facility was not operational. Contract file documentation shows that the facility was not connected to the main distribution grid.

Assumption of Responsibility by the Government of Iraq

The Joint Reconstruction Operations Center (JROC) was created to coordinate and synchronize Baghdad reconstruction efforts. The JROC comprises representatives from Multi-National Force-Iraq, Multi-National Corps-Iraq, Multi-

National Division-Baghdad, the U.S. Department of State (DoS), the Provincial Reconstruction Team-Baghdad, the U.S. Agency for International Development, the Government of Iraq, and the USACE Gulf Region Division.

Each organization provides data to the JROC, which then “presents a unified voice” to the Joint Planning Commission. The Joint Planning Commission decides on service projects for targeted areas. Under this process, the Amanat (Baghdad city government) has assumed responsibility for a number of sewage projects in Baghdad, including the Al-Ghazaliyah G-6 sewage lift station.

Recommendations and Management Comments

In view of the current security situation in the Al-Ghazaliyah area and the assumption of responsibility for a number of sewage projects in Baghdad, including the Al-Ghazaliyah G-6 sewage lift station by the Amanat, this report does not contain recommendations for corrective action. Therefore, management comments are not required. GRD reviewed the report and had no additional comments.

Refurbishment of the Kurdistan Regional Government Ministry of Interior Complex, Erbil, Iraq

SIGIR PA-08-119

The objective of this CERP-funded project was to repair the Kurdistan Regional Government’s (KRG) Ministry of Interior complex, which was severely damaged by a vehicle-based incendiary explosive device on May 7, 2007. The original

cost estimate for the project was \$5.9 million. However, when the security building was later determined to be damaged beyond repair, the KRG provided an additional \$1.5 million to cover the cost to demolish and reconstruct the building.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action when warranted. SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the President’s Council on Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, SIGIR answered these questions:

1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:

- Project components were adequately designed prior to construction or installation. Construction planning was adequate because the contract Statement of Work provided sufficient



Damage to the north side of the services building and perimeter wall.
(Photo courtesy of USACE)



Refurbished services building.

specificity and flexibility for the contractor to determine the scope of work. Also, the USACE Gulf Region North (GRN) engineering team and the KRG Ministry of Interior worked closely with the contractor to review and approve construction and QC plans. Finally, the contractor had recently constructed the original complex (before it was bombed) for the KRG and had detailed knowledge of the design, materials, and resources necessary to complete the refurbishment.

- The quality of the workmanship and materials used in construction that SIGIR observed was adequate. The partnership between GRN, KRG, and the contractor provided an effective management team that resulted in quality contract execution and construction management.
- The contractor's QC plan and the U.S. government's QA program facilitated quality refurbishment of the Ministry of Interior complex. The contractor's quality management plan described specific procedures, practices, organization structure, and the sequence of activities to be implemented by the contrac-

tor to execute the work in accordance with the contract requirements.

- The government's QA program verified the effectiveness and accuracy of the contractor's QC plan and procedures for producing the quality of work required.
- During the year before the bombing, the KRG demonstrated successful management of the sustainability of the Ministry of Interior complex. O&M will be under the management of the general director of local administration, currently occupied by an architectural engineer who has the appropriate staff and skills to operate and maintain the complex.
- If the site supervisor continues the current level of oversight, the KRG's Ministry of Interior complex, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning government complex. Acceptance of the complex by the KRG will involve completing the formal turnover process established by GRN.



Repaired wall, installed T-walls, and reconstructed guard shack. Photo taken from the roof of the services building.

Recommendations and Management Comments

This report contains no negative findings or recommendations for corrective action; therefore, management comments were not required. The results of this assessment were discussed in detail with the Resident Engineer, GRN, and briefed to Multi-National Corps-Iraq (MNC-I) office when the field work was completed. SIGIR provided formal exit conferences to the GRD Audit Liaison Office on March 4, 2008, and to MNC-I on March 5, 2008.

GRD notified SIGIR that it had reviewed the report and had no comments.

Sarwaran Primary School, Erbil, Iraq

SIGIR PA-08-120

The objective of the Sarwaran Primary School construction project is to support the Kurdistan Regional Government's (KRG's) emphasis on education by meeting the heightened demand for schools, caused by an increased population in the area. The school is to meet the demand for a new village of 600 families that were relocated from the city's old citadel area.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. This limited scope assessment was conducted in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, SIGIR determined:

1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:

- Project components were adequately designed prior to construction or installation. The con-

tract Bills of Quantity and drawings, combined with dialogue between the Multi-National Division-Northeast (MND-NE), the KRG, and the contractor provided sufficient details for the contractor to develop the project and perform all necessary work.

- Contract execution and construction management have not been optimal because project management left quality issues unresolved. As a result, the inspection team concluded that the work is closer to 90% complete, rather than the 99% estimate made by the contractor and project management team. This conclusion is based on the amount of additional work necessary to finish the project and to correct deficiencies identified during the site visit.
- A month after the SIGIR site visit on March 5, 2008, SIGIR conducted a briefing of this draft report with representatives of the Multi-National Corps-Iraq (MNC-I) and MND-NE. At this briefing, photographs were provided to the inspection team documenting that corrective action had been taken on the deficiencies observed, except for the two items not covered in the contract—the fire-alarm system and the securing of the septic tank and cesspool area.
- The contract did not require a QC plan. However, adequate contractor management and government QA oversight by the site supervisor compensated for the missing QC plan.
- Sustainment planning was not apparent. SIGIR found no evidence in the contract documentation that completion documents, operation and maintenance manuals, user training, and warranties were required by the contract. Without a contractual requirement for these

necessary elements, the burden of ensuring availability in sufficient detail and quality to support an effective sustainment effort shifts to the KRG.

- If the site supervisor continues the current level of oversight, the Sarwaran Primary School construction project, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning primary school.

Other Matters of Interest

SIGIR's assessment produced the following ancillary concerns about the process that MND-NE used to award contracts and manage the construction:

- **Authority to award contracts:** Under CERP's Standard Operating Procedures (paragraph 4.e.), contracts for U.S.-appropriated and Iraqi-funded CERP projects exceeding \$500,000 must be negotiated by a warranted contracting officer. The contracting officer for Coalition Forces of the Republic of Korea (ROK coalition forces) awarded the contract for the Sarwaran Primary School construction project. The contracting officer for the ROK coalition forces stated that the delegation process for his authority started with the MNC-I Commanding General and continued through the MND-NE Commanding General and Chief of Finance to him. However, the ROK contracting officer could not provide any documentation showing that he was a warranted contracting officer authorized to award contracts on behalf of the United States.
- **Contract content:** The contract awarded by



Fire-bucket racks, the only fire safety equipment observed at the time of the site visit.

MND-NE was not consistent with U.S. procurement standards and may have impeded effective management and oversight of the work. The contract contains detailed requirements, Bills of Quantity, and drawings that provide a reasonable design for the contractor to build the school; nevertheless, requirements for a QC plan, daily site reports, documented test results, and material/equipment approvals were not included. Also, the contract did not require a documented turnover process. Finally, the contract required that the bathroom fixtures be produced in Iran, which is currently under U.S. trade sanctions.

Recommendations

SIGIR makes these recommendations:

- MNC-I should coordinate with MND-NE to ensure that a sufficient sustainment turnover package is developed before the Sarwaran Primary School construction project is transferred to the KRG.
- MNC-I should coordinate with MND-NE to ensure that the deficiencies identified by the SIGIR inspection, but not corrected by the completion of this report, are corrected before the project is transferred to the KRG: (1) adequate fire-sensing, alarm, and fire-fighting systems are installed, and (2) the septic tank and cesspool area are secured to prevent access by students.
- MNC-I should conduct a legal review to determine if coalition partners can be authorized to award contracts funded with U.S. appropriations. If this practice is authorized, MNC-I should take three actions. First, ensure that coalition partners that award U.S.-funded contracts are properly warranted. Second, review the content of MND-NE's contracts to ensure they are consistent with U.S. procurement policies and standards for the same contract type. Third, remove from all contracts the requirement for MND-NE contractors to buy Iranian products.
- If MNC-I concludes that the legal authority to award contracts funded with U.S. appropriations cannot be delegated to coalition partners, it should take the necessary action to transfer contract management to the appropriate U.S. contracting authority.

Sarwaran school—finish of the outside building.



Management Comments

Management comments on a draft of this report were requested from Multi-National Corps-Iraq (MNC-I), but not provided. MNC-I informed SIGIR that requests for comments from them must be made through MNF-I and U. S. Central Command. SIGIR requests that MNC-I or MNF-I provide comments on the four recommendations in this report.

Binaslawwa Middle School, Erbil, Iraq

SIGIR PA-08-121

The objective of the Binaslawwa Middle School construction project is to support the emphasis of the Kurdistan Regional Government (KRG) on education by meeting the heightened demand for schools caused by the increased population in the area. The school will meet the demand for a new village of 600 families that were relocated from the city's old citadel area.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable

appropriate action, when warranted. SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, SIGIR determined:

1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:

- Project components were adequately designed prior to construction or installation. The contract Bills of Quantity and drawings—combined with the dialogue between the Multi-National Division-Northeast (MND-NE), the



Perimeter fence segment.



Graded facility grounds.

KRG, and the contractor—provided sufficient details for the contractor to design the project and perform the work.

- The quality of the workmanship and materials used in construction that SIGIR observed appears to be adequate. However, without a documented record of test results, photographs, material approvals, etc., SIGIR cannot attest to the quality of the completed work. This includes the structural integrity of load-bearing walls and floors, and the quality of electrical wiring and indoor plumbing. If poor workmanship or inferior materials result in defective construction, it may not be discovered until after the warranties have expired.
- The SIGIR inspection noted three areas of concern. First, fire-sensing, fire-alarm, and fire-fighting systems were not installed in the facility and were not required by the contract. Second, the septic tank and cesspool area were not secured to prevent students from entering the area. Third, the cesspool access-door structure showed inferior workmanship and was susceptible to collapse.
- The contract did not require a QC plan. However, adequate contractor management and government QA oversight by the site supervisor appeared to compensate for the missing QC plan.

- Sustainment planning was not apparent. SIGIR found no evidence that the contract required completion documents, operation and maintenance manuals, user training, and warranties. Without a contractual requirement for these necessary elements, the burden of ensuring sustainment shifts to the KRG. The danger that the KRG would be unable to sustain the new school is, however, mitigated by the KRG's demonstrated capacity to maintain its government infrastructure.
- If the site supervisor continues the current level of oversight, the Binaslaw Middle School construction project, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning middle school.

Other Matters of Interest

The SIGIR assessment produced the following ancillary concerns about the process that MND-NE used to award contracts and manage the construction:

- **Authority to award contracts:** Under CERP's Standard Operating Procedures (paragraph 4.e.), contracts for U.S.-appropriated and Iraqi-funded CERP projects exceeding \$500,000 must be negotiated by a warranted contracting officer. The contracting officer for Coalition

Forces of the Republic of Korea (ROK coalition forces) awarded the contract for the Binaslawa Middle School construction project. The contracting officer for the ROK coalition forces stated that the delegation process for his authority started with the MNC-I Commanding General and continued through the MND-NE Commanding General and Chief of Finance to him. However, the ROK contracting officer could not provide any documentation showing that he was a warranted contracting officer authorized to award contracts on behalf of the United States.

- **Contract content:** The contract awarded by MND-NE was not consistent with U.S. procurement standards and may have impeded effective management and oversight of the work. The contract contains detailed requirements, Bills of Quantity, and drawings that provide a reasonable design for the contractor to build the school; nevertheless, requirements for a QC plan, daily site reports, documented test results, and material/equipment approvals were not included. Also, the contract did not require a documented turnover process. Finally, the contract required that bathroom fixtures be produced in Iran, which is currently under U.S. trade sanctions.

Recommendations

SIGIR makes these recommendations:

- MNC-I should coordinate with MND-NE to ensure that a sufficient sustainment turnover package is developed before the Binaslawa Middle School construction project is trans-

ferred to the KRG.

- MNC-I should coordinate with MND-NE to ensure that the deficiencies identified in the SIGIR inspection are corrected before the project is transferred to the KRG.
- MNC-I should conduct a legal review to determine if coalition partners can be authorized to award contracts funded with U.S. appropriations. If this practice is authorized, MNC-I should: (1) Ensure that coalition partners who award U.S.-funded contracts are properly warranted; (2) Review the content of MND-NE's contracts to ensure they are consistent with U.S. procurement policies and standards for the same contract type; and (3) Remove from all contracts the requirement for MND-NE contractors to buy Iranian products.
- If MNC-I concludes that legal authority to award contracts funded with U.S. appropriations cannot be delegated to coalition partners, it should take the necessary action to transfer contract management to the appropriate U.S. contracting authority.

Management Comments

Management comments on a draft of this report were requested from Multi-National Corps-Iraq (MNC-I), but not provided. MNC-I informed SIGIR that requests for comments from them must be made through MNF-I and U. S. Central Command. SIGIR requests that MNC-I or MNF-I provide comments on the four recommendations in this report.

Nassriya Prison Expansion, Nassriya, Iraq

SIGIR PA-08-123

The overall objective of this project was to increase the bed count of the Iraqi Corrections Service for the Ministry of Justice through the construction of additional structures. Based on the Scope of Work, the objective of the project was to design and construct Phase II of the maximum/medium security prison facility in the central region of Iraq. Phase II's specific objective included the construction of an additional medium security building, which would house 400 inmates, an accompanying visitation building, site work, utility connections, and all appropriate security structures complete with all furniture, fixtures, equipment, and buildings ready for sustained operation.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. Specifically, the assessment answered these questions:

1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:

- The design package appeared to be complete and sufficiently detailed to construct the Nassriya Prison Facility Phase II. SIGIR's review found that the design concept and parameters used for the facility and utilities were satisfactory. The Phase II project, if constructed in accordance with the approved design and specifications, should produce a useable inmate building. Additionally, the design considered the architectural compatibility of the prison facilities and considered future plans for prison expansion.
- The project to date comprises the construction of the reinforced concrete foundations, columns, beams, and walls. The foundations and the load-bearing frame appear to be constructed to contract specifications. If current levels of workmanship are continued in accordance with the design and specifications, the project should result in a fully functional prison for the Iraqi Ministry of Justice.
- The contractor's quality control (QC) plan was sufficiently detailed to effectively guide the contractor's quality management program. Further, the contractor's daily QC reports contained the required project and work activity information to document construction progress and identify problems and required corrective action. The contractor maintained nonconformance reports to document problems noted with construction/renovation activities.
- The government QA program was effective in monitoring the contractor's QC program.



Ongoing construction work for the concrete frame and foundations.



Core area of inmate housing.

The QA team ensured that deficiencies cited during QA inspections were corrected. The QA team also maintained daily QA reports that contained project-specific information to document construction progress and highlight deficiencies. The QA team also supplemented the daily reports with detailed photographs that reinforced the narrative information provided in the reports.

- The contract requirements addressed the sustainability of the project. The contract required the contractor to provide and certify the warranties for all equipment, which includes any mechanical, electrical and/or electronic devices, and all operations for 12 months after the issuance of the Taking-Over-Certificate.
- To date, the Nassriya Prison Expansion design and construction have been consistent with the contract objectives. If the current quality of construction and effective project management continues, an inmate housing unit with a 400-bed capacity will be completed.

Recommendations and Management Comments

This report does not contain any negative findings or recommendations for corrective action. As a result, management comments are not required. SIGIR did receive comments on a draft of this report from the Gulf Region Division of the U.S. Army Corps of Engineers, which generally agreed with the facts and conclusion in the report and provided technical clarifying information for this final report.

Nassriya Prison Follow-up, Nassriya, Iraq SIGIR PA-08-131

The overall objective of the Nassriya Prison facility project was to increase the bed count of the Iraqi Corrections Service for the Ministry of Justice through the construction of a new secure prison facility. The objective of the project was to continue the construction on the maximum/medium security prison facility in Nassriya.

Project Assessment Objectives

SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the President's Council on



Sully gate, guard tower, perimeter wall, and interior chain-link fences along prison perimeter.

Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, the assessment answered these questions:

1. Were the project components adequately designed prior to construction or installation?
2. Did the construction or rehabilitation meet the standards of the design?
3. The contractor's quality control (QC) program and the U.S. government's quality assurance (QA) program adequate?
4. Was project sustainability addressed?
5. Were the project results consistent with the original objectives?

Conclusions

The assessment determined that:

- SIGIR conducted an in-depth review of the design of the whole facility and issued SIGIR Assessment PA-06-054 on July 25, 2006. The design was found to be satisfactory. A review of the design of the utilities during this assessment, in light of the proposed change in function from an industrial and vocational building

to inmate housing, concluded that there was adequate capacity in the water supply and wastewater treatment systems to accommodate the change.

- The observed construction work associated with the prison met the requirements of the drawings and specifications. The USACE Gulf Region South Project Engineers took an active role in managing the project to ensure quality and compliance with the contract requirements. The project should result in a fully functional prison for the Iraqi Ministry of Justice.
- The contractor's QC plan was sufficiently detailed and had the structure and control to effectively guide the contractor's quality management program. Further, the contractor's daily QC reports contained required project and work activity information to document construction progress and identify problems and required corrective action.
- The U.S. government's QA program was effective in monitoring the contractor's quality control program. The Project Engineer and the Iraqi construction engineers ensured that



Entrance and walkway of inmate housing.

all deficiencies cited during quality assurance inspections were corrected. The QA representative also maintained daily QA reports that contained project-specific information to document construction progress and highlight deficiencies. The QA representative also supplemented the daily reports with detailed photographs that reinforced the narrative information provided in the reports.

- Sustainability was addressed in the contract requirements. The Nassriya Prison project should result in a functional and modern prison. The contract required the contractor to train the appropriate individuals, provide O&M manuals, and provide warranties for one year after the Taking-Over-Certificate is issued. The adequacy of the local contractor's performance in carrying out the construction of the prison indicates the availability of local personnel with the appropriate skills to carry

out the required maintenance and operation of the facility.

- The Nassriya Prison construction to date has been consistent with the original contract objectives. If the current quality of construction and effective project management continues, a prison with functional utilities, systems, and structural integrity will be realized.

Recommendations and Management Comments

This report does not contain any negative findings or recommendations for corrective action. As a result, management comments are not required. SIGIR did receive comments on a draft of this report from the Gulf Region Division of the U.S. Army Corps of Engineers, which generally agreed with the facts and conclusion in the report and provided technical clarifying information for this final report.

AERIAL PROJECT SURVEY PROGRAM

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, conducts aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 56 images and created 21 imagery products, using satellite imagery and limited available contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. The SIGIR imagery analyst assessed and reviewed CERP, IRRF, and INL projects evaluated this quarter. For an overview of the images produced, see Table 3.5.

IMAGERY ASSESSED SUPPORTING PROJECT ASSESSMENTS

PROJECT TYPE	NUMBER OF IMAGES
Nassriya Water Treatment Plant	28
Nassriya Prison	8
Kurdistan Regional Government Ministry of Interior Complex	8
Binaslawah School	4
Sarwaran School	2
Al-Ghazaliyah G-6 Sewage Lift Station	2
Indistinct imagery analyzed	4

ADDITIONAL PRODUCTS

Iraqi cities—Audits	5
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TABLE 3-5

Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. This quarter, 21 imagery products were produced to assist inspectors with their project assessments of the 7 sites assessed this quarter.

Also this quarter, one map graphic of five cities in Iraq and the region of the country south of them was provided to the audit directorate for use in a report.



DigitalGlobe 2007 ©

Imagery overview of the Kurdistan Regional Government Ministry of Interior taken on March 7, 2007, which inspectors assessed this quarter in PA-08-119.



DigitalGlobe 2007 ©

Imagery taken on December 19, 2007, of the Nassriya station, part of the Nassriya Water Treatment Plant network, which was assessed in SIGIR PA-07-116.



DigitalGlobe 2008 ©

Imagery taken on February 28, 2008, of the Suq Al-Shoykh station, part of the Nassriya Water Treatment Plant network, which was assessed in SIGIR PA-07-116.



DigitalGlobe 2006 ©



DigitalGlobe 2007 ©

Side-by-side time sequence comparison of the Nassriya Prison Facility between December 2, 2006, and September 29, 2007, for use in this quarter's project assessment reports—SIGIR PA-08-123 and SIGIR PA-08-131.

INVESTIGATIONS

SIGIR Investigations continues its work on 52 open investigations with a wide range of U.S. agency partners to pursue allegations of fraud, waste, and abuse in Iraq reconstruction. This quarter, SIGIR had 5 agents assigned to Baghdad and 13 agents at SIGIR headquarters in Arlington, Virginia. SIGIR Investigations has placed four individuals in offices (to support current investigations and task forces) located in Pennsylvania, Florida, and Texas, with an additional position being added in Ohio next quarter to support task force investigations in the mid-western states.

To date, the work of SIGIR investigators has resulted in 14 arrests, 15 indictments, 5 convictions, and more than \$17 million in fines, forfeitures, recoveries, and restitution. Five defendants will be tried in September 2008, and an additional five defendants await pending judicial action.

SIGIR AND ITS INVESTIGATIVE PARTNERS

SIGIR's investigative partners include:

- U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU)
- Defense Criminal Investigative Service (DCIS)
- Federal Bureau of Investigation (FBI)
- U.S. Agency for International Development, Office of Inspector General (USAID OIG)
- U.S. Department of State, Office of Inspector General (DoS OIG)

The International Contract Corruption Task Force (ICCTF), which comprises SIGIR and the agencies listed above, coordinates all of the work on fraud in Iraq. Since October 2006, the ICCTF

Joint Operations Center (JOC) has provided strategic and operational support to the participating partners, including case coordination and de-confliction, analytical support, and criminal intelligence. The JOC, based at FBI headquarters in Washington, D.C., is managed by senior investigative officials from the ICCTF agencies. Its primary goal is to enhance interagency cooperation and maximize the investigative resources of the partner agencies.

SIGIR continues to support the ongoing invoice review project conducted by the Defense Finance and Accounting Service (DFAS) in Rome, New York. DCIS launched this proactive project to analyze more than \$10 billion in payment vouchers for U.S. Army purchases to support the war in Iraq. The project has identified suspected fraudulent activity related to the war in Iraq, and during this quarter, additional referrals for investigation have been provided to the ICCTF agencies, including SIGIR. Also during this reporting period, DFAS provided a copy of the Commercial Accounts Payable System (CAPS) database for several of the disbursing stations in the Middle East. DoD OIG will use data-mining techniques to identify fraudulent activity as part of an expanding effort that will collect and mine CAPS data from all sites in the Southwest Asia theater of operations. Data from DFAS is also being provided to the JOC for use by the participating agencies in support of ongoing investigations involving fraud and corruption in Iraq.

SIGIR participates in the National Procurement Fraud Task Force (NPFTF) and the International Working Committee (IWC), which

is a subcommittee of the NPFTF. In October 2006, the DoJ Criminal Division created NPFTF to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs. The IWC links DoJ and federal law enforcement agencies and provides a venue to address prosecutorial issues resulting from fraud investigations conducted in an international war zone.

The Logistics Civil Augmentation Program (LOGCAP) Task Force in Rock Island, Illinois, continues to prosecute a wide variety of cases of fraud and other criminal activity related to U.S. activities in Iraq. The work of the task force is conducted by investigators from CID-MPFU, DCIS, FBI, and the Internal Revenue Service, as well as prosecutors from the U.S. Attorney's Office, Central District of Illinois, and the Criminal Division of DoJ. LOGCAP is a U.S. Army initiative for the use of civilian contractors in wartime and other contingencies to support U.S. forces, allowing the release of military units for other missions or to fill support shortfalls. Although not a member of this group, SIGIR reports the task force's cases to show the overall picture of fraud in Iraq. For details on indictments and convictions, see Table 3.6.

In addition to the agencies listed above, SIGIR agents also work with these agencies in the United States:

- U.S. Immigration and Customs Enforcement (ICE)
- Internal Revenue Service, Criminal Investigation (IRS-CI)
- U.S. Army Suspension and Debarment Authority

LEGAL ACTIONS THIS QUARTER

A trial arising from a SIGIR investigation involving five subjects, originally scheduled to start in March 2008, has been rescheduled to September 2008. Three of the defendants were active duty military personnel: U.S. Army Colonel Curtis G. Whiteford and U.S. Army Lt. Colonels Debra M. Harrison and Michael Wheeler. The other two are civilians—Michael Morris and William Driver. All are scheduled to stand trial for various crimes alleged to have been committed involving Iraq. The charges include conspiracy, bribery, wire fraud, interstate transport of stolen property, bulk cash smuggling, money laundering, and preparing a false tax form.

Arising from another SIGIR investigation, on March 5, 2008, a federal grand jury indicted David Ricardo Ramirez in San Antonio, Texas, on charges of smuggling bulk amounts of cash and structuring bank transactions to avoid cash-reporting requirements involving more than \$150,000. He allegedly spent the money on various properties and vehicles. From November 2006 to November 2007, Ramirez worked as a contractor for Readiness Management Support at Balad Air Base in Iraq; the indictment alleges that the cash was transferred from Balad, Iraq, to San Antonio, Texas, during this same time period.

SUSPENSIONS AND DEBARMENTS

Since SIGIR's last Quarterly Report, the Procurement Fraud Branch has suspended 26 more individuals and companies, based on allegations of fraud and misconduct connected to reconstruction and contractor fraud in Iraq and Afghanistan, bringing the total suspensions to date to 58. In addition, since the last Quarterly Report, 2 individuals and companies have been proposed for debarment and 2 have been debarred, bringing the total proposed debarments to 35 and the

total debarments to 25. (During the first quarter of 2008, the Procurement Fraud Branch conducted a comprehensive review of its files, resulting in the addition of three companies and individuals not previously listed. These companies and individuals were proposed for debarment in late 2005 and were subsequently debarred in early 2006.)

For details on suspensions and debarments, see Appendix J.

INDICTMENTS AND CONVICTIONS

NAME	POSITION	CONTRACTOR/COMPANY/ AGENCY	CHARGES	DATE OF CONVICTION	SENTENCE	DATE OF SENTENCE
Investigations Led by SIGIR						
Philip Bloom	Owner	Global Business Group, GBG Holdings & GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years of supervised release; \$3.6 million in restitution and \$3.6 million in forfeiture, and a \$300 special assessment	2/16/2007
LTC Bruce D. Hopfengardner	Special Advisor to the CPA-SC	U.S. Army Reserves	Conspiracy and conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison, \$144,500 forfeiture, 3 years supervised release, and a \$200 fine	6/25/2007
Steven Merkes	DoD Civilian	U.S. Army Reserves	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; \$24,000 in restitution	6/1/2007
Faheem Mousa Salam	Interpreter	Titan Corporation	Violating the FCPA's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years of supervised release; 250 hours of community service; and a \$100 special assessment	2/2/2007
Robert Stein	CPA-SC Comptroller and Funding Office	Coalition Provisional Authority	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years of supervised release; \$3.5 million in restitution, \$3.6 million in forfeiture, and a \$500 special assessment	1/29/2007
Curtis G. Whiteford	Colonel	U.S. Army Reserves	Conspiracy, bribery, and wire fraud	Trial scheduled for September 2008		
Michael B. Wheeler	Lieutenant Colonel	U.S. Army Reserves	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, bulk cash smuggling	Trial scheduled for September 2008		
Debra M. Harrison	Lieutenant Colonel	U.S. Army Reserves	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, preparing false tax return	Trial scheduled for September 2008		
William Driver	(Husband of Debra Harrison)		Money laundering	Trial scheduled for September 2008		
Michael B. Morris	Businessman		Conspiracy, wire fraud	Trial scheduled for September 2008		
Led by Other Agencies						
Jennifer Anjakos	Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$86,557 restitution	9/17/2007
Christopher Cahill	VP, Middle East and India	Eagle Global Logistics, Inc. (EGL)	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)	8/30/2006
Lomeli Chavez	Enlisted, Grade E5, Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$28,107 restitution	9/17/2007
Derryll Hollier	Enlisted, Grade E5, Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$83,657.47 restitution	9/19/2007
Shabbir Khan	Director of Operations, Kuwait and Iraq	Tamimi Global Co., Ltd. (subcontractor for KBR)	Paying kickbacks to receive \$21.8M in military subcontracts	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 in restitution; \$1,400 assessment	12/1/2006
Jesse D. Lane	Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months prison; \$323,228 in restitution	10/15/2007
Luis Lopez	Enlisted, Grade E5, Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$100 assessment; \$66,865 restitution	9/17/2007

INDICTMENTS AND CONVICTIONS

NAME	POSITION	CONTRACTOR/COMPANY/ AGENCY	CHARGES	DATE OF CONVICTION	SENTENCE	DATE OF SENTENCE
Anthony J. Martin	Subcontract Administrator	KBR, Inc.	Violation of the Anti-Kickback Act	7/13/2007	No press release	11/16/2007
Bonnie Murphy	Contracting Officer's Representative (COR)	DoD Defense Reutilization and Marketing Service (DRMS)	Accepting unlawful gratuities	11/7/2006	1 year supervised release; \$1,500 fine	March 2007
Gheevarghese Pappen	Army Corps of Engineers (Civilian Employee, GS-12)	U.S. Army	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; \$28,900 in restitution; one year supervised release	1/20/2007
CWO Peleti Peleti, Jr.	Army's Food Service Advisor for Kuwait, Iraq & Afghanistan	U.S. Army	Bribery and smuggling cash	2/9/2007	28 months in prison; \$57,500 fine and forfeiture	2/20/2008
Glenn Powell	Subcontracts Manager	KBR, Inc.	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 in restitution; \$200 assessment	11/18/2005
Stephen Seamans	Subcontracts Manager	KBR, Inc.	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 in restitution; \$200 assessment	12/1/2006
Kevin A. Smoot	Managing Director	Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act, false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; \$17,964 in restitution	12/18/2007
John Allen Rivard	Major	U.S. Army Reserves	Bribery, conspiracy, money laundering	7/23/2007 (pled guilty)	10 years in prison; 3 years supervised release; \$5,000 fine; \$1 million forfeiture order	10/19/2007
Maj. John Lee Cockerham	Contracting Officer	U.S. Army	Bribery, conspiracy, money laundering			
Melissa Cockerham	(Wife of John Cockerham)		Conspiracy, money laundering			
Carolyn Blake	(Sister of John Cockerham)		Conspiracy, money laundering			
Capt. Austin Key	Contracting Officer	U.S. Army	Bribery	12/19/2007 (pled guilty)		Sentencing set for 6/27/2008
Samir Mahmoud	Employee of U.S. Construction Company		Pled guilty to making false statements during investigation into possible violations of Anti-Kickback Act	11/3/2006 (pled guilty)	1 day credit for time served; 2 years of supervised release	2/2/2007
Ali Hijazi	Kuwaiti Businessman		4 counts of major fraud against U.S. and 6 counts wire fraud	Fugitive		
Jeff Alex Mazon	Subcontractor Employee	KBR, Inc.	4 counts of major fraud against U.S. and 6 counts wire fraud	Trial scheduled for 4/14/2008		
Zubair Khan	Contractor	Tamini Global Co. Ltd.	Wire fraud, witness tampering, obstruction of justice, and making false statements	Fugitive		
Terry Hall	Contractor	U.S. Army	2 counts of bribery	Trial date pending		
Samir Itani	Owner	American Grocers Inc.	46 counts of false claims and conspiracy	Trial scheduled for 6/2/2008		
Elie Samir Chidiac	Iraq manager	Raman Corporation	Conspiracy and bribery	No trial date		
Raman International Corp.			Conspiracy and bribery	No trial date		
Joseph Greshaw	CWO	U.S. Army	Conspiracy	No trial date		
Michael Carter	Project Engineer	Force Protection Industries	Accepting kickbacks	1/25/2008		
David Ramirez	Contractor	Readiness Management Support LC	Cash smuggling and bank transaction structuring			

TABLE 3.6

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with U.S.-funded reconstruction efforts in Iraq. The SIGIR Hotline receives cases that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq; SIGIR transfers these cases to the appropriate entity. The SIGIR Hotline also receives walk-in, telephone, mail, fax, and online contacts from Iraq, the United States, and throughout the world.

FIRST QUARTER REPORTING

As of March 31, 2008, the SIGIR Hotline had initiated 641 cases. Of these, 569 have been closed, and 72 remain open. For a summary of the open cases, see Table 3.7.

NEW CASES

During this reporting period, the SIGIR Hotline received 23 new complaints, bringing the cumulative total to 641 Hotline cases. The new complaints were classified in these categories:

- 15 involved contract fraud.
- 4 involved miscellaneous issues.
- 3 involved personnel issues.
- 1 involved abuse.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by electronic mail.

The SIGIR's 23 new Hotline complaints were received by these means:

- 18 by electronic mail
- 4 by SIGIR Hotline telephone call
- 1 by fax

SUMMARY OF SIGIR HOTLINE CASES, AS OF MARCH 31, 2008

OPEN CASES	
Investigations	62
Audits	10
Total Open	72

CLOSED CASES	1ST QTR	
	2008	CUMULATIVE*
Freedom of Information Act	0	4
OSC Review	0	2
Assists	1	46
Dismissed	4	116
Referred	10	242
Inspections	0	79
Investigations	1	71
Audits	0	9
Total Closed	16	569
Cumulative* Open & Closed		641

*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to March 31, 2008.

TABLE 3.7

CLOSED CASES

During this quarter, 16 Hotline cases were closed:

- 10 were referred to other inspector general agencies.
- 4 were dismissed for being outside of SIGIR's investigative purview.
- 1 was closed by SIGIR Public Affairs.
- 1 was closed by SIGIR Investigations.

REFERRED COMPLAINTS

After a thorough review, SIGIR referred 10 complaints to outside agencies for proper resolution:

- 5 were sent to the Multi-National Force-Iraq Inspector General.
- 4 were sent to the Joint Contract Command-Iraq/Afghanistan.
- 1 was sent to the Office of Inspector General, U.S. Army Corps of Engineers.

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

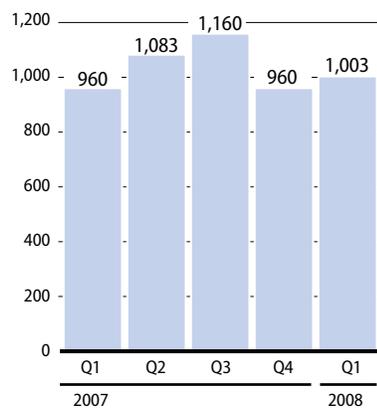
- The site had more than 91,000 visitors this past quarter—more than 1,000 users per day.
- Most users were from within the United States (82%). The remaining 18% were from 168 other countries, mainly in Western Europe (6%), Asia (4%), and the Middle East (2%).
- The Arabic language section of the site received 850 visits, a slight decrease from the previous quarter.

- A significant percentage of visitors to the SIGIR website were from government agencies, most notably DoD, DoS, and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.

The most frequently downloaded documents were SIGIR's recent Quarterly Reports.

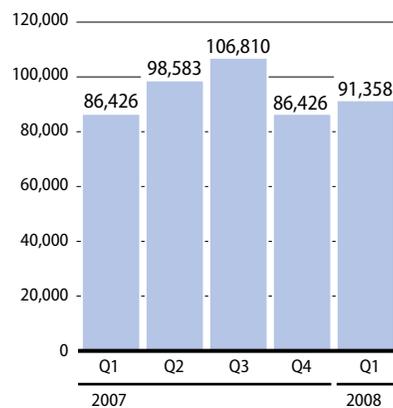
AVERAGE NUMBER OF VISITORS PER DAY

Source: Web Analytics, as of (3/31/2008)



TOTAL NUMBER OF VISITORS PER QUARTER

Source: Web Analytics, as of (3/31/2008)



LEGISLATIVE UPDATE

On January 28, 2008, after the SIGIR January Quarterly Report went to press, the President signed the National Defense Authorization Act for Fiscal Year 2008 into law (Public Law 110-181); this law made several important changes to SIGIR's authority. In addition, during the reporting period, the Inspector General testified before one congressional committee.

AUTHORITY OF SIGIR AND RELATED MATTERS

On January 28, 2008, Public Law 110-181, the National Defense Authorization Act for Fiscal Year 2008, was signed into law.

The act includes three sections affecting SIGIR. First, SIGIR's oversight jurisdiction is expanded to include all amounts appropriated **“for the reconstruction of Iraq”** and defines that term to include all amounts appropriated for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, and the Commander's Emergency Response Program, as well as all amounts appropriated for **“assistance for the reconstruction of Iraq”** under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law. The Conference Report also modified the provision terminating SIGIR to provide that SIGIR shall terminate 180 days after the date on which unexpended amounts appropriated for the reconstruction of Iraq are less than \$250 million.

Second, the act directs the Department of Defense Office of Inspector General (DoD OIG), SIGIR, and the new Special Inspector General for Afghanistan Reconstruction (SIGAR) to develop audit plans as follows:

1. DoD OIG shall develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders addressing the logistical support of coalition forces in Iraq and Afghanistan. DoD OIG shall do so “in consultation with other Inspectors General” mentioned elsewhere in the section “with respect to any contracts...over which such Inspectors General have jurisdiction.”
2. SIGIR shall develop a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq. SIGIR shall do so “in consultation with” the Inspectors General from DoS, USAID, and DoD “with respect to any contracts...over which such Inspectors General have jurisdiction.”
3. SIGAR shall develop a comprehensive plan parallel to SIGIR's, but focused on Afghanistan. SIGAR shall do so “in consultation with other Inspectors General” mentioned elsewhere in the section “with respect to any contracts...over which such Inspectors General have jurisdiction.”

The act provides that the inspectors general (IGs) of the DoD, DoS, USAID, SIGIR, and SIGAR shall perform the audits identified in the plan within the respective scope of their duties as specified in law. The IGs are to plan and perform their audits in an independent manner without consulting with the newly created Commission on Wartime Contracting in Iraq and Afghanistan, but audit reports may be provided to the Commission.

Third, the Conference Report provides additional protections to whistleblowers who allege fraud, waste, or abuse concerning DoD contracts. The provision protects persons making certain disclosures of wrongdoing to IGs, including SIGIR.

CONGRESSIONAL APPEARANCES

Since the last SIGIR Quarterly Report, the Inspector General appeared before one congressional committee:

- March 11, 2008—Senate Committee on Appropriations—Hearing on “The Effectiveness of U.S. Efforts To Combat Waste, Fraud, and Abuse in Iraq.” The Inspector General provided testimony about the effectiveness of U.S. efforts to control corruption, waste, fraud, and abuse in Iraq, summarizing the results of SIGIR’s efforts over the years.