

# SIGIR OVERSIGHT

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# 3

## SIGIR AUDITS

Since March 2004, SIGIR has issued 166 audit reports. From February 1, 2010, to April 30, 2010 SIGIR issued six audits addressing a wide range of reconstruction issues:

- an interim report on the management of two Iraq Security Forces Fund (ISFF) contracts totaling \$19.3 million to assist the Iraqi Special Operations Forces develop a counter-terrorism communications network and intelligence database
- a report on the cost, outcome, and management of 46 Commander’s Emergency Response Program projects at Baghdad Airport costing \$35.5 million
- a report on the process being used for paying U.S. contractor invoices from the Development Fund for Iraq
- a report to examine the cost, outcome, and oversight of a contract to assess the status of the Primary Healthcare Centers (PHCs), identify and repair deficiencies, and perform other training and maintenance activities
- a report on the status of obligations of ISFF appropriations
- the third in a series of interim reports describing the methodology and results of SIGIR’s forensic auditing efforts

For a list of these audit products, see Table 3.1.

SIGIR currently has 13 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR’s audits continue to find recurring management deficiencies. To illustrate, SIGIR has reviewed the list of open recommendations and has identified two recurring themes that would significantly improve contingency reconstruction operations in both Iraq and Afghanistan.

- 1. Better contract/grant performance monitoring.** SIGIR has found many instances of poor contract and grant oversight. A primary cause of this weakness is a lack of a sufficient number of qualified staff dedicated to the administration of contracts and grants within the audited organizations. Follow-up on one of our recommendations in this area could result in the recovery of \$8.6 million of questionable costs charged by contractors. This quarter’s audit of the PHC contract also identified poor management and wasted funds.
- 2. Improved Oversight and Use of Private Security Contractors (PSCs) in Contingency Reconstruction Operations.** SIGIR continues to make recommendations to the three

TABLE 3.1  
SIGIR AUDIT PRODUCTS SINCE 1/31/2010

REPORT NUMBER	REPORT TITLE	DATE ISSUED
10-009	Letter Report for the Commanding General, U.S. Forces-Iraq—Interim Report on Projects To Develop the Iraqi Special Operations Forces	3/2010
10-013	Commander’s Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	4/2010
10-014	Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention	4/2010
10-015	Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved	4/2010
10-016	Most Iraq Security Forces Fund Appropriations Have Been Obligated	4/2010
10-017	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #3	4/2010

implementing agencies (Department of Defense, Department of State and U.S Agency for International Development) on how the government can make better use of private security contractors in a contingency reconstruction operation. The summarized recommendation from these individual audits and open recommendations is that (1) the use of security contractors must be better planned and incorporated into the overall strategic plan for the reconstruction effort, and (2) security contractors must be closely monitored for operational efficiency and effectiveness in addressing the risks of working in this environment. SIGIR will continue its oversight of management of PSCs.

For information on all audit products that SIGIR has issued, go to the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

## Final SIGIR Audits for This Quarter

*Letter Report for the Commanding General, U.S. Forces-Iraq—Interim Report on Projects To Develop the Iraqi Special Operations Forces (SIGIR 10-009, 3/2010)*

### Introduction

Since 2003, the Congress has appropriated \$18.04 billion for the Iraqi Security Forces Fund to support the development of the Iraqi Security Forces. Of this total, about \$333 million was appropriated to train and equip the Iraqi Special Operations Forces (SOF) from 2004 to 2009. The Iraqi SOF fall under the Counter-Terrorism Command (CTC), which responds to target priorities and mission execution orders conveyed by the Prime Minister, through the Counter-Terrorism Service. (Formerly the CounterTerrorism Bureau, the Counter-Terrorism Service advises the Prime Minister on counter-terrorism issues and develops the Iraqi Counter-Terrorism National Strategy, policies, and procedures.) The CTC is also

responsible for integrating intelligence and providing command and control of counterterrorism operations nationwide. Under the direction of the CTC, the Iraqi SOF operational mission specializes in counterterrorism and counterinsurgency tactics.

Responsibility for organizing, equipping, and training all Iraqi Security Forces belongs to the Commander, U.S. Central Command. As of January 1, 2010, these duties are now carried out by one of the Central Command's subordinate commands, U.S. Forces-Iraq (USF-I). Prior to January 1, these duties were carried out by the U.S. Central Command's former subordinate command, the Multi-National Force-Iraq, under which the Multi-National Security Transition Command-Iraq (MNSTC-I) was responsible for training and equipping the Iraqi SOF. The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) executed contracts for MNSTC-I to train and equip the Iraqi SOF.

This is an interim report on U.S. assistance to the SOF and addresses SIGIR concerns regarding two contracts costing \$19.3 million and managed by MNSTC-I to provide the Iraqi SOF with a counterterrorism communications network and intelligence database. Together, the contracts were to provide:

- a secure communications network known as the Counter-Terrorism Network (CTNET) that links major counterterrorism centers in Iraq
- a software system (known as Memex) that uses CTNET to consolidate field reports to identify terrorist networks, targets, and their activities
- training in the use and maintenance of both systems

The CTNET contract ended in June 2008, and the Memex contract ended in February 2009.

### Results

SIGIR found that the CTNET and its associated Memex software appear to be available to the Iraqi SOF. However, SIGIR has the following concerns:

- As of October 22, 2009, CTNET was only being used at 5 of 25 sites that were to be connected to the network. In written comments on a draft of

this report, USF-I stated that CTNET is operational at 17 locations. However, it acknowledged that many of these locations are not the locations identified in the contract. Moreover, JCC-I/A did not modify the contract to authorize changes to planned locations. Changing contract requirement without modifying the contract impairs accountability and adds significant risks for MNSTC-I. Because USF-I did not provide information about CTNET at other sites until after audit field work was complete, SIGIR was unable to conduct checks on the other locations.

- Nearly \$1 million worth of satellite communication equipment consisting of 18 units, one for each of the provincial coordination centers, either is not being used or is missing. Possible reasons for why the Iraqis are not using the systems include poor training of Iraqi SOF personnel in the use and maintenance of the systems and the high operating costs of the systems.
- As of November 14, 2009, Memex was being used at only five of six sites that were to have data analysis capability, and none of those are in use at their full intended capacity. SIGIR found that of the five sites operating, the current capacity ranges from 6% to 38% of what officials intended. In comments on a draft of this report, USF-I said that a sixth site has since been added and that the Iraqis have funded a new contract to provide both on-site technical support and maintenance, which should increase use of the system.
- Both the CTNET and Memex contracts' statements of work were poorly written, and SIGIR had difficulty obtaining information on the contracts. For example, the CTNET contract contained conflicting instructions on government-furnished equipment, and both contracts lacked milestones for some deliverables. Further, even after the completion of the contracts, officials from MNSTC-I's Iraqi National Counter-Terrorism Force-Transition Team (INCTF-TT) could not provide reliable information on the number of troops trained or the operational status of equipment purchased.
- Much of the documentation for the CTNET and Memex contracts that is required by the Federal Acquisition Regulation is either missing, incomplete, or of such poor quality that it is difficult to determine the contract requirements. It was also difficult to determine whether MNSTC-I exercised appropriate contract oversight due to the lack of documentation. As a result of poor oversight, one INCTF-TT official explained that INCTF-TT is not certain what has been delivered under the contracts and directed SIGIR to the contractor for information pertaining to which sites are operational and how many servers are at each site.

## Recommendations

SIGIR recommends that the Commanding General, U.S. Forces-Iraq, take the following actions:

1. Assist the Counter-Terrorism Service in developing a plan to use the equipment provided to it under these two contracts. The plan should focus on achieving full operational capability for both CTNET and Memex. This plan should identify each party's roles and responsibilities, a time line for achieving the goals, and Iraqi SOF training needs for the systems. If the Counter-Terrorism Service is unable to operate or configure the systems in the manner envisioned under the contracts, determine if the systems can be operated or configured in a manner consistent with the goal of increasing the operational capability of the Counter-Terrorism Service.
2. Conduct a review of the CTNET and Memex contract files and develop a plan for addressing the deficiencies identified in this report for these contracts and future contracts.

## Management Comments and Audit Response

SIGIR provided two drafts of this report to USF-I for comment. The first draft was issued to the USF-I Commanding General on January 7, 2010, and USF-I provided comments on January 17, 2010. However, the comments received did not

directly address the findings contained in SIGIR's draft report. Following discussions with senior Joint Forces Special Operations Component Command-Iraq officials, USF-I agreed to a second opportunity to comment on the draft. During the same discussions, SIGIR agreed to modify one of its draft recommendations to better reflect the possible options for addressing its concerns. SIGIR provided the revised draft report to the Command for comment, and USF-I resubmitted its comments on March 13, 2010.

In written comments to the second draft of this letter report, USF-I did not concur with the information on the number of sites with CTNET capabilities. However, it acknowledged that many of these locations are not the locations identified in the contract. There were no modifications to the contract that indicate changes in these locations, and because SIGIR did not receive information about these sites until after field work was complete, SIGIR was unable to conduct further checks on the locations.

USF-I also stated in its comments that SIGIR is correct that 2 Broadband Global Area Network (BGAN) systems are "unlocated" and the other 16 are not being used. USF-I reiterated its earlier point that the recurring cost of commercial satellite usage to operate the BGAN is beyond the fiscal capability of the Counter-Terrorism Service to fund. Thus, the nearly \$1 million spent purchasing this equipment was wasted.

Finally, USF-I stated that Memex is currently operational at six locations, one more location than the five SIGIR reported. This change occurred since SIGIR completed its field work. USF-I also said that the Counter-Terrorism Service has taken steps to increase its Memex usage by contracting for on-site technical support, Memex server maintenance, and the installation of Memex at a seventh site.

### ***Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred***

*(SIGIR 10-013, 4/2010)*

#### **Introduction**

According to the Under Secretary of Defense (Comptroller), since 2004 the Congress has provided \$3.74 billion to the Commander's Emergency Response Program (CERP) for Iraq, enabling military commanders to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility. In July 2009, SIGIR examined the results of construction of a hotel that is located at the Baghdad International Airport (BIAP) and identified a number of weaknesses in the project's overall management by the Multi-National Corps-Iraq (MNC-I). Because of these weaknesses, SIGIR initiated a study of all of MNC-I's CERP projects at BIAP. The cost of these projects totaled nearly \$35.5 million as of November 2009.

SIGIR's reporting objectives for the CERP-funded BIAP projects were to examine their (1) cost and outcome and (2) management.

#### **Results**

After four years of effort and nearly \$35.5 million in expenditures on 46 projects, MNC-I's goals—to develop a commercial economic zone at BIAP that would generate revenue; provide prosperity, stability, and social development for the people of Iraq; and establish BIAP as an international gateway—have only been partially achieved. SIGIR notes that 22 projects valued at \$19.3 million have had generally successful outcomes. However, 24 projects, valued at \$16.1 million have had generally unsuccessful outcomes, and these funds are at risk of being wasted without further action. SIGIR notes that MNC-I believed that improving the airport and stimulating the economic recovery could help to reduce the violence and contribute to the goals of the surge in U.S. military troop strength. To the credit of the current military commander, U.S. Forces-Iraq (USF-I) is

actively working with the GOI, which now has ownership of the facilities that were constructed, to identify opportunities to gain additional benefits from the investment that has been made.

In general, MNC-I officials who managed the CERP projects followed the policies and procedures that were in place at the time. However, the outcomes of the projects raise questions about the overall adequacy of project management, particularly as it relates to the adequacy of guidance for implementing CERP projects. SIGIR identified five issues that contributed to management problems, including:

1. The projects were undertaken without a plan to guide the effort and without adequate coordination with U.S. civilian agencies.
2. The projects were undertaken without a plan to evaluate the projects' results and the impact on the level of violence in Baghdad.
3. CERP guidance in place at the time included management and oversight procedures designed for smaller, quick-reaction projects and did not fully address the management needs of large-scale counterinsurgency and economic development efforts.
4. MNC-I personnel assigned to the projects lacked expertise in large-scale development projects and rotated frequently, which contributed to oversight inefficiencies.
5. Project files were not well-maintained, and project tracking data was incomplete.

SIGIR also notes that project risk and outcomes were also affected by (1) the inherent difficulties in undertaking projects in a war zone and (2) difficulties in working with a government that is in the process of developing its own form of democracy and processes for governance.

Over the past several years, DoD and MNC-I have significantly improved their management of CERP projects. Guidance improvements and recent changes to address the shortages of personnel who are trained in contracting officer's representative and CERP-related responsibilities are particularly noteworthy. However, while these actions address some of SIGIR's concerns about project oversight, gaps still remain

with regard to planning. CERP guidance does not require project implementation plans. While this may be appropriate for small-scale CERP projects, this is not the case for large-scale efforts with multiple integrated projects like the BIAP projects.

## Recommendations

SIGIR recommends the following:

1. The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects.
2. The Commanding General, USF-I, should enhance its ongoing efforts for gaining additional benefits from the BIAP project investment by working with GOI officials to develop approaches for improving the use and sustainment of CERP-funded BIAP projects and, to the extent practicable, develop a plan for accomplishing any agreed-upon approaches for improving the use and sustainment of the projects.
3. The Commanding General, USF-I, should take actions to enhance the data systems used to track and record CERP project data.

## Lessons Learned

Certain of the issues raised by SIGIR in this audit have been addressed by the Department of Defense (DoD) during the course of the project's implementation or were the subject of prior audit recommendations. Nonetheless, the four lessons learned identified by SIGIR provide useful lessons for other contingency operations.

## Management Comments and Audit Response

USF-I agreed with SIGIR's recommendation that it take actions to enhance its CERP project data systems. However, it did not agree that the Under Secretary of Defense (Comptroller) should revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects.

## ***Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention***

*(SIGIR 10-014, 4/2010)*

### **Introduction**

The Development Fund for Iraq (DFI) was established in May 2003 by the Administrator of the Coalition Provisional Authority and recognized by United Nations Security Council Resolution 1483. DFI funds were to be used by U.S. agencies for the economic reconstruction and repair of Iraq's infrastructure and other purposes benefiting the people of Iraq. The DFI was funded from export sales of petroleum, petroleum products, and natural gas from Iraq. In addition, surplus funds from the United Nations Oil-for-Food Program, as well as frozen assets, were transferred to the DFI.

Since July 2004, the Federal Reserve Bank of New York has held DFI funds in two accounts for the GOI: the Central Bank of Iraq account—known as the main account—and an account available to U.S. government agencies for use in administering DFI contracts—known as the secondary or sub-account. Bank records show that more than \$2.8 billion was deposited in the DFI sub-account in 2004 for use by U.S. agencies in contracting for DFI projects.

Upon dissolution of the Coalition Provisional Authority in June 2004 and the transfer of sovereignty to the Interim Government of Iraq, the DFI's administrative responsibilities were transferred to the GOI Ministry of Finance. From June 2004 through December 2007, the Minister of Finance extended authority and responsibility to several different U.S. government organizations to administer the DFI, and the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) was the last to be extended this authority.

The Minister of Finance, in a letter to the Commanding General, JCC-I/A, agreed to extend JCC-I/A's authority to administer and complete payment of remaining money due on DFI-funded contracts until December 31, 2007. The Minister directed that all DFI contracts were to be completed

by the end of December and that remaining funds were to be transferred from the sub-account to the main account within the Federal Reserve Bank of New York. In March 2008, as part of its closeout actions, JCC-I/A prepared a package of unpaid DFI invoices totaling \$53.1 million and submitted it to the Minister of Finance for payment. Action has been taken to satisfy several unpaid invoices, including the GOI's payment of \$4.0 million to six Iraqi contractors in the June 2008–October 2008 time period; however, most of the invoices remain unpaid. JCC-I/A and the Office of the Treasury Attaché have been the primary agencies working to facilitate payment of these unpaid invoices by the Ministry of Finance.

SIGIR's objective for this report was to review the process being used for paying U.S. contractor invoices from DFI funds.

### **Results**

The process established between U.S. agencies and the GOI to facilitate payment of invoices for reconstruction contracts funded from the DFI has not been effective. More than two years after JCC-I/A closed out its DFI-administered contracts and submitted a package of \$53.1 million in unpaid invoices to the Minister of Finance, the majority of the invoices—\$32.3 million (60.8%)—remain unpaid. Twenty contractors from several countries have unpaid invoices dating as far back as 2004 and 2005, including 11 U.S. contractors with unpaid invoices totaling \$24.4 million.

Nine different GOI ministries and the Baghdad Amanat (City Hall) have unpaid invoices associated with DFI work completed within their area of responsibility. The Ministry of Interior and Ministry of Housing and Construction are associated with the largest amount of unpaid invoices at \$16.5 million and \$4.2 million, respectively, including \$16.6 million of unpaid invoices involving four U.S. contractors.

Obstacles to accomplishing payment of these invoices are mounting. On the U.S. side, there are few personnel remaining in Iraq with historical

knowledge of DFI activities. Of the two most knowledgeable officials, one from JCC-I/A permanently returned to the United States in March 2010, and the other, from the Office of the Treasury Attaché, is scheduled to leave Iraq in August 2010. The JCC-I/A official has not been replaced. In addition, JCC-I/A has had the lead in pursuing payment of DFI invoices with the GOI, but as the U.S. military drawdown continues in Iraq, JCC-I/A will eventually cease to exist. At that point, in JCC-I/A's absence, it is unclear who will be assigned overall responsibility for processing these DFI payment packages with the GOI.

On the Iraqi side, as with the 2006 Parliamentary elections, U.S. officials stated the March 2010 Parliamentary elections may bring personnel changes to the various ministries, which could result in additional challenges to the approval of invoice payments for projects with which the new officials have no familiarity. Current U.S. and Iraqi officials told SIGIR they want to accomplish payment of these DFI invoices and are frustrated with their inability to do so. Continued engagement between U.S. and GOI officials will be necessary to keep the process moving.

## Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq and the Commanding General, USF-I, jointly (1) identify and coordinate the activities responsible for working with the Minister of Finance on this issue and (2) have those activities work with the GOI to develop a plan to pay the invoices in a timely manner. The plan should include, but not be limited to, clarification of documentation needed to close out the invoices and identification of U.S. and Iraqi resources needed to accomplish this task.

## Management Comments and Audit Response

JCC-I/A, USF-I J9, and the Office of the Treasury Attaché each provided comments on a draft of this report. The Office of the Treasury Attaché noted actions it was taking to address the issues SIGIR raised.

While SIGIR is encouraged by these actions, we continue to be concerned that a coordinated plan to resolve the invoices has not been developed by USF-I and the U.S. Embassy. The GOI has a two-tier process for paying invoices that includes the ministry responsible for the sector in which the work was done and the Ministry of Finance. As the Office of the Treasury Attaché only plans to work with the Ministry of Finance, the GOI's two-tier process will require a coordinated effort from USF-I to ensure that the other GOI sector ministries are involved. Therefore, we clarified our recommendations to show our intent that USF-I and the U.S. Embassy jointly develop and coordinate a plan for resolving the invoices and facilitating payment. We also made other revisions to the report based on technical comments provided in the written responses, as appropriate.

## *Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved*

*(SIGIR 10-015, 4/2010)*

### Introduction

The U.S. government spent about \$345 million to construct and equip Primary Healthcare Centers (PHCs) in Iraq. In April 2009, SIGIR reported that a lack of visibility over the PHCs' status, together with operational and sustainability issues, left the U.S. investment at risk. SIGIR then recommended a study to provide transparency on the status of PHCs.

In response, the Iraq Transition Assistance Office (ITAO), which had program management responsibility, stated that it had an existing contract with Stanley Baker Hill (SBH) to conduct PHC assessments that should help to provide transparency on the PHCs' status. The U.S. Army Corps of Engineers Gulf Region Division was the contracting office. The objectives of this \$16.5 million SBH contract were to (1) identify and repair PHC deficiencies, (2) conduct PHC assessments, (3) run an operations and repair program for one year,

(4) develop a comprehensive maintenance management program for the Iraqi Ministry of Health (MOH), (5) use automation tools to collect and execute maintenance, and (6) enhance the MOH's operations and maintenance capabilities.

SIGIR's objectives for this report were to examine the cost, outcome, and oversight of the PHC contract and to assess the status of the PHCs as ITAO's responsibilities are transitioned to the U.S. Embassy.

## Results

The contract's outcomes, for certain requirements, achieved the desired result, but for other requirements, they did not, and funds were wasted. The contract assessed the physical status of 109 PHCs and corrected construction and equipment deficiencies at 17 PHCs. However, SBH fell short in establishing a maintenance management program for the MOH to use to sustain the facilities and a management information system that the ministry could use to prioritize, assign, and execute maintenance. About \$3.9 million spent on these activities appears to have been wasted. Also, the ITAO goal of achieving transparency on the PHCs' status and information to calculate the potential operational and sustainability concerns was not realized.

The shortfalls in meeting some contract requirements were caused by a number of factors. First, the contract lacked specifics about what was to be done. For example, the contract did not specify how many PHCs were to be assessed or repaired. Second, oversight on the contract was poor. According to a senior SBH official, Gulf Region Division instructed the contractor to focus on repairing and assessing PHCs rather than on those tasks that would directly support MOH sustainment efforts. However, contractual documents showed that SBH was always responsible for meeting the sustainment requirements. Nonetheless, SIGIR found no evidence that Gulf Region Division or ITAO ever took action to address SBH's lack of progress in developing the Iraqi MOH's capacity. Third, coordination between ITAO and Gulf Region Division was ineffective. ITAO officials said that after contract completion,

they made several requests for information on contract outcome, but received nothing from Gulf Region Division. However, Gulf Region Division says it conducted regular biweekly briefings on the project where ITAO officials could have asked questions regarding the project. ITAO noted that this was one of hundreds of projects covered by these biweekly meetings and was not the forum to discuss projects in detail. Fourth, Gulf Region Division contracting officials rotated frequently. As a result, some were not knowledgeable about the contractor's responsibilities and, in some cases, Gulf Region Division was dependent on SBH to explain what was required and how well it was meeting expectations. Lastly, in some cases, the GOI did not make personnel available for training opportunities.

The MOH has taken ownership of the PHCs and assumed responsibilities for repairs. At the same time, the U.S. Health Attaché position was eliminated in February 2010, and ITAO will no longer exist after May 2010. Responsibility for health care issues will transition to the U.S. Embassy's Economic Section without a clear understanding of what was accomplished under the SBH contract and how information developed from the contract can best be used in further engagement with the GOI on PHC matters.

The situation regarding the contract's management and the larger issue of PHC matters transitioning to the Embassy's Economic Section illustrate two overall concerns that SIGIR has generally identified with the reconstruction effort. First is the ad hoc nature of the agencies that managed these programs and the gaps in information transfer that are created as matters are transitioned from one entity to another. Second, and more importantly, is the lack of accountability for program results, which stems from the lack of unity of command.

## Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq should direct that future engagements with GOI on health care issues include a focus on gaining maximum benefit from U.S. investments made in PHCs.

## Management Comments and Audit Response

The U.S. Embassy-Baghdad concurred with SIGIR's recommendations and plans to complete a reassessment of the PHC status by December 2010. USACE stated it was concerned with SIGIR's view of the contract's deliverables as well as events related to this effort. SIGIR addressed these concerns where appropriate.

### *Most Iraq Security Forces Fund Appropriations Have Been Obligated* (SIGIR 10-016, 4/2010)

#### Background

Between May 2005 and June 2009, the Congress appropriated \$18.04 billion for the Iraq Security Forces Fund (ISFF). ISFF is used to train, equip, and maintain all elements of the Iraqi Security Forces, including the Iraqi Army, Navy, Air Force, and Special Operations Forces; Iraqi police forces; special task forces; the Iraqi Intelligence Agency; and border security forces. The Commanding General, USF-I, is the statutory custodian of the ISFF and is responsible for training and equipping the Iraqi Security Forces.

The ISFF was appropriated through supplemental funding acts, and the Congress specified the period of time each appropriation could be used. In each case, Congress made the funds available for periods between 12 and 19 months, and funds were to be obligated within the period for which Congress made them available. Any funds not obligated within their designated period of availability were considered expired. Expired funds cannot be used for new obligations; however, they can be used for up to five years after they expire to pay for (that is, liquidate) authorized increases to existing obligations made from the same appropriation. Any funds remaining in USF-I's accounts after the five-year period must be returned to the U.S. Treasury.

This report addresses the status of ISFF.

## Results

Of the \$18.04 billion appropriated for the ISFF, \$16.746 billion (93%) has been obligated for contracts to train and equip the Iraqi Security Forces as of December 31, 2009. Only about \$825 million, all from the fiscal year 2009 appropriation, remains available for new obligation. At SIGIR's exit conference on this review, USF-I officials stated that the amount remaining for new obligation as of March 31, 2010, is about \$340 million. However, SIGIR did not have time to review this number prior to issuing this report. At that time, USF-I had six more months to obligate these funds.

Of the \$16.746 billion obligated as of December 31, 2009, \$15.088 billion (90%) has been liquidated. An obligation is considered liquidated when all services or goods have been received and paid for. About \$1.657 billion in outstanding obligations remains to be liquidated. As reported in 2007, SIGIR found that DoD was conducting its required tri-annual reviews of unliquidated obligations. However, SIGIR notes that some of these unliquidated obligations are approaching five years in age and may need to be reviewed to determine why they remain unpaid. According to USF-I officials, the balances for these years have not been liquidated, in part, because USF-I has limited resources available to track down contractors in order to request, approve, and process invoices.

About \$469 million (3%) of the funds appropriated were not obligated during the period in which they were authorized to be obligated and have expired. Expired funds cannot be used for new obligations, but can be used to cover adjustments to other obligations recorded in fiscal years 2005 through 2008. DoD regulations do not specify the amount that USF-I should keep on hand to cover potential adjustments. If the funds are not needed to cover potential adjustments, the expired funds for each fiscal year will remain in USF-I's accounts for five years.

## Management Comments and Audit Response

USF-I responded that they generally concurred with the conclusions in the report. USF-I also provided additional information on the status of ISFF funds and processes to oversee unliquidated obligations. SIGIR made revisions to the report based on these technical comments as appropriate.

### *Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #3*

(SIGIR 10-017, 4/2010)

#### Background

Public Law 108-106 requires SIGIR to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than \$53 billion. This interim report presents the results of SIGIR's ongoing forensic auditing program, including an update on efforts to identify questionable financial activity and an update on SIGIR's review of agency expenditures. The report also presents information on data mining methodology. SIGIR is reporting its results periodically, and a final cumulative report will eventually address all available reconstruction funds.

SIGIR's first report summarized the results of a series of audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR has used the results from these audits to develop targeted forensic auditing approaches to identify instances of possible wrongdoing.

SIGIR continues its forensic review of Department of Defense (DoD), Department of State (DoS), and U.S. Agency for International Development (USAID) expenditures. These reviews systematically examine Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated data mining with

standard audit and investigative techniques to detect questionable transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions.

#### Results

A major aspect of SIGIR's forensic audit program is the joint Audit/Investigation Initiative in which teams of SIGIR auditors and investigators focus on programs that afford easy access to cash and have weak controls over expenditures. This initiative continues to identify instances of questionable activity. Since our last report in January 2010, SIGIR has opened an additional 13 criminal investigations involving 18 subjects. This brings the total number of criminal investigations opened resulting from this initiative to 45, involving a total of 60 subjects.

Another major aspect of SIGIR's forensic audit program is the congressionally mandated forensic audit of DoD, DoS, and USAID expenditures. Since its last report, SIGIR has reviewed an additional 10,000 transactions valued at \$4 billion, bringing the total transactions reviewed to 83,000 transactions valued at \$32 billion. In addition to testing for anomalous activity, this forensic effort provides critical information in support of ongoing SIGIR audits, investigations, and the audit and investigative initiative.

Among the issues that SIGIR examines in its forensic review are possible duplicate payments and possible fictitious contractors. SIGIR has largely completed its review of possible duplicate payments involving approximately \$300 million in DoD Iraq Relief and Reconstruction Fund (IRRF) and Iraq Security Forces Fund (ISFF) program transactions. As noted in Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, Abuse—Interim Report #2 (SIGIR 10-011), SIGIR anticipated that many of the questionable transactions would prove to be valid when supporting documentation was reviewed, and this proved to be the case. SIGIR selected about 1,000 transactions with the highest dollar value totaling about

\$150 million for detailed analysis. Other than approximately 20 transactions, with a value of approximately \$300,000, that remain under investigation, the other selected transactions have been determined not to be duplicative payments.

SIGIR has also reviewed potentially fictitious contractors associated with DoD's IRRF- and ISFF-funded programs. As with its duplicate payment work, SIGIR is performing detailed research to determine whether these contractors were legitimate or were engaged in a scheme to defraud the U.S. government. Again, SIGIR anticipates that many of these contractors will prove to be legitimate once the review is completed. An examination of key documentation, such as state business licenses, contracts, invoices, receiving reports, and other pertinent payment information will be used to support conclusions concerning the validity of the questionable vendors.

The results of SIGIR's forensic audit efforts will generally be reported in the aggregate, and specific findings will be included where appropriate and useful. SIGIR is also providing lessons learned that can be applied to other contingency operations, such as in Afghanistan. Detailed information regarding ongoing criminal investigations will not be presented in these reports.

## Management Comments

Because this report is for information only, it does not contain findings or recommendations, and agencies were not required to comment.

## Ongoing and Planned Audits

SIGIR primarily conducts 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 audits of major Iraq reconstruction contracts, which will support SIGIR's response to congressional direction for a

“forensic audit” of U.S. spending associated with Iraq reconstruction.

## Ongoing Audits

SIGIR is currently working on these audits:

- Project 1012: Audit of the Status of Funds Appropriated for the Commander's Emergency Response Program for Iraq
- Project 1011: Audit of the Status of Appropriations for the Economic Support Fund for Iraq
- Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
- Project 1008: Audit of the Status of DoD's Theater-wide Internal Security Services (TWISS) Contracts
- Project 1007: Audit of Costs and Outcome of Department of State Democracy Grants to International Republican Institute (IRI) and National Democratic Institute (NDI)
- Project 1006: Audit of the Development Fund for Iraq's Funds in U.S. Accounts
- Project 1004: Audit of the Sons of Iraq Program
- Project 9030: Audit of Plans to Transition and Maintain Iraq Reconstruction Contract Files to Permanent Storage Facilities
- Project 9028: Audit of the Program Management Practices for the Iraqi Police Training Program
- Project 9023-B: Final Report on MNSTC-I Efforts To Develop the Iraq Special Operations Forces
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

## Planned Audits

SIGIR's audit planning is aligned with three key goals contained in its strategic audit plan:

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction

- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 20 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction

contract in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund.

SIGIR also is turning more of its resources to its forensic auditing initiatives and has published its third report on its efforts. Moreover, to continue to provide leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq, SIGIR will address issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities to DoS. ♦

## SIGIR INSPECTIONS

During this quarter, the Special Inspector General for Iraq Reconstruction (SIGIR) completed six project assessment reports:

- Humer Kwer Health Center
- Thi Qar Bee Farm
- Basrah Modern Slaughterhouse
- Al Hadi Permanent Police Station
- Al Qaim 33/11kV Electrical Mobile Substation
- Haditha Dam Perimeter Security

The relief and reconstruction projects assessed this quarter were funded by the Economic Support Fund (ESF) and the Iraq Security Forces Fund (ISFF). To date, SIGIR has completed 170 project assessments covering 158 project sites.

April 30, 2010, marks the termination of SIGIR's Inspections Directorate. The outstanding six announced project assessments will be terminated with no reports issued. SIGIR Inspections has provided a snapshot of U.S.-funded reconstruction efforts in Iraq, as well as an in-depth look into numerous projects throughout Iraq, and has recommended solutions to remedy troubled projects. In addition, SIGIR Inspections has acted as a catalyst for improving on-site supervision of quality control (QC) and quality assurance (QA) to ensure that projects are adhering to their contract requirements. SIGIR will issue a final capping report of all 170 completed project assessments next quarter, as well as an overview of the oversight accomplished during the 5-year lifespan of the Inspections directorate.

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. In addition, SIGIR

determined whether sustainability was adequately planned for and whether it is likely continue.

SIGIR's in-progress construction assessments addressed these general questions:

- 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 QC and the U.S. government's QA programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

Since the Inspections program began five years ago, SIGIR has also completed 96 limited on-site inspections and 871 aerial assessments.

Security continues to affect SIGIR's ability to conduct on-site assessments of reconstruction projects. Although it has not been possible for SIGIR inspection teams to spend as much time on site at some of the project locations as would be possible for locations in the United States, every effort has been made by U.S. Forces-Iraq and the Gulf Region District and local project offices of the U.S. Army Corps of Engineers (USACE) to enable and assist SIGIR inspections.

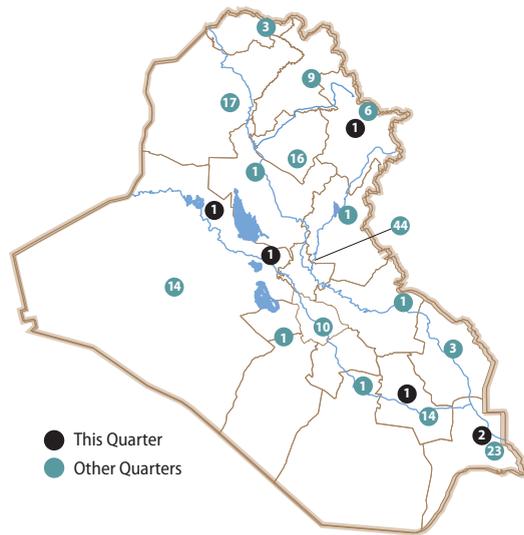
This quarter, SIGIR conducted three sustainment assessments and three in-progress construction assessments. The results were similar to SIGIR's findings in previous sustainment and construction assessments:

- Long-term operations and maintenance practices were not always being accomplished.
- Proper design plans and QA/QC oversight are negatively impacting construction.
- Routine maintenance was not always being performed.

TABLE 3.2  
SIX PROJECTS ASSESSED THIS QUARTER

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	TOTAL COST \$ Thousands	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	AREA OF IRAQ
Humer Kwer Health Center	Sustainment	Sulaymaniyah	547	GRN	ESF	Local	North
Thi Qar Bee Farm	Construction	Thi-Qar	255	GRS	ESF	Local	South
Basrah Modern Slaughterhouse	Construction	Basrah	5,635	GRS	ESF	Local	South
Al Hadi Permanent Police Station	Construction	Basrah	1,274	MNSTC-I	ISFF	Local	South
Al Qaim 33/11kV Electrical Mobile Substation	Sustainment	Anbar	6,461	GRC	ESF	Local	Central
Haditha Dam Perimeter Security	Sustainment	Anbar	998	GRC	ESF	Local	Central

FIGURE 3.1  
PROJECT ASSESSMENTS



Approximate location by province of previous quarters' assessments.

For a list of the project assessments that SIGIR completed this quarter, see Table 3.2. For a complete list of project assessments from previous quarters, see Appendix E.

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

### SIGIR Project Assessments

This section provides summaries of SIGIR project assessment reports completed this quarter. The full reports are located on the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

#### *Humer Kwer Health Center, Sulaymaniyah, Iraq* SIGIR PA-09-186

The overall objective of this \$0.5 million ESF project was to construct a new 650-square-meter multi-level health center in the Humer Kwer district of Sulaymaniyah, Iraq. The project consisted of the complete design and new construction of the health center. This health center is intended to serve a population of 60,000 from the surrounding area.

The statement of work (SOW) required the contractor to prepare the site and construct the building, to include doctors' offices, patient rooms, an X-ray room, administrative office, pharmacy, and handicapped-accessible ramps and restrooms.

On May 31, 2009, the Kirkuk Area Office of the USACE's Gulf Region North (GRN) district officially turned over the Humer Kwer Health Center project to the Director General of Health for the Government of Iraq (GOI). The acceptance letter noted that the contractor turned over, and the Director General of Health received, the as-built drawings and the operation and maintenance manuals. Before the site visit, SIGIR reviewed the



Humer Kwer pharmacy.



Humer Kwer Health Center.

design submittals for the project and found that the design documentation appeared adequate.

On August 23, 2009, SIGIR conducted an on-site assessment of the Humer Kwer Health Center project. The Humer Kwer Health Center had been operational since May 2009, and patients were being seen at the time of the assessment. The site visit identified some issues, such as fire extinguishers placed on the floor in common hallways, a pressurized gas cylinder accessible to the public, no handrails present in the stairway, and a leaking fuel tank. SIGIR concluded that the construction of the Humer Kwer Health Center project was adequate and was being utilized as intended.

### Recommendations

SIGIR recommends that the Gulf Region District require the contractor to:

1. Install handrails on the staircase.
2. Secure the fire extinguishers and the pressurized gas cylinder.
3. Fix the leaking fuel tank.

### Management Comments

The Gulf Region District (GRD) provided comments on SIGIR's draft report, which were approved by the U.S. Forces-Iraq (USF-I). Comments

generally agreed with the facts presented, concurring with the recommendations and noting that corrective action had been taken or was in progress.

### Evaluation of Comments

SIGIR appreciates the concurrence by USF-I and GRD with the recommendations as well as GRD's prompt corrective actions. As a result, no additional comments are required.

### *Thi Qar Bee Farm, Thi Qar, Iraq*

*SIGIR PA-09-188*

On October 1, 2009, SIGIR performed an on-site assessment of the Thi Qar Bee Farm project. Due to scheduling, the total time available on site was approximately two hours. Consequently, a complete review of all the work at the project site was not possible. Although the project was complete and the equipment was present, honey-processing operations had not yet begun.

The overall objective of this \$254,960 ESF project was twofold: design and construct a new 100-square-meter honey-processing facility, and provide training and materials to local farmers in honey-production management. Specifically, the processing facility included an office, store, work room, and bathrooms.



Bees and beehives supplied as part of the Thi Qar Bee Farm project.

In addition to the processing facility, the U.S. government provided beehive-management training materials, three months of training, and distributed beehives in five districts within Thi-Qar province. The GOI provided bees and beehive packages to the local farmers. As honeycombs become complete, the farmers transport the honeycombs to the processing facility. After the honey is processed, the farmers have the option of taking all or part of the honey with them or leaving all or part of the honey to be sold by the processing plant.

Project components were adequately designed prior to construction. Construction was in compliance with the standards of the design. The contractor's QC and the U.S. government's QA programs were effective. SIGIR reviewed the daily QA reports and found that they were effective in identifying and correcting construction deficiencies at the project site.

Sustainability was addressed in the contract requirements. The contract included sustainability elements to assist the Iraqis in operating this project after turnover.

Project results should be consistent with their original objectives. The Thi Qar Bee Farm project met the objectives of providing a new honey processing facility. The Thi Qar Bee Farm project's beehives will be harvested and used to grow other



bee farms, which should assist in natural pollination and restoration of crops and should help sustain future agriculture business.

### Recommendations

The report does not contain any negative findings. As a result, no recommendations for corrective action were made, and management comments were not required.

### Management Comments

Though not required, SIGIR received comments on the draft report from the USACE's Gulf Region South (GRS) district indicating that GRS had reviewed the draft report, generally agreed with the facts as stated, and had no comments to provide.

### *Basrah Modern Slaughterhouse, Basrah, Iraq*

*SIGIR PA-09-189*

The objective of this \$5.6 million ESF project was to design and construct a modern slaughterhouse in the Al-Zubair district of Basrah province. SIGIR performed a limited on-site assessment of one hour on September 29, 2009, and found the facility to be approximately 45% complete.



Construction work at the Basrah Modern Slaughterhouse.



The contract and its SOW were poorly written and confusing, causing four GRS representatives, including the project’s construction representative, to not understand the requirements. The contractor designed a slaughterhouse facility significantly smaller than the contract and SOW required; consequently, it appears that the contractor was overpaid.

SIGIR expressed concerns about the adequacy of the building’s structural support. However, GRS stated that the contractor’s overall structural design was reviewed and approved by a licensed structural engineer; therefore, SIGIR considers this matter adequately addressed.

SIGIR reviewed QC and QA reports and found that the QA representatives, overall, did an effective job identifying and correcting construction deficiencies at the project site.

While the contract addressed sustainability for construction and spare parts, the remainder of the project suffers from a lack of adequate planning. This facility will require a significant supply of electricity and potable water both to operate and to safely dispose of waste water and blood products. Reliable permanent power is essential for operating the slaughtering equipment, cold storage rooms, waste-processing equipment, the laboratory, and

miscellaneous ancillary facilities. Potable water is needed for human consumption and facility cleaning. Wastewater and blood disposal is critical for protecting the environment and citizens of Basrah. After 19 months since the contract was awarded, a source of permanent power, potable water, and sewage and blood disposal for the slaughterhouse has not been identified. SIGIR found the project results to date are not consistent with the original contract objectives.

## Recommendations

SIGIR recommends that the Commander, Gulf Region District of the U.S. Army Corps of Engineers:

1. Resolve the design deficiencies, omissions, and areas of concern with the contractor to guarantee that the project is adequately designed.
2. Perform a review of the contract file to ensure compliance with all Federal Acquisition Regulation provisions and the terms of the contract.
3. Require the contractor to provide power, water, and waste disposal calculations to operate the facility.
4. Obtain equitable price adjustment for all de-scoped or modified work.



Reinforcing materials for the Basrah Modern Slaughterhouse.

The Basrah Provincial Reconstruction Team continues efforts to coordinate with the GOI to provide the necessary utilities to adequately operate the facility once construction has been completed.

#### Management Comments

GRD responded that the documents its offices provided to SIGIR were outdated and not official documents. However, GRD concurred with Recommendations 1 and 2; has additional documents that resolved Recommendation 3; and did not concur with Recommendation 4.

#### Evaluation of Management Comments

SIGIR requests that documentation to resolve Recommendation 3 be provided and that GRD further explain its non-concurrence with Recommendation 4.

#### *Al Hadi Permanent Police Station, Basrah, Iraq*

*SIGIR PA-09-190*

The objective of this \$1.2 million ISFF project was to design and construct a local police station compound near the city of Basrah, Iraq.



Construction of the Al Hadi Permanent Police Station.

On September 30, 2009, SIGIR performed an on-site assessment of the Al Hadi Permanent Police Station project. During the site visit, the GRS Adder Area Office representative and security team accompanied SIGIR. Due to scheduling, the total time available on site was approximately one hour.

The SOW required the contractor to prepare the site and construct the two-story building, to include 11 offices, an armory, a jail with a bathroom, a break room, a small kitchen, two main bathroom and shower areas, three office bathrooms, four dormitories, two utility rooms, and a communications and electrical room.

Project components were adequately designed prior to construction. Although only 32% complete, construction was in compliance with the design standards. The contractor's quality control and the U.S. government's quality assurance programs were effective. SIGIR reviewed the daily QA reports and found that they were effective in showing construction problems identified and corrected at the project site.

The contract included sustainability elements to assist the Iraqis in operating this project after turn-over. If the observed construction and oversight continue, project results should be consistent with



Expansion joint between infill and frame at Al Hadi Permanent Police Station.



Construction of the Al Hadi Permanent Police Station.

their original objective of constructing a new local police station.

### Recommendations

The report does not contain any negative findings. As a result, no recommendations for corrective action were made. Therefore, management comments are not required.

### Management Comments

USF-I provided a response to the draft report indicating that it concurred with the report as written.

### *Al Qaim 33/11kV Electrical Mobile Substation, Al Qaim, Iraq*

*SIGIR PA-09-191*

The project's objective was to manufacture, transport, and install six trailer-mounted 33/11kV mobile substation units at various locations within Anbar province. Further, the contractor was to construct a concrete pad, service buildings, and perimeter wall and gates for each substation. This \$10 million ESF project was awarded on April 29, 2007, and terminated due to the non-responsiveness of the contractor on December 10, 2008, after almost \$6.5 million was spent.

At the time of contract termination, the contractor had delivered four of the six contract-required mobile substations and five trailers to the Ministry of Electricity's outdoor warehouse facility and installed one trailer at the Haditha project site. The contractor also provided a three-day operations and maintenance training course and manuals to 23 mobile substation operators.

On November 1, 2009, SIGIR performed a limited on-site assessment. SIGIR identified four mobile substations that had been sitting idle at the warehouse facility for at least seven months that were factory-equipped/installed/assembled and mounted on trailers approximately 50 feet long by 11 feet wide. They were complete and adequately assembled with the required cables, transformer, power management units, and circuit components. Since the substations were not connected to the national grid, SIGIR could not determine their operational status.

SIGIR identified five trailers at the warehouse facility that were to serve as the service buildings. Each trailer was in poor condition, with wheels either missing or having flat tires, interior lights broken, circuit panels not connected, and debris scattered throughout. Because no file documentation or photographs existed, SIGIR could not



33/11kV Electrical Mobile Substation and exterior condition of trailers at the MOE's Ramadi outdoor warehouse facility.

conclude whether the contractor delivered poorly constructed trailers or if they were damaged or vandalized since their delivery.

Considering the significant financial investment of the U.S. government, SIGIR inquired into the planned use of the four mobile substations and found that U. S. government officials have been in communication with Iraqi officials as to the use of the substations but Iraqi officials have not yet come to a decision. Until this situation is remedied, \$6.5 million in U.S. ESF can be considered wasted.

### Recommendations

To protect the U.S. government's investment of approximately \$6.5 million, SIGIR recommends that the Iraq Transition Assistance Office (ITAO) Director continue communication with Iraqi officials in an effort to utilize the mobile substations.

### Management Comments

SIGIR received official comments on the draft report from USF-I and the USACE Gulf Region District and unofficial comments from an ITAO representative.

USF-I and GRD generally agreed with the facts as presented in the report but clarified that an

additional contract modification provided to SIGIR on March 14, 2010, resulted in a cost savings of \$193,878. The final report was changed to reflect that fact.

ITAO also generally agreed with the facts as presented in the draft report, but asserted that two additional mobile substations were to be delivered in April and noted that ITAO was working with the Iraqi Ministry of Electricity to utilize the mobile substations. The final report was changed to reflect the ITAO comments.

### Evaluation of Management Comments

The management comments addressed our recommendations and provided additional clarifying information for the final report.

### *Haditha Dam Perimeter Security, Haditha, Iraq*

*SIGIR PA-09-192*

The overall objective of this \$1 million ESF project was to construct a security perimeter for the Haditha Dam to prevent the dam from being sabotaged. Destruction of the dam would greatly affect the functioning of the country's electrical grid and would cause major flooding downstream.



Haditha Dam damaged perimeter security fence and guardhouse.

The project was turned over to the GOI on January 5, 2009, with no construction deficiencies noted. The design documents contained information conveying the scope and intent of the project, and the drawings appeared complete, containing information regarding the fence, access drive, swing gate, lift gate, barriers, and other project details.

On November 3, 2009, SIGIR performed an on-site assessment. Due to security concerns, the total time available on site was approximately two hours. Therefore, a limited review was conducted. SIGIR inspected several sections of fence totaling 1 kilometer, 300 meters of perimeter road, and one access gate.

SIGIR found that sections of the perimeter fence did not conform to contract requirements. Strands of barbed wire were not placed on the brackets along the top of the fence. The wire was only 18 inches in diameter instead of the required 24 to 30 inches. In addition, the chain-link fabric was attached to the fence posts with steel bands at 32 inches on-center, which did not meet requirements. Further, several of the truss rods were poorly tensioned in the brace panels, which will affect the ability of the brace panels to support the

fence without movement. SIGIR also noticed that the brace rails were misaligned.

SIGIR also observed that approximately 150 feet of fence line had fallen. Concrete anchorage for the fence posts was to be at a 45-inch depth; however, actual depth was 8 to 12 inches, and the diameter of the anchorage was less than the required 16 inches. In addition, the anchorage did not cover the end of the post, and gaps existed between the anchorage and the soil, which will allow for increased corrosion. Other deficiencies were also noted.

SIGIR concluded that the construction of the Haditha Dam Perimeter Security project was inadequate. However, after the deficiencies identified by SIGIR were brought to the attention of the Al Asad Resident Office, corrective action was initiated. After review of the contractor's submitted remediation plan, SIGIR determined that the proposed corrective actions should correct the deficiencies noted.

## Recommendations

SIGIR recommends that the Al Anbar Resident Office continue to ensure that the contractor:

1. Replace and repair the collapsed fence line.
2. Reset the remaining fence poles that were not set to their proper depth.



Haditha Dam.

## Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, performs 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 program 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 27 images and created 25 imagery products, using satellite imagery and limited contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. This quarter, the SIGIR imagery analyst assessed and reviewed projects funded by IRRF, ISFF, ESF, and other sources. For an overview of the imagery products produced this quarter, see Table 3.3.

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. The 25 imagery products produced this quarter assisted

3. Implement controls to ensure that the contractor provides daily quality control reports of the corrective actions taken for the deficiencies.

### Management Comments

SIGIR received comments on the draft report from USF-I and the USACE Gulf Region District concurring with the recommendations, confirming that corrective action was already underway, and noting that they generally agreed with the facts in the report. The Gulf Region District also provided comments for clarity and accuracy of the final report.

### Evaluation of Management Comments

SIGIR appreciates the concurrence with the draft report’s recommendations and corrective action taken by the Gulf Region District. USACE comments addressed the issues identified in our recommendations.

TABLE 3.3

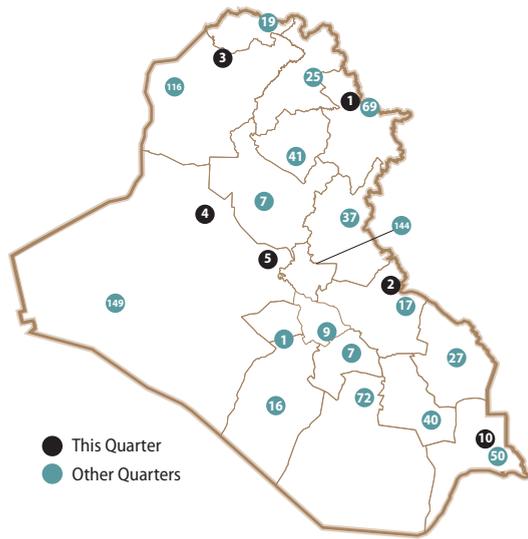
### IMAGERY ASSESSED SUPPORTING SIGIR PROJECT ASSESSMENTS AND OTHER DIRECTORATES

PROJECT TYPE	NUMBER OF PRODUCTS
Basrah Modern Slaughterhouse	6
Al Qaim Electrical Mobile Substation	5
Al Hadi Permanent Police Station	4
Haditha Dam Perimeter Security	3
Zurbatiya Point of Entry Cargo Transload Area	2
Al Farabi School	1
<b>ADDITIONAL PRODUCTS</b>	
Mosul Dam for Quarterly Report	3
36th Parallel through Iraq for Quarterly Report	1

inspectors with their project assessments of the six sites assessed this quarter, provided analyses of potential future sites, and provided images for the *Quarterly Report*.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 871 cumulative satellite imagery assessments and products. For an overview of the approximate locations of these assessments, see Figure 3.2. ♦

FIGURE 3.2  
AERIAL IMAGERY ASSESSMENTS



Approximate locations of SIGIR's aerial imagery assessments conducted this quarter and the locations by province of assessments from previous quarters.



Aerial Imagery taken on December 10, 2009, of the Haditha Dam. (PA-09-192)



Aerial Imagery taken on January 30, 2010, of the Basrah Modern Slaughterhouse site and the closest electrical source. (PA-09-189)

## SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 116 open investigations. As of March 31, 2010, SIGIR has 5 investigative personnel assigned to Baghdad; 12 at SIGIR headquarters in Arlington, Virginia; and 16 in offices in Pennsylvania, North Carolina, Florida, Texas, Arizona, Ohio, Michigan, New York, and California. To date, the work of SIGIR investigators has resulted in 28 arrests, 39 indictments, 30 convictions, and more than \$69.6 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and work closely with prosecutors, U.S. partner investigative agencies, and Coalition partner investigators. As a result of SIGIR investigations, 2 defendants are pending indictment based upon arrest complaints, 8 defendants are awaiting trial, and an additional 9 defendants are awaiting sentencing. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 3.4 at the end of this section.

SIGIR notes these activities this quarter:

- A Marine Corps captain and his wife were charged with skimming \$1.7 million from military contracts.
- A former U.S. military contractor pled guilty to a bribery and money laundering scheme and agreed to forfeit more than \$15 million.
- The U.S. government filed a multi-million dollar civil lawsuit against a former Army officer and three contracting firms in connection with a bribery scheme.
- Two additional Coalition partner citizens were arrested for an \$8.4 million scam involving a Coalition Provisional Authority (CPA) contract.
- A U.S. Army major was charged with smuggling more than \$100,000 in cash from Iraq and making false statements.
- A retired U.S. Army colonel was charged and pled guilty to accepting \$50,000 and trips.
- A former Army staff sergeant pled guilty to laundering more than \$30,000.
- A former U.S. Army Reserve captain was charged and pled guilty to accepting an illegal \$15,000 gratuity from a government contractor.
- SIGIR detailed three criminal prosecutors to the Criminal Division of DoJ, and they began prosecuting SIGIR's criminal cases.

### Marine Corps Captain Charged with Skimming \$1.7 Million from Military Contracts

A captain in the United States Marine Corps was charged on March 4, 2010, with conspiring with his wife to skim approximately \$1.75 million from government contracts awarded under the Iraqi First Program while he was acting as a Marine Corps contracting officer's representative in Iraq. Eric Schmidt, of Murietta, California, who is assigned to the First Marine Division at Camp Pendleton, was charged with conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the Internal Revenue Service (IRS). Capt. Schmidt's wife, Janet Schmidt, also was charged with the same two felony counts.

According to the criminal information, Captain Schmidt used his position in the contracting process to steer contracts to his favored Iraqi contractor, the Al-Methwad Company. The contracts were often awarded under the Iraqi First Program, which was designed to award certain contracts to Iraqi vendors to assist with Iraqi economic expansion and entrepreneurship. Once Al-Methwad had been awarded the contract, Janet Schmidt found U.S.-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the



Restaurant on part of a proposed multi-million-dollar resort property on the Tennessee River forfeited by Terry Hall.

terms of the contract. Janet Schmidt purchased the goods using money provided by Al-Methwad, often purchasing far fewer or inferior products than those required by the contract. She then arranged for the goods to be delivered to the United States Marines in Iraq. Once the shipment arrived in Iraq, Captain Schmidt falsely certified that both the number and type of goods required by the contract had been provided by Al-Methwad Company to the Marines. Armed with the false certification, representatives from Al-Methwad Company sought and received payment from the United States.

Investigators have determined that the Schmidts collected a total of approximately \$1.75 million in illegal payments during Captain Schmidt's one-year deployment to Iraq in 2008. Because they failed to report any of these illegal payments on their tax return for 2008, they substantially understated their income to the IRS.

During the course of this investigation, government agents seized from the Schmidts two California real properties—one in Big Bear and one in Murietta—two motor vehicles, and approximately \$40,000 in cash.

As a result of this case, Captain Schmidt and his wife each face a statutory maximum penalty of 23 years in federal prison.

Janet Schmidt pled guilty on March 18, 2010, to a federal felony charge of filing a false income tax return in connection with her role in the Iraq contracting scheme.

This investigation is being conducted jointly by SIGIR, the Defense Criminal Investigative Service (DCIS), IRS, and Naval Criminal Investigative Service (NCIS).

## Former U.S. Military Contractor Pleads Guilty to Bribery and Money Laundering Scheme and Agrees To Forfeit \$15.7 million

On February 17, 2010, former military contractor Terry Hall pled guilty to conspiracy to pay more than \$3 million in bribes to U.S. Army contracting officials stationed at Camp Arifjan, Kuwait, and to money laundering. Hall was indicted on May 6, 2009, along with a U.S. Army major and his wife. According to court documents filed in U.S. District Court for the Northern District of Alabama, Hall owned and operated several companies, including Freedom Consulting and Catering Co. (FCC) and Total Government Allegiance (TGA), which provided goods and services to the U.S. Department of Defense (DoD) in connection with Operation Iraqi Freedom. His companies received approximately \$21 million between 2005 and 2007 in connection with contracts his companies received. To obtain the contracting business and facilitate unlawful payments by other contractors, Hall admitted he made more than \$3 million in unlawful payments and provided other valuable items and services to U.S. Army contracting officials stationed at Camp Arifjan, including U.S. Army Major Eddie Pressley, and former Majors John Cockerham, James Momon, and Christopher Murray, among others.

The case against Hall arose out of a wide-ranging investigation of corruption at the Camp Arifjan contracting office. To date, eight individuals, including Hall, have pled guilty for their roles in the bribery scheme. On December 2, 2009,



One of several items forfeited by Terry Hall.



Docks on part of a proposed multi-million-dollar resort property on the Tennessee River forfeited by Terry Hall.

former U.S. Army Major John Cockerham was sentenced to 210 months in prison and ordered to pay \$9.6 million in restitution. According to court documents, Cockerham arranged for Hall's companies to receive supply orders worth more than \$2.6 million, as a result of which Hall paid Cockerham approximately \$800,000.

According to court documents, Major Momon arranged for Hall's companies to receive supply orders worth approximately \$6.4 million, as a result of which Hall paid Momon more than \$300,000. Momon pled guilty on August 13, 2008, to receiving bribes from various contractors at Camp Arifjan, including Hall, and is awaiting sentencing.

Also according to court documents, Major Murray arranged for Hall to receive contracts to construct security fences at Camp Arifjan, as a result of which Hall paid Murray approximately \$30,000. Murray pled guilty to receiving bribes from various contractors at Camp Arifjan, including Hall, and making a false statement. He was sentenced on January 8, 2009, to 57 months in prison and ordered to pay \$245,000 in restitution.

The case against the Army major and his wife named in the May 2009 indictment is pending trial. The indictment alleges that the major and his wife received more than \$2.8 million in money and

other valuable items from Hall, in exchange for an agreement to take official actions to benefit Hall. The major's wife, at her husband's request, allegedly arranged for an entity named EGP Business Solutions Inc. (EGP) to be incorporated, opened a bank account in the name of EGP, and opened bank accounts in her name in the United States, Dubai, United Arab Emirates, and the Cayman Islands, all in order to receive the bribe payments.

According to the court documents, Hall will forfeit \$15,757,000 to the U.S. government, which includes vehicles, cash, real estate, and personal property.

This investigation is being conducted jointly by SIGIR, the U.S. Army Criminal Investigation Command (CID-MPFU), DCIS, IRS, Immigration and Customs Enforcement (ICE), and Federal Bureau of Investigation (FBI).



Armored vehicle similar to the armored vehicles contracted for by the CPA but never delivered, though the contractor provided false documentation requesting payment. (DoD photo)

## United States Sues Former Army Officer and Three Contracting Firms in Connection with Bribery Scheme

A multi-million dollar civil lawsuit was filed against a former U.S. Army officer and three contracting firms related to an alleged bribery scheme in connection with the awarding of contracts for services in Kuwait. Former Army officer John Cockerham, who is named as a defendant in the lawsuit, previously had pled guilty to criminal charges along with another former officer, James Momon.

The government's complaint alleges that from 2004 to 2006, several Kuwaiti companies—including Green Valley Co., Palm Springs General Trading and Contracting Establishment, and Jireh Springs General Trading and Contracting Establishment—engaged in a bribery scheme with Cockerham and Momon in exchange for their promises to award supply orders.

The suit, filed in the U.S. District Court for the Western District of Texas, alleges that defendant Saud Al Tawash provided payments to Cockerham's sister, Carolyn Blake, in exchange for supply orders awarded to or performed by Green Valley, Palm Springs, and Jireh Springs—companies that

he owned, controlled, or had an interest in, according to the complaint. The complaint also alleges Mohammed Howaiji, Green Valley's assistant manager, and Joseph E. Nakouzi, its head supervisor, agreed to pay Cockerham \$300,000 in exchange for supply orders. According to the complaint, Cockerham awarded the supply orders to Green Valley at inflated prices. The complaint charges that after Momon replaced Cockerham as the Army's contracting officer, he also took over the bribery scheme and received \$510,000 from Green Valley.

The government's complaint further alleges that Jamal Al Dhama, the manager of Jireh Springs, promised Cockerham \$1.5 million to award supply orders to that firm. Saud Al Tawash, acting on behalf of Jireh Springs, later offered Momon a bribe for Momon's assistance in obtaining payment for Jireh Springs on a supply order, according to the lawsuit.

The government is seeking treble damages, under the False Claims Act, that could amount to more than \$8 million, civil penalties in the amount of \$5,500 to \$11,000 per violation, post-judgment interest, and costs.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

## Two Additional Coalition Partner Citizens Arrested in \$8.4 Million Scam Involving CPA Contract

An ongoing joint investigation by SIGIR, British law enforcement authorities, and DCIS has led to the arrest of two additional British citizens.

The investigation involves an \$8.48 million contract awarded by the CPA to provide armored vehicles to Iraq's Ministry of Interior. It is alleged in the ongoing investigation that the contractor personnel provided false documentation to receive full payment for the contract and failed to deliver any items under the terms of the contract.

## U.S. Army Major Charged with Smuggling More Than \$100,000 in Cash from Iraq and Making False Statements

A U.S. Army major was arrested on January 11, 2010, on charges of bulk cash smuggling and making false statements to a federal agency. The major was charged in an indictment returned by a federal grand jury in Memphis, Tennessee, on January 5, 2010, and unsealed following his arrest in Huntsville, Alabama. According to the indictment, the major smuggled more than \$100,000 in currency, concealed in a shipping package, into the United States from Iraq in January 2005. He also allegedly failed to declare that he imported the money.

As alleged in the indictment, from August 2004 through February 2005, the major was deployed to Balad Regional Contracting Center on Logistical Support Area (LSA) Anaconda in Iraq. LSA Anaconda is a U.S. military installation established in approximately 2003 to support U.S. military operations in Iraq. According to the indictment, the major served as a contracting officer while deployed to LSA Anaconda. As a contracting officer, he was responsible for, among other things, evaluating and supervising contracts with companies that provided goods and services to the U.S. Army.

According to the indictment, on approximately January 11, 2005, the major sent a package from Balad, Iraq, to Killeen, Texas, which was seized by Customs and Border Protection officers in Memphis. The international air waybill for the package said it contained books, papers, a jewelry box, and clothes with a total declared customs value of \$140 but did not disclose the currency allegedly contained in the package. According to the indictment, the package also contained \$107,900 in U.S. currency and 17,120,000 in Iraqi dinar. The major allegedly failed to file a Currency or Monetary Instruments Transaction Report (CMIR) as required by federal law when transporting currency in amounts of more than \$10,000 into or out of the United States.

The maximum penalty for each of the two charges contained in the indictment—bulk cash smuggling and false statements to a government agency—is five years in prison and a \$250,000 fine, to be followed by a term of up to three years of supervised release.

The indictment also contains a criminal forfeiture allegation. Specifically, if convicted of the bulk cash smuggling charge, the major would be ordered to forfeit the \$107,900 in U.S. currency and 17,120,000 Iraqi dinar he is alleged to have concealed in the package.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

## U.S. Army Colonel Pleads Guilty to Accepting Illegal Gratuities Related to Contracting in Support of Iraq War

### Defendant Accepted \$50,000 and Tickets Related to Award of \$12 Million Contract

On April 13, 2010, Kevin A. Davis, a retired colonel in the U.S. Army, pled guilty to accepting thousands of dollars in gratuities from a contractor during his deployment to Iraq as a contracting officer's representative. Davis pleaded guilty to a criminal information filed on February 26, 2010, charging



Tikrit warehouse that was part of the \$12 million DoD warehouse contract for Iraq in 2004.

him with three counts of accepting an illegal gratuity. According to the court document, from about January 2004 until about June 2004 Col. Davis was deployed to Baghdad, Iraq, where he was assigned to the CPA's Office of Security and Cooperation. He served as the senior member of the source selection board responsible for the award of a contract valued at nearly \$12 million to build and operate several Department of Defense warehouses around Iraq. In the period during and after the solicitation of the warehouse contract, Davis accepted two airplane tickets and \$50,000 in cash from the contractor who submitted the successful bid for the contract. Davis admitted that he accepted the airplane tickets and money with the understanding and belief that they were for or because of his assistance to the contractor who received the warehouse contract.

Davis faces up to two years in prison and a fine of \$250,000 per charged count. In addition, Davis agreed to pay \$62,500 in restitution to the United States. A sentencing date has not yet been scheduled by the court.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

### **Former Army Staff Sergeant Pleads Guilty to Laundering More Than \$30,000**

On January 27, 2010, Theresa Russell, a former staff sergeant in the U.S. Army, pled guilty in federal court in San Antonio, Texas, to a one-count criminal information charging her with money laundering arising from a scheme involving the fraudulent awarding and administration of U.S. government contracts in Iraq. According to court documents, from January 2004 through October 2004, Russell was deployed to LSA Anaconda, a U.S. military installation near Balad, Iraq. As part of the plea, Russell admitted that from April 2004 to February 2005, she received more than \$30,000 in cash from John Rivard, a former major in the U.S. Army Reserves. Russell admitted that she

knew the money she received from Rivard was the proceeds of bribery.

In July 2007, Rivard pled guilty to bribery, among other offenses, in connection with his service as an Army contracting officer at LSA Anaconda. According to court documents, from April 2004 to August 2005, Rivard conspired with a government contractor to steer federally funded contracts to the contractor's company in exchange for hundreds of thousands of dollars in illicit bribe payments.

According to court documents, Rivard instructed Russell to divide the payments she received from him into several smaller monetary bank deposits, which she admitted she did, in an effort to avoid the detection of law enforcement authorities. Russell admitted that she subsequently used the criminal proceeds to purchase, among other things, a car, cosmetic surgery, and household furnishings and goods.

The maximum penalty for the money laundering charge is 10 years in prison, a \$250,000 fine, and three years of supervised release following the prison term. Sentencing is scheduled for May 21, 2010.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

### **Former U.S. Army Reserve Officer Pleads Guilty to Accepting Illegal Gratuities Related to Contracting While Serving at Camp Arifjan, Kuwait**

On April 15, 2010, Markus E. McClain, a former captain in the U.S. Army Reserve, pled guilty to accepting thousands of dollars in gratuities from a contractor during his deployment to Kuwait. McClain pled guilty in U.S. District Court, District of Columbia, to a criminal information filed on February 26, 2010, charging him with accepting an illegal gratuity. According to the court document, then-Lt. McClain served in 2004 in a unit at Camp Arifjan, Kuwait, where he was

responsible for administering contracts for buses, nontactical vehicles, and other materiel. According to the court document, representatives from a company that held a contract to provide buses to the U.S. military offered McClain cash and other things of value in return for the extension of its contract. Although McClain initially declined this offer, he admitted he later accepted \$15,000 in cash from a senior executive of the company. McClain admitted that this payment was for or because of actions he took in an effort to secure the extension of the company's contract.

McClain faces up to two years in prison and a fine of \$250,000 at sentencing. In addition, McClain agreed to pay \$30,000 in restitution to the United States. A sentencing date has not yet been set by the court.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

## SIGIR Investigations' Prosecutorial Support Program

Throughout its existence, SIGIR has continually strived to implement unique approaches in accomplishing the agency's mission. For example, the Inspections Directorate has taken the step of using satellite imagery and engineering teams to inspect U.S.-funded construction. Likewise, the SIGIR Investigations team has developed special programs that have made SIGIR more effective in its rigorous enforcement of the law. One such program has been the development of dedicated prosecutorial support for the criminal investigations conducted by SIGIR investigators. This program has recently evolved into a team of SIGIR-specific prosecutors, embedded within the Department of Justice (DoJ), whose sole mission is to prosecute those who violate the law in the Iraq reconstruction context.

### Background

In the early years of SIGIR and CPA-IG (its predecessor agency), prosecutorial support for criminal

investigations was obtained separately from DoJ's Criminal, Civil, and Antitrust Divisions. The arrangement met with marked success in obtaining positive outcomes. Nevertheless, the SIGIR caseload of prosecutable cases expanded, and the availability of DoJ prosecutors did not. This is understandable, as these DoJ units had, and continue to have, limited resources and considerable competing demands for prosecution support from investigative organizations of the various departments and agencies across the federal government.

To address this limitation, SIGIR began to work directly with federal prosecutors in U.S. Attorney's offices across the country in addition to continuing to work with DoJ at the headquarters level. SIGIR further supplemented its prosecution support by initiating a program to work with foreign investigative agencies in order to prosecute non-U.S. citizens in their home countries who defrauded the U.S. and joint U.S.-Coalition partner-funded reconstruction programs. This also met with marked success, with several individuals prosecuted and others still pending prosecution. For example, two South Korean military officers and an enlisted man were prosecuted in South Korea and sent to prison. Three British citizens have been arrested, and two have been charged in another case. Similar investigations and prosecutions are ongoing.

### SIGIR Prosecutorial Initiative (SIGPRO)

The latest evolution of the SIGIR Prosecutions program is what the agency refers to as "SIGPRO," or *SIGIR Prosecutorial Initiative*. In an effort to further align resources with its expanding caseload, SIGIR proposed and then developed a program wherein it hired three highly experienced and respected former DoJ prosecutors and then detailed them as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases. These highly skilled prosecutors were hired at the end of 2009 and beginning of 2010. They handle their own DoJ caseloads and work closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases.

Additionally, they collaborate with Assistant U.S. Attorneys throughout the United States, as well as foreign prosecutors, on all SIGIR-related prosecutions. To date, the SIGPRO prosecution team has had a substantive positive impact on the productivity of the SIGIR criminal investigation program. DoJ enthusiastically supports this program, and SIGIR could not be more pleased with the successful manner in which it has begun.

## Suspension and Debarment

Since December 2005, SIGIR has worked closely with the Department of Justice, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

During the period between January 1 and March 30, 2010, the Army suspended two contractors based on allegations of fraud in Iraq and Kuwait. In

addition, the Army proposed eight contractors for debarment and finalized ten debarments of individuals and companies during that same period.

To date, the Army has suspended 90 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait. A total of 104 individuals and companies have been proposed for debarment, resulting in 88 finalized debarments, ranging in duration from nine months to 27.5 years. PFB is aggressively pursuing additional companies and individuals associated with fraud associated with Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2010. Suspension and debarment actions related to reconstruction and Army support contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). Cases originating in Afghanistan—previously listed with cases originating in Iraq, Kuwait and other locations in Southwest Asia—were removed from PFB's submissions to the SIGIR in the third quarter of 2009 and are now included in the quarterly report produced by SIGAR.

For a list of debarments, see Table 3.5. For a complete list of suspensions and debarments, see Appendix F. ♦

TABLE 3.4  
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, Contractor and military spouse	Filing a false tax return and fraud	3/18/2010	Pending
Terry Hall, Contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	Pending
Michael D. Nguyen	Theft and structuring financial transactions	12/7/2009	Pending
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	Pending
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement; \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison, 3 years supervised release; forfeiture of \$1 million; and restitution of \$26,276,472
Samir Itani	Conspiracy	7/21/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 in restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	Pending
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	Pending
Frederick Kenvin	Conspiracy	4/30/2009	Pending
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	Pending
Jeff Alex Mazon, Contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	Pending
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	Pending
Harith al-Jabawi, Contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison; \$825,000 restitution

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; \$100 special assessment
David Ramirez, Contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; \$200 special assessment
Lee Dubois, Contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; \$100 special assessment
Robert Bennett Contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	Pending
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison; 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; \$9.6 million restitution.
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; \$1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	Pending
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; \$200,504 restitution
Jesse Lane, USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison; \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; \$24,000 restitution

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# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison; \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; \$100 assessment
Sgt. Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; \$100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, Employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served; 2 years supervised release
Gheevarghese Pappen, USACE Civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; \$144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; \$100 special assessment
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; \$1,400 assessment
	Witness tampering	8/10/2009	Pending
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; \$300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; \$200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	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)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; \$500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; \$200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 3.5  
DEBARMENT LIST

NAME	DEBARRED
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon, Ltd. LLC	6/17/2009

Continued next column

NAME	DEBARRED
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos L. Chavez	1/30/2009
Darryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private) Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasanth Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007

Continued next column

<b>NAME</b>	<b>DEBARRED</b>
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006

*Continued next column*

<b>NAME</b>	<b>DEBARRED</b>
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

## SIGIR EVALUATIONS

During this quarter, SIGIR established an Evaluations Directorate that is being staffed in Washington, D.C., and Baghdad, Iraq. This new directorate will implement a multi-faceted approach to the evaluation of programs that are funded by the U.S. government for the purpose of supporting the stabilization and reconstruction of Iraq. This new organizational capability will help fulfill SIGIR's oversight responsibility using both traditional and innovative approaches.

Evaluation teams comprising SIGIR personnel with audit, evaluation, program analysis, and inspection experience are being assembled to design and implement a wide range of evaluation studies. These teams may be augmented by subject-matter experts and other technical advisors as needed, depending on the topic of the evaluation. The evaluation studies will be performed in the United States and in Iraq, in accordance with generally accepted standards for policy and program evaluations.

SIGIR plans to evaluate a cross-section of major U.S. government-funded programs that were initiated to improve the stability and security of Iraq, including those that were implemented to assist the Iraqi people to reconstruct and maintain their infrastructure. In addition to developing key conclusions, findings, and recommendations, the

evaluations will identify and report on the outcomes and effects of the stabilization and reconstruction programs under review.

The SIGIR Evaluations Directorate has issued one evaluation study announcement this quarter and plans to issue the second in May of this year. The first evaluation (EV-10-001) is titled *Review of U.S. Government Program Evaluation Studies in Iraq*. The objectives of this review are to determine:

- what program evaluation studies have been completed to date on U.S. government-funded stabilization and reconstruction programs in Iraq
- how U.S. government departments and agencies have used the results of evaluation studies in their program planning, budgeting, and performance assessment

SIGIR expects to report on this evaluation review by the end of July 2010.

The second evaluation (EV-10-002) is expected to start in May of this year and will focus on major U.S. government-funded infrastructure projects in Iraq. The SIGIR Evaluations Directorate expects that this evaluation study will produce several individual case studies assessing the impact of infrastructure spending on basic services, economic growth, security, and stability in Iraq. ♦

## SIGIR HOTLINE

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

### First Quarter Reporting

As of March 31, 2010, the SIGIR Hotline had initiated 791 cases. Of these cases, 728 have been closed, and 63 cases remain open. For a summary of these cases, see Table 3.6.

### New Cases

During this reporting period, the SIGIR Hotline received 11 new complaints, bringing the cumulative total to 791 Hotline cases. The new complaints were classified in these categories:

- 5 involved contract fraud.
- 4 involved personnel issues.
- 2 involved miscellaneous issues.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and electronic mail. Of SIGIR's 11 new Hotline complaints, 6 were received through electronic mail and 5 by the SIGIR website.

### Closed Cases

During this quarter, SIGIR closed 10 Hotline cases:

- 9 were referred to other inspector general agencies.
- 1 was closed by SIGIR Investigations.

TABLE 3.6  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 3/31/2010

OPEN CASES		
Investigations		52
Audits		10
Inspections		1
<b>Total Open</b>		<b>63</b>
CLOSED CASES	1ST QTR 2010	CUMULATIVE*
FOIA	0	4
OSC Review	0	2
Assists	0	46
Dismissed	0	129
Referred	9	334
Inspections	0	79
Investigations	1	118
Audits	0	16
<b>Total Closed</b>	<b>10</b>	<b>728</b>
<b>Cumulative* Open &amp; Closed</b>		<b>791</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 3/31/2010.

### Referred Complaints

After a thorough review, SIGIR referred 9 complaints to outside agencies for proper resolution:

- 4 were sent to the Joint Contracting Command-Iraq/Afghanistan.
- 3 were sent to the U.S. Forces-Iraq Office of Inspector General.
- 2 were sent to the U.S. Army Office of Inspector General. ♦

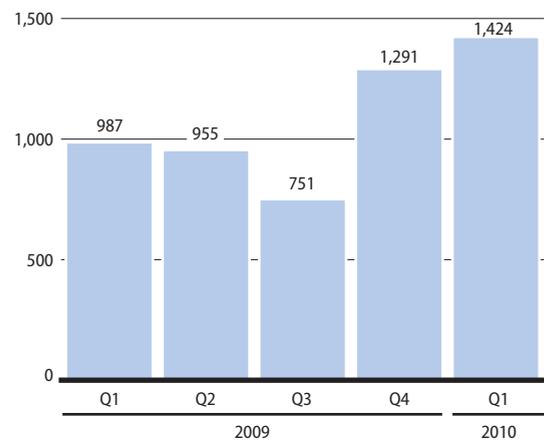
## SIGIR WEBSITE

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

- More than 128,000 users visited the SIGIR website this quarter—more than 1,400 users per day.
- This quarter, the Arabic language section of the site received 1,038 visits.
- The most frequently downloaded documents were SIGIR’s most recent Quarterly Reports.

For an overview of daily visits to the SIGIR website, see Figure 3.3. ♦

**FIGURE 3.3**  
**AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, AS OF 3/31/2010**



Source: DoD, IMCEN, response to SIGIR data call, 3/31/2010.

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## LEGISLATIVE UPDATE

During this quarter, the Inspector General appeared before one legislative branch commission and one congressional committee:

- **February 22, 2010—Commission on Wartime Contracting in Iraq and Afghanistan.** In the commission’s hearing, titled “An Urgent Need: Coordinating Reconstruction and Stabilization in Contingency Operations,” the Inspector General unveiled SIGIR’s fifth Lessons Learned report, *Applying Iraq’s Hard Lessons to the Reform of Stabilization and Reconstruction Operations*. This new report addresses the hardest lesson from Iraq: that the United States does not have a coherent approach to planning and executing stabilization and reconstruction operations (SROs). The report proposes the creation of the U.S. Office for Contingency Operations (USOCO), which, if created, would be charged with planning and managing SROs and would be accountable for their results.
- **February 24, 2010—House Committee on Foreign Affairs—Subcommittee on International Organizations, Human Rights, and Oversight.** In the subcommittee’s hearing, titled “Oversight: Hard Lessons Learned in Iraq and Benchmarks for Future Reconstruction Efforts,” the Inspector General testified on the need to prevent the repetition of the errors of the Iraq reconstruction program in present and future stabilization and reconstruction operations. He also discussed the advantages of establishing a U.S. Office for Contingency Operations to provide accountability and unity of command in the planning and management of such operations. ♦