

# SIGIR OVERSIGHT

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## SIGIR AUDITS

Since March 2004, SIGIR has issued 188 audit reports. From January 31 to April 30, 2011, SIGIR issued six audits addressing a wide range of reconstruction issues. They included:

- a report on the management controls of the Quick Response Fund (QRF)
- a report updating the status of Iraq Relief and Reconstruction Fund 2 (IRRF 2) funds at the end of fiscal year 2010
- a report on the U.S. Agency for International Development (USAID) cooperative agreement with the Cooperative Housing Foundation (CHF) to implement the Community Action Program (CAP)
- a report on USAID responsiveness to SIGIR recommendations
- two reports on U.S. Army Corps of Engineers (USACE) management as it downsizes its activities in Iraq:
  - a report on the management and outcomes of its Aegis Personal Security Contract
  - a report that addresses the status of USACE projects and USACE support to customers in recommending project completion or cancellation decisions and transferring projects to the Government of Iraq (GOI)

For a list of these audit products, see Table 5.1. SIGIR currently has 13 announced or ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

### SIGIR Audits Completed This Quarter

***Quick Response Fund: Management Controls Have Improved, but Earlier Projects Need Attention***  
(SIGIR 11-011, 4/2011)

#### Introduction

In August 2007, the Department of State (DoS) established the Quick Response Fund (QRF) program to provide Provincial Reconstruction Teams (PRTs) with a flexible means to fund local projects that would promote economic and social development in Iraq. DoS allocated \$258.2 million from its Economic Support Fund for use in the QRF program. The program had two components: a DoS component, which SIGIR refers to as the QRF-State (QRF-S), and a U.S. Agency for International

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 1/31/2011

REPORT NUMBER	REPORT TITLE	DATE ISSUED
11-011	Quick Response Fund: Management Controls Have Improved, but Earlier Projects Need Attention	4/2011
11-013	Iraq Relief and Reconstruction Fund 2: Report on Apportionments, Expenditures, and Status at End of Fiscal Year 2010	4/2011
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed	4/2011
11-015	Gulf Region District Is Adjusting Its Aegis Security Contract Requirements for Changes in Reconstruction Activities in Iraq	4/2011
11-016	USACE Is Meeting Customer Needs, but Documentation of Project Decisions Could Improve	4/2011
11-017	USAID Is Responsive to SIGIR Recommendations	4/2011

Development (USAID) component, known as the Iraq Rapid Assistance Program (IRAP). SIGIR's past reports on the program revealed weaknesses in controls over QRF funds.

SIGIR's reporting objective in this audit was to examine the adequacy of DoS and USAID management controls to help prevent fraud, waste, and abuse.

## Results

Since SIGIR's January 2009 report on the QRF program, which identified a number of weaknesses, DoS has improved management controls over its component of the program. However, DoS needs to address accountability issues, particularly project-outcome reporting and fund-use documentation, which were missing from many of the project files that SIGIR reviewed during this audit. SIGIR found that 20 QRF-S projects implemented since January 2009 had most of the required documents, but most of the 20 QRF-S projects that SIGIR selected for review from 2007–2008 were missing documents, particularly on project outcome and fund use. Overall, for the 20 projects that SIGIR reviewed from 2007–2008, 56% of the requested or required documents were missing from project files; 14 projects (70%) were missing financial documents. The total value of these projects, which were implemented by PRTs in Anbar, Baghdad, Ninewa, and Tameem provinces, was \$259,378.

Because of the large percentage of missing documents for projects conducted in 2007–2008, SIGIR expanded its scope to include an additional 159 projects from all provinces for that time period and found similar results. SIGIR's analysis found that 35% of the documents were missing from the expanded review of 2007–2008 project files; 92 projects (58%) were missing project outcome documents; 43 projects (27%) were missing invoices and receipts; and 29 projects (18%) were missing purchase order forms used by PRTs. SIGIR also found that 21 projects (13%) were missing all three documents—meaning that there was no

record of what was accomplished or how the money was spent.

The absence of required documentation leaves projects vulnerable to fraud, waste, and abuse. To illustrate, SIGIR found eight projects in one Iraqi province, and all were missing key financial documentation, which raised questions about possible fraud. Together, these projects totaled \$165,810; the cases have been referred to SIGIR Investigations for follow-up. SIGIR has not concluded that fraud has occurred in these cases, but the circumstances surrounding them represent a risk that warrants further investigation. Several other projects involving waste and/or possible fraud were brought to SIGIR's attention during visits to PRTs or through project file reviews. Together, these projects totaled \$109,145.

By contrast, SIGIR found that USAID had good management controls over its respective component of the QRF program. USAID-managed IRAP project files had virtually all required documentation. To illustrate, SIGIR reviewed files for 20 USAID projects for 2007–2008 and 20 projects for 2009–2010, and found only one document missing. SIGIR determined that USAID's implementing partner's records contained all of the required outcome, financial, and oversight documentation. This included all final close-out reports that detailed the outcome of the grants as well as the financial documentation that provided audit trails of how the grant money was used.

## Recommendations

SIGIR recommends the U.S. Secretary of State direct the appropriate offices to:

1. Conduct an assessment of all QRF-S projects initiated in 2007 and 2008 to determine if project outcomes are documented and whether funds can be accounted for.
2. Prepare a report for the Secretary on the assessment results and actions taken to address identified problems.
3. Ensure that the Office of Provincial Affairs and the PRTs understand and implement DoS

records management policies and procedures and ensure that original QRF records are preserved and maintained until the assessment is completed.

### Management Comments and Audit Response

DoS concurred with the report's recommendations and cited specific actions it plans to take. It also provided SIGIR with technical comments that were addressed, as appropriate.

#### *Iraq Relief and Reconstruction Fund 2: Report on Apportionments, Expenditures, and Status at End of Fiscal Year 2010* (SIGIR 11-013, 4/2011)

### Introduction

In November 2003, Public Law (P.L.) 108-106 appropriated \$18.65 billion in funds, referred to as the Iraq Relief and Reconstruction Fund 2 (IRRF 2). However, the P.L. specified that \$210 million of that amount was to be transferred to non-Iraq program accounts. Two later amendments directed the transfer of \$10 million into the IRRF 2 account. Accordingly, \$18.45 billion was provided for security, relief, rehabilitation, and reconstruction in Iraq. These funds were allocated to 10 specific areas of programs and activities, referred to as sectors. The Office of Management and Budget (OMB) apportioned these funds, for the most part, to the Department of Defense (DoD)/U.S. Army, U.S. Agency for International Development (USAID), and the Department of State (DoS). The funds were initially available for obligation through September 30, 2006, but amendments to the P.L. extended the period of availability for two additional years, until September 30, 2008, with unobligated funds to remain in expired accounts for five years, until September 30, 2013. While in these expired accounts, the funds are only available to pay existing obligations or legitimate adjustments to obligations incurred during the

unexpired period. On September 30, 2013, the last IRRF 2 account will be closed, and remaining funds will not be available for any purpose.

SIGIR reports regularly on the status of the various funds used for Iraq relief and reconstruction. SIGIR's objective for this report is to address the status of IRRF 2, including the amounts apportioned to U.S. government organizations, obligated during the period of availability, adjusted while the funds were in expired accounts, and in accounts at the end of fiscal year (FY) 2010.

### Results

P.L. 108-106 and its amendments provided \$18.45 billion for security, relief, rehabilitation, and reconstruction in Iraq. During FYs 2004 and 2005, OMB apportioned \$17.86 billion of the funds from the IRRF 2 appropriation; in FY 2006, it apportioned the remaining \$588 million. Most of the funds went to three organizations: DoD/U.S. Army received \$13.52 billion; USAID received \$3.04 billion; and DoS received \$1.48 billion. Two other organizations received a total of \$401 million.

The five organizations obligated more than half of the funds by the end of FY 2004, and by the end of FY 2005 they had obligated more than three-quarters of the apportioned funds. A critical point came at the end of FY 2006, when unobligated funds would expire and no longer be available for new obligations. At that point, all but \$389 million had been obligated—about 2% of appropriated funds.

In June 2006, three months before IRRF 2 unobligated balances would have expired, P.L. 109-234 authorized the funds to remain available for one additional year. In May 2007, P.L. 110-28 amended the extension, adding another year. These amendments extended the period of availability for new IRRF 2 obligations through September 2008, with some funds remaining available for expenditure until September 30, 2013. To recognize these extended periods, OMB and the U.S. Treasury established separate Treasury accounts. During FY 2007, DoD/U.S. Army, USAID, and DoS returned \$454.56 million of previously apportioned

funds to OMB. OMB transferred the funds to a new account and apportioned \$218.59 million back to the organizations in FY 2007—waiting until FY 2008 to apportion some available funds. During FY 2008, the organizations returned \$243.40 million. OMB transferred the funds to a new account and apportioned \$412.43 million.

As of the end of FY 2010, \$17.26 billion had been expended from the IRRF 2 accounts, and unliquidated obligations totaled about \$145.25 million. The amount of the organizations' unobligated funds totaled \$402.46 million, and OMB's unobligated funds totaled about \$26.33 million—meaning that about \$429 million could be canceled at the end of the next three fiscal years (FYs 2011–2013). This is the amount that could be returned to the Treasury's General Fund if all obligations are paid and upward and downward adjustments to unliquidated obligations net to zero.

### Recommendations

This report does not contain recommendations.

### Management Comments and Audit Response

Because this report contains no recommendations, the responsible agencies were not required to, and did not, submit comments.

### *The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed* (SIGIR 11-014, 4/2011)

### Introduction

Since 2003, the U.S. Agency for International Development (USAID) has obligated about \$276 million to Cooperative Housing Foundation International (CHF) to implement the Community Action Program (CAP) in Iraq. Currently in its third phase (CAP III), the program is a key USAID Iraq Mission (USAID/Iraq) program that works in rural and urban communities to promote grass-roots

democracy and local governance. Along with other implementing partners, CHF funds hundreds of projects throughout the six provinces where it works. Because of the size of CHF's funding and the importance of CAP in USAID's overall strategy to help build a stable and democratic Iraq, SIGIR conducted this audit of the oversight of CHF's implementation of CAP III.

This report addresses the extent to which CHF achieved the goals of the CAP III in Iraq, the extent to which USAID/Iraq monitored CHF's implementation of the CAP III and ensured that completed projects were sustainable, and whether some of the costs claimed against the agreement appeared reasonable, allocable, and allowable in accordance with federal guidelines.

### Results

For the first two years of CAP III, CHF reported that it had exceeded the target level for 17 of the 23 performance and output indicators that USAID/Iraq established and CHF agreed to for measuring overall program success. However, USAID/Iraq currently does not require CHF to track the number of communities that are seeking funds from sources other than CHF to help pay for projects—a key indicator of program success. Further, when USAID extended CAP III in September 2010 and expanded its scope to include assisting internally displaced persons, it did not establish an indicator to track the progress made against the new requirement. Not having these indicators limits USAID/Iraq's ability to determine whether its assistance funds are being used effectively to meet CAP III's goals.

The lack of personnel and security risks prevent USAID officials from making needed site visits to monitor program implementation and project sustainability. Because of these obstacles, USAID/Iraq relies on CHF, contractors, and external auditors for information. Moreover, USAID/Iraq's reliance on Provincial Reconstruction Teams in the future to provide program implementation information is problematic because these teams will soon be disbanded. Hiring more personnel to

oversee the program is underway, but the process is not yet completed. Consequently, it may be even more difficult for USAID/Iraq to determine overall program success as CAP III continues into future years. USAID/Iraq also requires that CHF implement projects that are sustainable; however, CHF files of completed projects do not contain clear and concrete plans for long-term sustainability. The result could be that projects may not be sustained, and the positive impacts on the lives of Iraqis may be short-lived.

USAID/Iraq's oversight of CHF's financial management did not detect questionable charges, allocations of costs, or accounting practices. Based on SIGIR's examination of select fiscal year 2010 costs claimed, SIGIR questions the reasonableness, allocability, and allowability of about \$1.08 million. These questioned costs are a result of CHF's inappropriate use of cash-basis accounting practice and overcharging of overhead costs. A principal reason for USAID/Iraq's failure to identify these questionable charges was that the Agreement Officer and his representative conducted limited reviews of financial data. They did use findings from other audit agencies to help identify deficiencies. However, SIGIR believes that these audits generally capture only high-level financial information and would not have identified specific questioned costs that the Agreement Officer and his representatives would have noticed based on their familiarity with the cooperative agreement and CHF's processes. SIGIR also believes that reliance on the findings of other audit agencies, especially financial auditors, could place USAID/Iraq at risk of failing to identify questionable costs.

Although SIGIR did not identify major deficiencies as a result of CHF's implementation of CAP III, this may not always be the case with USAID/Iraq's other implementing partners. If USAID/Iraq plans to extend CAP III beyond the current 2012 end date, it is critical that it provide more direct oversight of CHF and its other implementing partners to ensure that U.S. taxpayers' funds are put to good use.



SIGIR auditors interview leaders and villagers in al-Zuhoor village, Qadissiya, on November 18, 2010.

## Recommendations

SIGIR recommends that the USAID/Iraq Mission Director direct the Agreement Officer to:

1. Include a requirement in the cooperative agreement for CHF to develop a stand-alone sustainability plan for each future CAP III project.
2. Provide guidance to CHF on the requirement to use accrual accounting in its annual financial reporting.

SIGIR also makes other recommendations in the body of the report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## *Gulf Region District Is Adjusting Its Aegis Security Contract Requirements for Changes in Reconstruction Activities in Iraq*

(SIGIR 11-015, 4/2011)

## Introduction

Since May 2004, the Department of Defense (DoD) has had a series of contracts with Aegis Defense

Services, Limited (Aegis), for private security and related services in Iraq. As of April 7, 2011, Aegis had received more than \$1 billion for its services. The U.S. Army Corps of Engineers (USACE), DoD's primary user of Aegis services in Iraq, will decrease its reconstruction activities in Iraq as U.S. military forces plan to withdraw by the end of calendar year 2011. In January 2009, SIGIR issued a report on DoD's oversight of Aegis's performance on the largest active and completed contracts at the time. SIGIR's objectives for this current report are to determine if and on what basis Aegis's contract services have been adjusted to reflect changes in USACE's reconstruction activities in Iraq.

## Results

SIGIR found that the number of USACE's active projects in Iraq have declined and Aegis's security personnel services have also declined since SIGIR's January 2009 report. Moreover, USACE's active projects and security personnel requirements are projected to decline much further by July 2011. USACE's Gulf Region District (GRD)—previously the Gulf Region Division—monitors the utilization of Aegis's security teams and provides Aegis with planning information from which Aegis can determine the number and composition of security personnel to satisfy GRD's requirements. Information provided by GRD includes the number of active projects GRD must monitor, how often GRD inspectors need to visit each project, the location of each project to be visited, and the duration of the projects. GRD monitors the utilization of contractor security teams to ensure contract requirements are adjusted to reflect changes in GRD's reconstruction activities. GRD's process for adjusting contract requirements appears reasonable and responsive to changes in reconstruction activities.

GRD officials told SIGIR that a new security services contract is being negotiated to provide security services for multiple organizations, including GRD. The contract was to be issued in late March 2011, but had not been issued by April 5,

2011. Requirements for GRD and other organizations utilizing the contract will be in task orders specific to an organization. GRD officials told SIGIR that GRD's active projects and required security personnel in July 2011 will be about 10% of the number in July 2010.

## Recommendations

This report contains no recommendations.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### *USACE Is Meeting Customer Needs, but Documentation of Project Decisions Could Improve*

(SIGIR 11-016, 4/2011)

## Introduction

As part of the U.S.-Iraq Security Agreement, all U.S. military forces will withdraw from Iraq by December 31, 2011. Among the U.S. military units withdrawing from Iraq is the U.S. Army Corps of Engineers (USACE). However, as of February 17, 2011, USACE's Gulf Region District (GRD) was still managing many projects in Iraq for U.S. Forces-Iraq (USF-I) and the U.S. Embassy. USACE plans to keep some staff in Baghdad to manage these projects through 2011 and into 2012.

SIGIR's objectives for this report are to determine the status of ongoing USACE construction projects, whether USACE's recommendations to complete or cancel projects meet customers' needs, and the extent to which USACE is involved in transferring completed projects to the Government of Iraq (GOI).

## Results

As of February 17, 2011, USACE was managing 150 Iraq projects for its customers. The value of these projects was \$902.9 million. USACE plans

to complete 119 of the 150 projects (79%) by June 30, 2011; 21 additional projects are planned for completion between July 1, 2011, and December 31, 2011, and the remaining 10 projects are planned for completion in 2012.

SIGIR has identified two related risk factors to USACE's project completion plans. First, SIGIR's analysis shows that many recently completed projects have experienced delays. There is little latitude in the time remaining to complete projects, and further delays could affect the number of projects completed. Second, the timetable for the withdrawal of U.S. forces may further limit USACE's ability to respond to delays.

USACE has developed guidelines for working with its customers and making recommendations on whether to complete or terminate contracts. These guidelines consider whether the contractor is able to perform the work within the time specified in the contract, is making progress, and is meeting quality standards. USACE also considers (1) the need for the project, (2) the estimated period of performance of the project, (3) whether the customer will be in country for the duration of the project in order to accept it, and (4) the availability of funds.

SIGIR examined the 20 contract files of projects completed between October and December 2010 and found that USACE used the criteria it established to arrive at its recommendations. SIGIR also interviewed USACE's customers and found that they were satisfied with USACE's management processes for their projects. SIGIR notes that four projects were terminated for default after significant funding had been expended because USACE, in part, did not believe sufficient time remained to re-award and complete them. The funds invested in these projects may potentially be wasted depending on whether the GOI completes them. SIGIR will continue to review these projects to assess their outcomes.

One area that SIGIR noted as in need of improvement is that key project decisions were often not documented in contract files. USACE officials said they are working to improve documentation of key project decisions.

Finally, SIGIR looked at the process for transferring completed projects to the GOI. In prior reports, SIGIR has noted problems particularly in documenting the number of projects transferred and who in the GOI received them. In November 2009, the Embassy and the GOI signed a memorandum of agreement that formalized a process for transferring completed projects. USACE is part of this process and provides project data and information important to the sustainment of the projects.

## Recommendations

This report does not contain recommendations.

## Management Comments

Because this report contains no recommendations, the responsible agencies were not required to submit comments.

## *USAID Is Responsive to SIGIR*

### *Recommendations*

*(SIGIR 11-017, 4/2011)*

## Introduction

The Inspector General Act of 1978, as amended, requires SIGIR to identify in its semiannual report each significant recommendation described in previous semiannual reports on which corrective action has not been completed. SIGIR conducted this review to follow up on those recommendations it made to the U.S. Agency for International Development (USAID) to determine the status of corrective actions. The objectives of this report are to determine whether USAID has a system to track and oversee the status of SIGIR recommendations and has taken appropriate action.

## Results

The Office of Management and Budget (OMB) Circular A-50, *Audit Followup*, dated September 19, 1982, provides agency guidance for following up on and resolving audit findings and

recommendations. The circular states that the agency's audit follow-up official has responsibility for ensuring that (1) systems of audit follow up, resolution, and corrective action are documented and in place; (2) timely responses are made to all audit reports; (3) disagreements are resolved; (4) corrective actions are actually taken; and (5) reporting requirements are met.

OMB Circular A-50 and the Inspector General Act also provide the guidance and requirements for agency responses and follow-up to audit reports. The circular states that responses to audit reports shall be written comments by agency officials indicating agreement or disagreement on reported findings and recommendations. Comments indicating agreement on final reports shall include planned corrective actions and, where appropriate, dates for achieving actions. Comments indicating disagreement shall explain fully the reasons for disagreement.

The Inspector General Act defines other terms and requirements used in the audit follow-up process. For example, the term "management decision" is defined as "the evaluation by agency management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary." The Act defines the term "final action" as "the completion of all actions that agency management has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report; and in the event that the management concludes no action is necessary, final action occurs when a management decision has been made."

SIGIR defines open recommendations as those that the agency (1) agreed with in its response to the audit report and provided corrective action plans that need to be confirmed as having been taken, (2) did not indicate that it agreed or disagreed with in its response, or (3) did not respond to before the final report was issued. According to OMB Circular A-50, it is incumbent on both

the Office of the Inspector General and agency management to work together to address open recommendations by tracking and coordinating their resolution.

USAID's audit follow-up policies and procedures are contained in its Automated Directives System 595, *Audit Management Program*, which incorporates OMB Circular A-50 audit follow-up requirements. Specifically, the Directives provide the procedures for managing the agency's audit tracking system.

USAID has taken appropriate corrective actions on four of the six open SIGIR recommendations which SIGIR has closed, and is working with SIGIR to resolve the remaining two. In addition, SIGIR found that the agency's audit tracking system is effective and well managed.

## Recommendations

SIGIR recommends that the Administrator, U.S. Agency for International Development, direct the Assistant Administrator for Management to develop a process to periodically provide SIGIR information on the status of actions to implement SIGIR recommendations.

## Management Comments

USAID management concurred with SIGIR's recommendations. Their comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## 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. Additionally, SIGIR has conducted and will continue to conduct in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the United States. SIGIR will also closely monitor and review reconstruction activities as the DoD presence declines and the DoS management responsibilities for reconstruction increases.

## Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1105: Audit of the Use of Funds Provided for the Iraq Commander's Emergency Response Program
- Project 1103: Audit of the Status of Recommendations Made to the Department of State
- Project 1102: Audit of the Status of Recommendations Made to the Department of Defense
- Project 1101: Audit of the Use of Funds for the Commander's Emergency Response Program in Iraq for Fiscal Year 2011
- Project 1021: Audit of the Status of International Narcotics and Law Enforcement Funds Appropriated for Iraq Reconstruction
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Project 1019b: Audit of the Status of Oversight of Private Security Contractors in Iraq (DoS, DoD, USAID)
- Project 1018: Audit of the Cost, Outcome, and Management of the Falluja Wastewater Treatment Plant Project
- 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
- 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 contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. SIGIR also conducted grant audits that looked at outcomes and whether specific costs were reasonable, allowable, and allocable according to federal regulations. Additionally, this quarter SIGIR completed a review of a cooperative agreement that identified oversight issues that may have an impact on the effectiveness of the program. From these, SIGIR has identified questionable costs.

SIGIR will continue to audit the management, costs, and outcomes of U.S. reconstruction efforts in Iraq, focusing on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund. Additionally, SIGIR will maintain its oversight of issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities, such as police training and asset transfer, to DoS. ♦

## SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 118 open investigations as of April 30, 2011. During this reporting period, SIGIR had 2 investigative personnel assigned to Baghdad; 6 at SIGIR headquarters in Arlington, Virginia; and 11 in offices in Pennsylvania, Florida, Texas, Oklahoma, and California. Investigative accomplishments this quarter include 2 indictments, 6 convictions, and 6 sentencings. To date, the work of SIGIR investigators has resulted in 31 arrests, 56 indictments, 50 convictions, and more than \$144 million in fines, forfeitures, recoveries, restitution, and other monetary results.

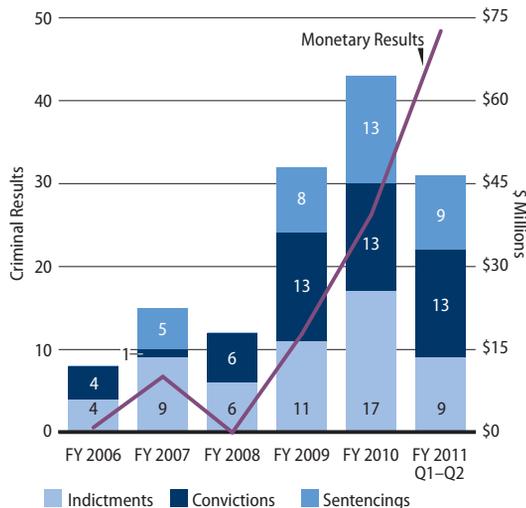
This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law enforcement personnel from other countries. As a result of SIGIR investigations, 2 defendants are awaiting trial, and an additional 16 defendants are awaiting sentencing. Figure 5.1 shows the

substantial increases in the number of judicial actions and monetary results achieved in each of the last two years based on SIGIR's investigations. This trend is expected to continue, as substantial numbers of additional cases are in the hands of prosecutors. For a comprehensive list of convictions compiled by the Department of Justice, see Table 5.2 at the end of this section.

SIGIR notes these investigative activities this quarter:

- A Department of State (DoS) employee was charged with and pled guilty to soliciting and accepting illegal payments from Iraqi contractors.
- A DoS employee at U.S. Embassy-Baghdad was convicted and sentenced for stealing nearly \$250,000.
- A U.S. Marine Corps captain was sentenced to six years in prison and his wife was also sentenced for skimming \$1.7 million from contracts in Iraq.
- A former U.S. Army major and his wife were convicted on all charges for their roles in a bribery scheme.
- A former senior employee with a U.S. military contractor was sentenced to 37 months in prison for involvement in a bribery scheme.
- A U.S. Army major was charged with and admitted to stealing Commander's Emergency Response Program (CERP) funds meant for Iraqis.
- A former U.S. Marine Corps staff sergeant was sentenced for accepting bribes involving Iraq contracts.
- A U.S. Army lieutenant colonel pled guilty to charges of conspiracy, accepting gratuities, and converting property of another to his own use.

FIGURE 5.1  
SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



### Department of State Employee Guilty of Soliciting and Accepting Kickbacks

On February 28, 2011, Richard L. Razo pled guilty to a two-count criminal information filed on January 20, 2011, charging wire fraud conspiracy

and wire fraud. From 2005 through May 2009, according to court documents, Razo entered into a scheme to enrich himself by fraudulently providing Iraqi contractors with confidential bidding information, and otherwise assisting these contractors to obtain contracts on Iraqi reconstruction projects, in exchange for a percentage of the face value of the fraudulently obtained contracts. He did so first as an employee of an international company doing business in Iraq under contracts with the U.S. government and then as an employee of DoS. Razo collected more than \$106,000 in kickbacks and was promised a total of more than \$370,000 for his illegal conduct. Sentencing is scheduled for May 26, 2011, in U.S. District Court, San Antonio, Texas.

The case is being conducted by SIGIR, Defense Criminal Investigative Service (DCIS), Immigration and Customs Enforcement (ICE), and Department of State Office of Inspector General (DoS OIG), and is being prosecuted by a SIGIR Prosecutorial Initiative (SIGPRO) attorney.

### **Department of State Employee Convicted and Sentenced for Stealing Nearly \$250,000**

On April 8, 2011, Osama Esam Saleem Ayesh, an employee of U.S. Embassy-Baghdad, was sentenced in U.S. District Court, Alexandria, Virginia, to 42 months in prison and 3 years of supervised release following his prison term, and also ordered to pay \$243,416 in restitution and a \$5,000 fine. The sentencing was the result of a jury verdict of guilty on February 3, 2011, of stealing nearly \$250,000 intended for the payment of shipping and customs services for the Embassy.

Ayesh, a resident of Jordan, had been hired by DoS as a shipping and customs supervisor at the Embassy where he oversaw the shipments of personal property of Embassy officials and personnel in Iraq. He was personally involved in establishing and operating blanket purchase agreements for the provision of customs clearance and delivery services to the Embassy.

According to court records, Ayesh used his DoS computer to create a phony email account in the name of a real Iraqi contractor and used that email account to impersonate the contractor in communications with Embassy procurement officials. He also established a bank account in Jordan under his wife's name to further his criminal scheme and submitted false invoices in the name of the Iraqi contractor—which caused DoS to wire \$243,416 to his wife's account in Jordan.

On October 15, 2011, Ayesh was indicted by a grand jury on two counts of theft of public money and one count of engaging in acts affecting a personal financial interest. A jury subsequently found him guilty on all three counts. After sentencing, the U.S. District judge issued the following order to the government: "It is appropriate in light of the sentence imposed and the need for general deterrence that the government be directed to advise the Court as to the steps that have been taken to publicize defendant's conviction and sentence in all adequate respects, so that the information may be brought to the attention of U.S. Embassy employees in Iraq and elsewhere." As a result of the court order, DoS issued a cable on April 18, 2011, from the Secretary of State, Washington, D.C., to all diplomatic and consular posts that detailed the facts of the case and the sentencing of Ayesh. The cable further instructed the recipients to inform all personnel of this information no later than April 21, 2011.

The case is being conducted by DoS OIG and the Federal Bureau of Investigation (FBI), and was prosecuted by a SIGPRO attorney.

### **U.S. Marine Corps Captain Who Skimmed \$1.7 Million from Contracts Sentenced to Six Years in Prison; Wife also Sentenced**

On February 7, 2011, U.S. Marine Corps Captain Eric Schmidt was sentenced in U.S. District Court, Riverside, California, by United States District Judge Virginia A. Phillips to 72 months in federal prison. While he was in Iraq, Schmidt worked with his wife to skim about \$1.69 million from



One of two residential properties and a BMW seized from Eric Schmidt.

government contracts awarded under the Iraqi First Program. During the sentencing hearing, Judge Phillips noted that, in addition to the illicit profits from their fraud, the Schmidts' actions resulted in fewer first aid kits and explosive detecting devices being delivered to personnel in Iraq.

Schmidt pled guilty last May to conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the Internal Revenue Service (IRS). Schmidt's wife, Janet Schmidt, pled guilty last year to a tax offense for failing to report income received as part of the scheme, and on April 4, 2011, she was sentenced in U.S. District Court to 12 months home confinement followed by 36 months probation.

According to court documents, Captain Schmidt was deployed to Iraq for one year in 2008, when he used his position in the contracting process to steer contracts to an 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 United States-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the 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 U.S. Marines in Iraq. Once the shipment arrived



Part of \$40,000 in cash with Iraqi marking seized at Schmidt's residence.

in Iraq, Captain Schmidt falsely certified that both the number and type of goods required by the contract had been provided by Al-Methwad. Armed with the false certification, representatives from Al-Methwad sought and received payment from the United States.

As a result of the scheme, the Schmidts caused the U.S. Department of Defense (DoD) to suffer losses of \$1,692,472 and the IRS to suffer losses of \$458,141. The Schmidts were also ordered to pay full restitution to the two agencies.

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 luxury vehicles, and approximately \$40,000 in cash.

The ongoing investigation in this case is being conducted by SIGIR, DCIS, the Naval Criminal Investigative Service (NCIS), and Internal Revenue Service-Criminal Investigation (IRS-CI).

## Former U.S. Army Major and Wife Convicted on All Charges for Their Roles in Bribery Scheme

On March 1, 2011, a federal jury in Decatur, Alabama, convicted Eddie Pressley, a former U.S. Army major and contracting official in Kuwait, and his wife, Eurica Pressley, on all counts of a 22-count indictment in connection with a bribery and money-laundering scheme related to defense contracts awarded in support of Operation Iraqi Freedom.

Evidence presented at trial demonstrated that Eddie Pressley took various contracting actions to benefit certain contractors, including Terry Hall, who paid him bribes. Pressley operated and had an interest in several companies doing business with DoD. In February 2005, Eddie Pressley arranged for Hall to obtain a blanket purchase agreement (BPA) to deliver goods and services to DoD and its components in Kuwait and elsewhere.

According to Hall's testimony and other evidence presented at trial, Pressley demanded a \$50,000 bribe before he would issue bottled water calls to Hall. Hall and his associates then arranged for Pressley to receive the money in a bank account established in the name of a shell company. Yet soon after the \$50,000 bribe was paid, Pressley and another U.S. Army contracting official increased the bribe demand to \$1.6 million: \$800,000 for Pressley and \$800,000 for the other contracting official. After Hall and others agreed to pay the money, Pressley took various official acts to benefit Hall.

Evidence at the trial also showed that Eddie Pressley enlisted the help of his wife, Eurica, to receive the bribes. He sent his wife an email in which he told her, among other things, "You will be getting some paperwork with your maiden name on it," "I need you to sign it and mail to whatever (sic) address on it," "I am doing some consulting," and "Of course I am not going to turn down any money, but I can't have anyone paying me in my name because I am in the military so I had them put everything in your maiden name." Subsequently, Eurica Pressley traveled to Dubai in May 2005 and to the Cayman Islands in June 2005 to open bank



A Lincoln Navigator seized from Eddie Pressley.

accounts to receive the bribe money. Eddie and Eurica Pressley, Hall, and others also attempted to conceal the true nature of their corrupt scheme by having Eurica Pressley execute bogus "consulting agreements." They prepared false invoices that were designed to justify the bribe payments as payment for non-existent "consulting services."

Bank statements and wire transfer reports demonstrated that, in total, the Pressleys received approximately \$2.9 million in bribe payments. Bank statements, wire transfer reports, and other records presented at trial showed that the Pressleys used the money to purchase real estate, expensive automobiles, and home decorating services, among other things.

Following the guilty verdict, the defendants agreed to forfeit \$27,178,407. U.S. District Judge Virginia Emerson Hopkins scheduled sentencing for June 29, 2011.

This case is being conducted by SIGIR, Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), DCIS, IRS-CI, and FBI.

## Former Senior Employee with U.S. Military Contractor Sentenced to 37 Months in Prison for Bribery Scheme

On January 25, 2011, Dorothy Ellis, a former senior employee of a U.S. military contractor, was sentenced in U.S. District Court, Houston, Texas, to 37 months in prison for participating in a conspiracy to pay \$360,000 in bribes to U.S. Army



Part of a proposed multi-million dollar resort property on the Tennessee River forfeited by Eddie Pressley.



A BMW seized from Eddie Pressley.

contracting officials. In addition, Ellis was ordered to serve three years of supervised release following her prison term and ordered to pay \$360,000 in restitution. Ellis pled guilty in U.S. District Court on September 2, 2010, to one count of conspiracy to bribe public officials.

According to court documents, from spring 2004 through fall 2007, Terry Hall, Ellis's former boss and military contractor, operated and had an interest in several companies, which, at various times during this period, provided goods and services to DoD.

Ellis was Hall's most senior employee and was responsible for serving as the liaison between Hall and U.S. Army contracting officials. She participated in a bribery scheme by providing access to secret bank accounts established in the Philippines to enable Hall and others to transfer bribe payments to U.S. contracting officials. Ellis also obtained confidential Army contract pricing information that was designed to give Hall an unlawful advantage in the bidding process for a DoD contract.

In exchange for these bribe payments, DoD paid Hall's companies more than \$6.4 million for contracting services.

The case is being conducted by SIGIR, DCIS, CID-MPFU, IRS-CI, and FBI.

### **U.S. Army Major Charged with and Admits to Stealing CERP Funds**

On February 8, 2011, U.S. Army Major Kevin J. Schrock pled guilty in U.S. District Court, Tacoma,

Washington, to money-laundering charges. Schrock admitted he stole money that was to be used for humanitarian or rebuilding purposes in Iraq and that he deposited it into his bank accounts in the Lacey, Washington, area. Schrock laundered more than \$47,000 of the stolen funds by breaking the currency into a series of small deposits.

According to the plea agreement, Schrock was deployed to Mosul from September 2004 to September 2005, and had been appointed as the "Paying Agent" for the CERP. The Paying Agent is responsible for requesting and obtaining the funds from the Army finance office and distributing the funds. During the second half of his tour, Schrock was the contracting officer's representative, responsible for the day-to-day contact with contractors in Iraq on behalf of the U.S. government.

When Schrock was at home on leave in April 2005, he deposited \$18,900 into his bank accounts in two deposits. From September 2005 to December 2005, he made 18 more cash deposits totaling more than \$28,000. When questioned in January 2010, Schrock claimed the deposits in April were from the sale of a car. He said the later deposits were of cash he and his wife had been saving around the house. In June 2010 Schrock was interviewed again, but this time admitted that he stole \$45,000 from funds he was to administer in Iraq and that he smuggled the cash home on his person.

Schrock has agreed to forfeit any assets purchased with the stolen funds and has agreed to pay

\$47,461 to the United States. Schrock is scheduled to be sentenced on June 10, 2011.

This case is being investigated by SIGIR, CID-MPFU, and DCIS.

## **Former U.S. Marine Corps Staff Sergeant Sentenced for Accepting Bribe**

On March 28, 2011, Mariam Mendoza Steinbuch, a former U.S. Marine Corps staff sergeant, was sentenced in U.S. District Court, Washington, D.C., to serve five years probation and to pay restitution of \$25,000 and a \$200 special assessment. The sentencing was the result of her guilty plea on October 5, 2010, to accepting a \$25,000 bribe in exchange for awarding numerous contracts to a Lebanon-based company. Steinbuch was deployed by the Marine Corps as a contracting specialist at Camp Falluja in 2006. According to court documents, Steinbuch returned to the United States in February 2007, where she flew from San Diego to Houston and picked up \$25,000 cash from an official of a Houston-based affiliate of the company.

This case is being conducted by SIGIR, DCIS, CID-MPFU, and FBI.

## **U.S. Army National Guard Officer Pleads Guilty to Charges of Conspiracy, Accepting Gratuities, and Converting Property of Another to His Own Use**

On March 25, 2011, David Pfluger, a retired lieutenant colonel with the U.S. Army National Guard, pled guilty in U.S. District Court, Lubbock, Texas, to a four-count indictment that charged him with conspiracy, accepting gratuities, and, as a public official, converting property of another to his own use.

According to the indictment, Pfluger was deployed to Iraq from October 2003 through April 2004 and during that time served as the “Mayor” of a forward operating base (FOB). In this capacity, he had authority over the day-to-day operations of the FOB’s physical assets and security. The indictment reflected that Pfluger used his status to enrich himself by accepting more than \$10,000 in cash, as well

as gifts of jewelry and clothing, from contractors. In return, Pfluger encouraged awarding contracts to specific contractors, bypassed and relaxed security procedures at the FOB for specific contractors, issued weapon permits (without legal authority and without following proper protocol) to contractor employees, directed government employees to use equipment and supplies that benefited specific contractors, and converted government property in his control for use by these contractors.

The case is being conducted by SIGIR, DCIS, and CID-MPFU, and is being prosecuted by a SIGPRO attorney.

## **CIGIE Peer Review**

This quarter SIGIR underwent and passed the Council of Inspectors General on Integrity and Efficiency (CIGIE)-mandated external Quantitative Assessment Review (QAR) of its investigative operations. The objective of the QAR was to determine whether internal safeguards and management procedures are in place and operating effectively to provide reasonable assurance that established policies, procedures, and applicable investigative standards are being followed. SIGIR was determined to be in compliance with the Quality Standards for Investigations and the applicable Attorney General Guidelines.

SIGIR’s peer review for the year ending December 31, 2010, was conducted by the Tennessee Valley Authority’s Office of Inspector General in conformity with the Qualitative Assessment Review Guidelines for Federal Offices of Inspector General (May 2009) established by the CIGIE, the Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority (December 2003), and the Quality Standards for Investigations (December 2003). The “Letter of Observations Concerning the Investigative Operations of the Office of the Special Inspector General for Iraq Reconstruction,” dated April 5, 2011, from Richard W. Moore, Inspector General

of the Tennessee Valley Authority, further cited three “Best Practices” of SIGIR that are particularly worthy of praise and acknowledgement. These were SIGIR’s Prosecutorial Initiative (SIGPRO), SIGIR’s International Criminal Enforcement and Prosecution Team (INTERCEPT), and SIGIR’s Forensic Evaluation, Research, Recovery, and Enforcement Team (FERRET).

## SIGPRO Update

SIGPRO continues to make a substantive impact. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former Department of Justice (DoJ) prosecutors. They were detailed as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases, handling their own DoJ caseloads, and working closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters. They are currently leading or significantly involved in a number of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate.

There were two major case law updates as a result of SIGPRO actions:

- In *United States v. Ayesha*, No. 1:10CR388 (E.D. Va. 2011), the SIGPRO attorney served as the lead prosecutor in this complex and lengthy case resulting in the first judicial opinion that violations of the federal conflict-of-interest statute, 18 U.S.C. sec. 208, are subject to the extraterritorial jurisdiction of the United States. The case also resulted in only the second judicial opinion that the theft of public funds in violation of 18 U.S.C. sec. 641 is subject to extraterritorial jurisdiction, and the first opinion holding that non-U.S. citizens charged with violating 18 U.S.C. sec. 641 are subject to extraterritorial jurisdiction. As a

result, there is now broader judicial precedent to prosecute these offenses when they occur in war zones such as Iraq and Afghanistan.

- In *United States v. Pfluger*, No. 1:10CR054 (N.D. Tx. 2011), the SIGPRO attorney served as the prosecutor in this case. The defendant moved to dismiss the indictment based on the argument that the five-year statute of limitations (SOL) had expired in 2009 and the case was not indicted until 2010. The government responded by arguing that the SOL was suspended during the pendency of the war in Iraq by the operation of the Wartime Suspension of Limitations Act (18 U.S.C. Section 3287). The judge, sitting in the Northern District of Texas, agreed with this argument and denied the defendant’s motion to dismiss. The defendant subsequently pled guilty to the indictment.

## Suspension and Debarment

Since December 2005, SIGIR has worked closely with DoJ, 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. Between January 1 and March 31, 2011, the Army suspended 9 contractors based on allegation of fraud in Iraq and Kuwait. In addition, the Army proposed 4 contractors for debarment and finalized 2 debarments of individuals and companies during that period. To date, the Army has suspended 110 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 142 individuals and companies have been proposed for debarment, resulting in

118 finalized debarments that range in duration from 9 months to 10 years. These totals include 2 proposals for debarment and 2 debarments that occurred during October 2010 that had not previously been reported. PFB is pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional

suspension and debarment actions projected during 2011. 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). For a list of debarments, see Table 5.3. For a complete list of suspensions and debarments, see Appendix E.♦

**TABLE 5.2**  
**CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)**

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Lt. Col. David Pfluger, USA	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	Pending
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	Pending
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	Pending
Richard Razo, former DoD contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	Pending
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	Pending
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	Pending
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	Pending
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeit \$107,900 and 17,120,000 in Iraqi dinar

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; \$10,000 fine; \$25,500 restitution; and \$100 special assessment
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
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	12 months home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
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, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years supervised release; and \$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 \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 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; and \$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	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution

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# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
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; and \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
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; and \$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; and \$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; and \$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; and \$100 special assessment
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
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; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 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; and \$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; and \$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

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
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; and \$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; and \$200,504 restitution
Jesse D. Lane, Jr. USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
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 and \$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; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$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 and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$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; and \$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; and \$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; and \$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; and \$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; and \$200 assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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; and \$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; and \$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; and \$200 assessment

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

TABLE 5.3  
DEBARMENT LIST

NAME	DEBARRED
Mark R. Fuller	4/1/2011
Ammar Tariq Al-Jazrawi	1/10/2011
Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqoos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010

Continued next column

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 Tareh	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 Lomeli Chavez	1/30/2009
Derryl 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
Vasantha 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

*Continued next column*

NAME	DEBARRED
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
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
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 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. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world. Most cases are received through SIGIR's website and electronic mail. When a case received by the SIGIR Hotline is not related to a program or operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, SIGIR refers that case to the appropriate entity.

### First Quarter Reporting

As of March 31, 2011, the SIGIR Hotline had initiated 845 cases. Of these cases, 793 have been closed, and 52 cases remain open. For a summary of these cases, see Table 5.4.

TABLE 5.4  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 3/31/2011

OPEN CASES				
Investigations				40
Audits				12
<b>Total Open</b>				<b>52</b>
CLOSED CASES	3RD QTR 2010	4TH QTR 2010	1ST QTR 2011	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	1	0	47
Dismissed	2	3	0	140
Referred	15	4	16	374
Inspections	0	0	0	80
Investigations	0	1	12	129
Audits	0	0	0	17
<b>Total Closed</b>	<b>17</b>	<b>9</b>	<b>28</b>	<b>793</b>
<b>Cumulative* Open &amp; Closed</b>				<b>845</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/ 2004 to 3/31/2011.

### New Cases

During this reporting period, the SIGIR Hotline received 14 new complaints, bringing the cumulative total to 845 Hotline cases. The new complaints were classified in these categories:

- 4 involved contract fraud.
- 3 involved waste.
- 3 involved personnel issues.
- 2 involved mismanagement.
- 2 involved miscellaneous issues.

Of SIGIR's 14 new Hotline complaints, 6 were received through the SIGIR website, 6 were received through electronic mail, and 2 were received by telephone.

### Closed Cases

During this quarter, SIGIR closed 28 Hotline cases:

- 16 were referred to other inspector general agencies.
- 12 were closed by SIGIR Investigations.

### Referred Complaints

After a thorough review, SIGIR referred 16 complaints to outside agencies for proper resolution:

- 10 were sent to the Department of Defense Office of Inspector General.
- 2 were sent to the U.S. Army Criminal Investigation Command.
- 1 was sent to the U.S. State Department Office of Inspector General.
- 1 was sent to the U.S. Army Office of Inspector General.
- 1 was sent to the Special Inspector General for Afghanistan Reconstruction.
- 1 was sent to the Treasury Inspector General for Tax Administration. ♦

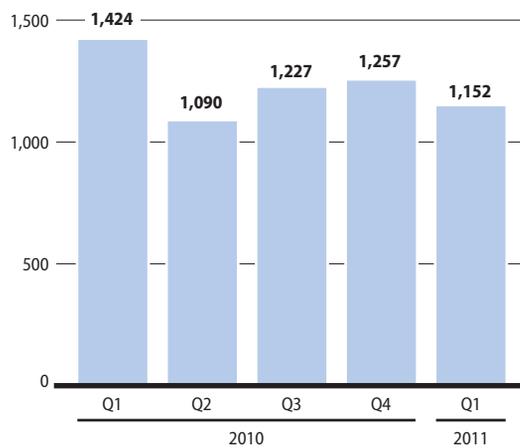
## SIGIR WEBSITE

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

- More than 102,550 users visited the SIGIR website this quarter—1,152 users per day.
- The Arabic language section of the site received more than 3,800 visits.
- The most frequently downloaded documents were SIGIR’s recent Quarterly Reports.
- More than 28,000 web feeds were visited during this quarter. Information is updated to the web feeds, which are automatically downloaded to subscribers’ computers and can be viewed by feed-reader programs.

For an overview of daily visits to the SIGIR website, see Figure 5.2. ♦

**FIGURE 5.2**  
**AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 1/1/2010–3/31/2011**



Source: DoD, IMCEN, response to SIGIR data call, 4/18/2011.

## LEGISLATIVE UPDATE

### Appropriations

Several laws were enacted this quarter that provided temporary “continuing appropriations” for various periods in FY 2011, to fund various reconstruction activities in Iraq, generally at levels contained in FY 2010 appropriations.

On April 15, 2011, the President signed into law the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Public Law 112-10). Funding levels for all programs were fixed either at FY 2010 levels or at levels specified in the act. All non-defense appropriations were subject to an overriding reduction of  $\frac{2}{10}$  of one percent. The act contained several provisions of interest to SIGIR. The applicable provisions of the law are discussed in more detail in Section 2; a summary of certain provisions is provided below.

The act provides funding for SIGIR at \$21,956,000 for FY 2011, very close to SIGIR’s request.

#### Defense Appropriations

The act provides, in section 9014, that the Department of Defense may use up to \$129.1 million of Defense operation and maintenance funds “to support United States Government transition activities in Iraq by undertaking facilities renovation and construction associated with establishing Office of Security Cooperation locations, at no more than four sites, in Iraq.”

The act also provides \$1.5 billion for the Iraq Security Forces Fund, to remain available until September 30, 2012.

The act provides \$500 million for the Commander’s Emergency Response Program without specifying an amount for Iraq.

#### Other Appropriations

The act provides “continuing appropriations,” generally at a reduction from FY 2010 appropriations

for the same activities or programs, and often with significant reductions. The Economic Support Fund, which has been a significant source of funding for Iraq, was subjected to reductions. The Administration had not, at the time this section was prepared, fully articulated its plan to allocate funds to Iraq given changes to the Administration’s request for various individual accounts made during the legislative process. For details, see Section 2 of this Report.

### Congressional Appearances

Since the last Quarterly Report, the Inspector General appeared before a congressional committee on one occasion:

- March 2, 2011—**House Committee on Government Reform and Oversight, Subcommittee on National Security, Homeland Defense, and Foreign Operations—Hearing on “U.S. Military Leaving Iraq: Is the State Department Ready?”** The Inspector General testified about how the mission of the Department of State will change with the impending withdrawal of U.S. military forces from Iraq. The Inspector General noted SIGIR has uncovered an insufficient focus by program managers on program outcomes and effects. He expressed concern about whether State could manage large reconstruction projects, such as the Police Development Program, given the problems SIGIR has documented in the past. Specifically, he observed that State must apply the hard lessons learned from previous Iraq experiences, correcting in particular the limited in-country oversight that SIGIR previously identified. He observed that the central questions about State’s capacities include executing program elements in a setting previously dominated by the Department of Defense, ensuring

adequate oversight, and simply functioning in the unpredictable security situation that will exist after troop withdrawal. He recommended that the Congress consider conditioning the availability of funds for large programs on the submission by State of a plan describing how it will manage such programs and a certification that it has the

resources and personnel in place to manage the activities in question.

The complete prepared statements of SIGIR officials who have testified before the Congress can be found at [www.sigir.mil/publications/testimony/index.html](http://www.sigir.mil/publications/testimony/index.html).♦