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SECTION

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SIGIR LESSONS LEARNED

Iraq Reconstruction: Lessons Learned from Investigations, 2004–2012

In April 2012, SIGIR published *Iraq Reconstruction: Lessons Learned from Investigations, 2004–2012*. This report focuses on fraud and other white-collar crimes that occurred in the course of the Iraq rebuilding endeavor. It elicits a series of lessons drawn from criminal investigations conducted by SIGIR, outlining illustrative examples of major cases, and suggests best practices for future stability and reconstruction operations (SRO) that could reduce criminal activity. The full report can be found on the SIGIR website: www.sigir.mil.

As of March 31, 2012, the work of SIGIR investigators had resulted in 86 indictments, 66 convictions, and more than \$175 million in fines, forfeitures, recoveries, restitution, and other monetary results.

Top Ten Lessons

These are the ten most important lessons that SIGIR derived from its eight years of experience investigating crimes arising from the Iraq reconstruction program:

1. **Ensure that law-enforcement agencies have appropriate investigative plans and procedures in place before an SRO begins, with trained personnel who are well prepared to carry them out.** Upon inception, SIGIR adopted the rules and procedures of the Department of Defense Office of Inspector General (DoD OIG), but these proved ill-suited to operating within a contingency environment. Over time, SIGIR developed its own set of rules and procedures adapted to settings confronted in Iraq. On the personnel front, SIGIR recognized that SRO investigators should have white-collar fraud experience.
2. **Use non-law-enforcement forensic assets, such as auditors and inspectors, to generate leads for investigations.** A number of early cases uncovered by SIGIR had their foundations in audit or inspection findings. This led the Inspector General to form forensic teams that combined auditors and investigators. The melding of their skills opened doors to cases that otherwise might have remained closed.
3. **Pursue a holistic approach to case management that integrates the efforts of in-theater investigators with U.S.-based investigators and prosecutors.** SIGIR developed the regular use of video teleconferences to improve the flow of information between personnel based in the United States and those based in Iraq. In concert with the Department of Justice (DoJ), SIGIR created an unprecedented program called SIGPRO (SIGIR Prosecutorial Initiative), wherein the Inspector General hired his own prosecutors and paralegals, detailing them to DoJ to work on Iraq cases. The application of advanced communication tools and novel prosecutorial initiatives greatly strengthened production and improved outcomes.
4. **Maintain strong relations with host-country law-enforcement officials to bolster case development, evidence gathering, and the pursuit of potential suspects in country.** The Inspector General met regularly with the leaders of Iraq's law-enforcement agencies as well as its senior judicial officers. SIGIR investigators maintained regular contact with agents within the Iraqi law-enforcement community. These multilevel connections fostered case development, with the salutary effect of furthering U.S.-Iraq relations. Further, they permitted the opportunity for capacity-building training, which SIGIR provided to Iraqi inspector general personnel.

5. **Deploy a robust in-country presence of investigative personnel, widely publicize the Hotline, and regularly engage with U.S. government organizations in fraud-awareness activities.** SIGIR's success in Iraq was tied to a key principle: to make cases, you have to be there. Trying to develop leads on an "expeditionary" basis will not produce necessary results, nor will it deter crime. A forward-leaning presence is crucial to deter crime, develop leads, and catch criminals. Maintaining a widely disseminated Hotline number for the anonymous reporting of wrongdoing is key to case development.
6. **Avoid bureaucratic turf battles among law-enforcement agencies by building a task-force approach that brings all agencies together around the law-enforcement mission.** Investigative task forces strengthen case management. The inevitable chaos caused by SROs requires the improved integration of all U.S. agencies operating in theater, including law enforcement. SIGIR's successes generally resulted from effective teamwork realized through task-force investigations—the headquarters level working to coordinate and deconflict cases and the field level working to maximize the available investigative resources.
7. **Ensure flexibility in personnel requirements, staffing numbers, and deployment procedures.** SIGIR's enabling statute, which created the first Special Inspector General's office in U.S. history, provided employment flexibilities, permitting the dynamic management of investigative personnel. Standard U.S. government regulations are too unwieldy for use in highly demanding SRO environments. Legal flexibility ought to be the rule for administration and personnel practices governing law-enforcement efforts executed during contingency operations, whether achieved through the creation of a permanent Special Inspector General for Overseas Contingency Operations—a concept now pending before the Congress—or some future interim Special Inspector General.
8. **Prioritize using advanced criminal-intelligence techniques and developing informants in theater.** SIGIR enjoyed notable success making cases in Iraq via undercover stings, wiring informants, and employing a variety of technical capabilities. The use of task forces improved the success rate of these and other law-enforcement techniques. The watchword is, whenever possible, bring stateside investigative tools to bear during an SRO, notwithstanding the rigors presented by the environment.
9. **Engage with partner-nation law-enforcement agencies to prosecute non-U.S. criminals.** SROs commonly involve a coalition of countries, meaning that multinational personnel may be involved in rebuilding efforts. This was the case in Iraq. SIGIR developed relationships with law-enforcement agencies in Coalition-member countries, producing the prosecution and conviction of non-U.S. personnel in their home jurisdictions.
10. **Develop innovative investigative programs targeted to the specific needs of the SRO.** SIGIR's investigative leadership created a series of novel programs shaped to solve the problems that arose from the Iraq reconstruction enterprise. Some combined personnel within the agency, while others used an interagency approach. In addition, SIGIR emphasized the importance of using the suspension and debarment process in reining in abusive contractors. These innovative efforts were driven by an overarching purpose: the protection of taxpayer interests through the efficient and effective making of cases.

Best Practices

From extensive experience developed while pursuing more than 600 investigations arising from the Iraq reconstruction enterprise, SIGIR suggests seven best practices, the implementation of which could help mitigate the waste, fraud, and abuse of U.S. taxpayer funds in future SROs:

- **Begin oversight early.** As soon as the planning for a contingency begins, the relevant investigative entities must develop programs to integrate oversight operations in theater. Federal law-enforcement agencies should collaborate on an integrated contracting database that incorporates information about past contracting activities so as to better identify potential trouble spots well in advance.
- **Deploy agents forward.** A strong in-theater presence is crucial to deterring crime during an SRO. Trying to thwart bad conduct in a chaotic situation with a smattering of investigators who rotate in and out simply will not work. There must be a continuous, widely noticed law-enforcement presence to stop crime and catch those who commit it.
- **Intervene with education.** SROs occur in environments that offer manifest temptations to criminal minds. Fraud-awareness training is needed for all government and contractor personnel operating in the SRO. DoJ also should publicize convictions to leverage their deterrence value.
- **Integrate law-enforcement efforts.** Agencies with jurisdiction over SRO investigations may include inspector general offices, as well as DoD, DoS, DoJ, IRS, FBI, and ICE. Prior integrative planning must occur for this broad and diverse spectrum of law-enforcement agencies to function well together. The creation of a Special Inspector General for Overseas Contingency Operations would facilitate such integrative planning.
- **Use task forces.** Investigative task forces improve the likelihood of success in criminal cases because pooled resources strengthen the effort. Not every law-enforcement office has the resources to maintain a broad array of technical capacities. Integrative joint operations—from headquarters to the field levels—improve outcomes in the investigative world, just as they improve results in the military world.
- **Hire investigators with fraud experience.** Although the particular requirements may vary depending on the nature of the SRO, most investigators should have substantial knowledge of complex contracting procedures, financial transactions, asset tracing, and the like. This means that having white-collar crime experts in country produces more convictions. Investigative agencies operating in Iraq often deployed inexperienced agents or sent senior investigators whose career experience was inapposite.
- **Dedicate specific prosecutors.** The SIGPRO experience, which entailed SIGIR hiring its own prosecutors and deploying them to DoJ, demonstrably proved the wisdom of well-targeted prosecutorial capacities. After the formation of SIGPRO, SIGIR conviction rates rose. Events unfold rapidly in contingency operations; having a special team of prosecutors focused on the operation ensures better results. ♦

SIGIR AUDITS

Since March 2004, SIGIR has issued 210 audit reports. From February 1 to April 30, 2012, SIGIR issued four audits addressing the following reconstruction issues:

- Coalition Provisional Authority (CPA) accountability for Electronic Fund Transfer (EFT) payments made in 2003 and 2004 using Development Fund for Iraq (DFI) funds
- whether the U.S. Army Corps of Engineers (USACE) had unliquidated obligations on 55 terminated contracts and performed the required review of unliquidated obligations for contracts in Iraq for the period ending January 31, 2012
- the status of the \$1.5 billion appropriated to the Iraq Security Forces Fund (ISFF) through the Defense and Full-Year Continuation Appropriations Act, 2011 (P.L. 112-10), available for use in FY 2011 and FY 2012
- the status of Department of State (DoS) progress in implementing SIGIR's recommendations for the \$125.1 million Quick Response Fund (QRF) program it managed

For a list of these audit products, see Table 5.1.

SIGIR currently has nine 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

Development Fund for Iraq: The Coalition Provisional Authority's Financial Controls for Electronic Fund Transfer Payments Diminished over Time
(SIGIR 12-013, 4/2012)

Introduction

The CPA was established in May 2003 to provide for the temporary governance of Iraq. United Nations Security Council Resolution 1483 created the DFI and assigned the CPA full responsibility for managing it. The DFI comprised revenues from Iraqi oil and gas sales, certain remaining Oil for Food deposits, and repatriated national assets. It was used, in part, for Iraq relief and reconstruction efforts.

During its almost 14-month governance, the CPA had access to \$20.7 billion in DFI funds and directed expenditures of about \$14.1 billion. The CPA Administrator had the authority to direct the Federal Reserve Bank of New York (FRBNY) to make EFT payments for reconstruction activities out of the DFI main account. FRBNY records show that the Administrator directed about 1,100 EFT payments totaling \$5.9 billion in DFI funds

TABLE 5.1
SIGIR AUDIT PRODUCTS SINCE 2/1/2012

REPORT NUMBER	REPORT TITLE	DATE ISSUED
12-013	Development Fund for Iraq: The Coalition Provisional Authority's Financial Controls for Electronic Fund Transfer Payments Diminished over Time	4/2012
12-014	USACE Used or Deobligated Residual Funds on Terminated Contracts	4/2012
12-015	Interim Report on Spend Plans for Fiscal Years 2011–2012 Iraq Security Forces Funds	4/2012
12-016	Interim Review of State Department's Progress in Implementing SIGIR Recommendations Addressing Quick Response Fund Management Controls	4/2012

from July 2003 through June 2004. EFT payments were made for a variety of items and services such as petroleum products, firearms and ammunition, trucks and other vehicles, firefighting equipment, and Hajj-related food, lodging, and transportation expenses.

SIGIR initiated this audit to determine whether the CPA properly accounted for its use of the \$5.9 billion in EFT payments made with DFI funds.

Results

SIGIR accounted for most of the required financial documents supporting EFT payments made in 2003, but many of the required documents supporting payments reviewed for 2004 were missing. Overall, SIGIR reviewed 75 EFT payments totaling \$1.3 billion—25 payments from 2003 and 50 from 2004—and found substantially more financial documents missing in 2004 than in 2003. For each payment file, SIGIR looked for three financial documents: public voucher, material inspection and receiving report, and vendor invoice. The material inspection and receiving report, key to ensuring that products or services paid for were received, was the most frequently missing document. The review of files for the 25 EFT payments made in 2003 found that almost all contained the three documents supporting each payment. Overall, only three of the 75 required documents (4%) were missing from the 25 payments reviewed. However, because all three missing documents were material inspection and receiving reports, SIGIR cannot be certain that the items paid for were received. These items included turbine oil, hydraulic oil, and 10,000 hand-held weapons and totaled \$4.7 million, or about 19.6% of the total value for the 2003 sampled payments.

SIGIR initially reviewed 29 EFT payments made in 2004 and found many more documents missing than in the 2003 files. SIGIR reviewed 4 of the 10 largest DFI payments—3 payments to the World Food Program and 1 payment establishing a letter of credit—and all 4 had the documents necessary to support the payments. Overall, 11 of the

75 documents (14.6%) were missing from the remaining 25 payments that were reviewed: 9 EFT payments were missing material inspection and receiving reports, and 2 were missing the vendor invoice. Additionally, SIGIR found that 24 of the 25 public vouchers (96%) were not properly signed and certified. The missing documents supported payments for farm chemicals and equipment, electrical equipment, construction materials, propane gas, vehicles, fuel products, and Hajj-related lodging totaling \$11.2 million, or about 19.5% of the total value for these 25 payments.

Because of the percentage of critical documents missing from the 2004 payments files, SIGIR expanded its review to cover an additional 21 payments—12 for Hajj-related activities and 9 for fertilizer and pesticides. SIGIR's expanded review found that 94.4% of the documents supporting 12 Hajj-related payments totaling \$40.4 million were missing, and 37% of the documents supporting 9 fertilizer and pesticide payments totaling \$15.8 million were missing. Altogether, 69.8% of the required documents were missing from this expanded sample. SIGIR has not concluded that fraud, waste, or abuse occurred as a result of the missing documents, but the absence of key financial documents supporting the payments raises serious accountability questions.

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.

USACE Used or Deobligated Residual Funds on Terminated Contracts
(SIGIR 12-014, 4/2012)

Introduction

This is the third SIGIR report on the outcomes of U.S. Department of Defense (DoD) Iraq reconstruction contract terminations. The two previous reports looked at DoD agencies' controls over terminated contracts and whether U.S. funds were wasted as a result of the termination of the contracts.⁴³⁶ SIGIR's January 2012 report focused on the 55 reconstruction contracts USACE terminated from June 2008 through April 2011, but information on the status of unliquidated obligations for the contracts was not available in time. This report examines whether USACE had unliquidated obligations on the 55 terminated contracts.

Obligations are recorded when an authorized agent of the federal government enters into a legally binding agreement to purchase specific goods or services. As bills are received and payments made, the recorded obligation is reduced by the payment amounts, with the balance referred to as the unliquidated obligation. Funds no longer needed should be deobligated. Additionally, DoD Financial Management Regulation volume 3, chapter 8, paragraph 080401, requires fund holders, with assistance from supporting accounting offices, to perform triannual reviews of dormant commitments, unliquidated obligations, accounts payable, and accounts receivable transactions for timeliness, accuracy, and completeness. The reviews are to be completed each year for the four-month periods ending on January 31, May 31, and September 30.

Results

SIGIR found that USACE had no residual funds for the 55 terminated contracts. For 46 of the 55 contracts, reports from USACE's financial management system showed the obligated funds were either used to pay contractors or deobligated, thus leaving zero balances. For the remaining nine contracts, USACE officials stated that no financial

transactions occurred after the funds were obligated and, therefore, USACE deobligated the funds. However, the financial management system cannot produce a status of obligations report that supports this information. Nevertheless, SIGIR's review of the nine contract files confirmed that no financial transactions occurred after the funds were obligated, supporting the USACE officials' statements.

Additionally, USACE performed the required review of unliquidated obligations for contracts in Iraq for the period ending January 31, 2012, in compliance with the DoD Financial Management Regulation. The USACE Middle East District Budget Officer signed the "triannual review" confirmation statement on February 7, 2012. The review covered 3,441 records with a total dollar value of more than \$956 million.

Recommendations

This report contains no recommendations.

Management Comments

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

Interim Report on Spend Plans for Fiscal Years 2011–2012 Iraq Security Forces Funds
(SIGIR 12-015, 4/2012)

Introduction

This letter addresses the status of the \$1.5 billion appropriated to the ISFF for DoD activities to train, equip, and provide maintenance support for the Iraqi Security Forces (ISF)⁴³⁷ in FY 2011 and 2012. Specifically, this interim report addresses the status of 2011/2012 ISFF obligations made as of March 20, 2012, and the Office of Security Cooperation-Iraq (OSC-I) plan to obligate the remaining appropriated funds before they expire on September 30, 2012, as well as Government of Iraq (GOI) matching contributions to these purchases. Because a significant amount of funding remains

available, and revised spending plans are not yet finalized, SIGIR is continuing its examinations of the 2011/2012 ISFF appropriations. Those results will be published later this year.

Results

As of March 20, 2012, OSC-I obligated more than \$243.1 million, or 16% of the \$1.5 billion appropriated for 2011/2012 ISFF, and expended about \$206.13 million for 30 purchases of items such as ammunition; night-vision goggles; fire trucks; armored vehicles and accompanying spare parts, training, maintenance and sustainment packages; and travel.

The GOI contributed about \$124.67 million on 6 of the 30 purchases,⁴³⁸ of which about \$118.05 million was for sustainment of Ministry of Defense equipment. Except for those items and services exempt from a cost-sharing requirement, the FY 2011 National Defense Authorization Act requires that the ISFF fund no more than 80% of the costs. Therefore, the GOI and other sources of funding would be expected to provide at least 20% of the costs. For these six purchases, the GOI cost-share contributions range from 48% to 62% of the total purchase amount. The other 24 purchases were paid entirely with 2011/2012 ISFF funds because they were exempt from the cost-share requirement.

DoD officials noted several challenges in obligating the 2011/2012 ISFF before it expires. They noted that OSC-I and the GOI take months to finalize what is to be purchased and to complete necessary paperwork, that the 2011/2012 ISFF was not apportioned until May 2011, and that OSC-I did not receive formal authority to obligate those funds until February 2012. Additionally, OSC-I officials stated they had been concentrating on closing out funding from prior years and that they are understaffed for the number of cases managed, but nevertheless are confident they will be able to obligate most of the remaining 2011/2012 ISFF by September 30, 2012.

In May 2011, the U.S. Forces-Iraq (USF-I) prepared a financial activity plan detailing how the

\$1.5 billion in 2011/2012 ISFF would be spent. In October 2011, however, the USF-I Commanding General informed the Secretary of Defense that \$500 million would not be needed, and that the decrement would not significantly degrade the continued development of the ISF. This decision was based on a review of ISF requirements, consideration of the transition to Foreign Military Financing funding, and difficulties in obtaining the GOI's commitment to build logistics, maintenance, and institutional capacity and to sustain and maintain the equipment.

In February 2012, OSC-I, having taken over responsibilities for developing the ISF from USF-I, prepared a new financial activity plan to reflect the lower \$1.00 billion level. Almost all of the reduction would be taken from items and services originally planned to be provided to Ministry of Defense forces, with only \$3.4 million reduced from the planned support to Ministry of Interior forces. However, OSC-I officials stated that recent communications with the GOI indicate a renewed commitment to logistics, maintenance, and sustainment. As such, OSC-I officials now estimate they can obligate between \$1.10 billion and \$1.15 billion by September 30, 2012, but have not yet updated the spend plan.

As a result of the planned reduction in ISFF spending, the Under Secretary of Defense (Comptroller) requested and received congressional approval for reprogramming the ISFF to the Department's other needs in the amount of \$345 million. SIGIR is currently reviewing the details of the reprogramming request and will include its observations in the follow-up report.

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.

Interim Review of State Department's Progress in Implementing SIGIR Recommendations Addressing Quick Response Fund Management Controls (SIGIR 12-016, 4/2012)

Introduction

This letter addresses SIGIR's review of DoS's progress in implementing SIGIR's recommendations made in its April 27, 2011, audit report of the QRF program.⁴³⁹ DoS established the QRF program in 2007 to provide Provincial Reconstruction Teams with a flexible means to fund local projects, often in cash and through microgrants or direct procurements that would promote economic and social development in Iraq. In that report, SIGIR found that recordkeeping for projects from 2007–2008 was poor and that many of the available files did not contain documentation on project outcomes and the use of funds. Without documentation and an analysis of those documents, SIGIR concluded that DoS cannot be assured that those projects were completed or that the funds were not lost or stolen. Most critical is that the review of available documents in the files raised serious questions about possible fraudulent activity. SIGIR made recommendations to address these deficiencies. The objective of this follow-up audit, therefore, was to determine the extent to which SIGIR's recommendations to address these serious problems have been implemented.

Results

Officials from the DoS Bureau of Near Eastern Affairs (NEA) stated that they found most of the documents SIGIR previously reported were missing and entered them into its QRF project tracking database. In particular, they said that they reviewed vouchers and concluded that the vouchers appeared to be complete and certified by a U.S. government officer. Furthermore, NEA officials stated that relevant control procedures existing at the time were followed, and that they did not see indications that would have led them

to believe that the certified vouchers represented fraudulent transactions.

However, NEA officials did not directly address the specific instances of possible fraudulent activity that SIGIR noted in its April 2011 report. Because those projects were micropurchases that involved cash and, at that time, did not have supporting documentation showing how the cash was spent or how the projects were completed, SIGIR believes a detailed analysis of those projects is needed. As such, this is an interim report, and SIGIR will continue with this audit and examine the extent and thoroughness of the documentation of outcomes and use of funds for those and other QRF projects initiated between 2007 and 2008.

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, and will be discussed in the next Quarterly Report in July 2012.

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 has included a series of focused contract audits of major Iraq reconstruction contracts, which supported SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction. Additionally, SIGIR has conducted in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the United States. SIGIR has shifted its focus to DoS-led efforts in conjunction with the significant decline in DoD reconstruction activities. SIGIR will continue to

closely monitor and review DoS management and oversight of DoS assistance activities.

Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1205: Audit of the U.S. Government's Accounting of Projects Implemented in Iraq
 - Project 1204: Audit of the Status of SIGIR Recommendations Made To Improve Oversight of Anham LLC's Contracts
 - Project 1203b: Audit of State Department Progress in Implementing SIGIR Recommendations Addressing Quick Response Fund Management Controls
 - Project 1201: Audit of the Department of State's Progress in Implementing the Police Development Program
 - Project 1114b: Audit of Plans To Spend Remaining Funds from Iraq Security Forces Fund
 - Project 1113: Audit of the Government's Reviews of Business Systems for Contractors Receiving U.S. Funds To Work in Iraq
 - Project 1112d: Audit of the Department of Defense's Efforts To Account for Funds from the Development Fund for Iraq
 - Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
 - Project 9005: Review summarizing the results of SIGIR's audit work in key areas of internal controls over U.S. government expenditures for Iraq reconstruction and meeting the requirement to issue a final forensic audit.
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR will continue to audit the management, costs, and outcomes of U.S. reconstruction efforts in Iraq. Additionally, SIGIR will maintain its oversight of issues related to DoD's withdrawal from Iraq and the transfer of reconstruction activities, such as police training, to DoS as well as issues related to the management of DFI funds.

SIGIR's Forensic Audit Approach

SIGIR's approach to performing forensic audits combined automated data mining with standard audit and investigative techniques to detect problematic payments and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. A "Forensics Group" was established and staffed with personnel from SIGIR's Audits and Investigations Directorates to perform those tasks. The group's initial working framework involved three primary efforts:

- SIGIR conducted in-depth audits of major DoD, DoS, and U.S. Agency for International Development (USAID) reconstruction awards. In these focused contract and grant audits, SIGIR examined costs, outcomes, and management oversight and identified whether internal controls were in place to ensure effective contract management and use of reconstruction funds.
- SIGIR established a joint audit and investigative initiative in January 2009. Known as the Forensic Evaluation, Research, Recovery, and Enforcement Team (FERRET), this multi-disciplinary initiative involved auditors, analysts, and investigators working together to examine programs where U.S. military and civilian personnel involved in the reconstruction of Iraq had easy access to cash and where controls over expenditures appeared to be weak.
- SIGIR auditors examined transaction data of payments made to vendors to identify irregular,

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

or anomalous, transactions that could indicate potential fraud. SIGIR selected nearly 180,000 payments totaling about \$40 billion from DoD, DoS, and USAID financial systems for close review. These transactions came from four major reconstruction funds: the Iraq Relief and Reconstruction Fund (totaling \$19.83 billion), ISFF (\$14.1 billion), Economic Support Fund (\$1.83 billion), and Commander's Emergency Response Program (about \$4.0 billion).

More recently, SIGIR added an additional component to the forensic effort. SIGIR analyzed nearly 100 closed criminal investigations related to the Iraq reconstruction effort to identify internal control weaknesses that contributed to individuals' ability to commit criminal acts.

SIGIR is currently preparing a final report on the results of its forensic auditing which will summarize the major findings from all four forensic efforts. ♦

SIGIR SPECIAL REPORTS

In April, SIGIR published the first of three special reports it plans to release this year on reconstruction projects.

Reconstruction Leaders' Perceptions of the Commander's Emergency Response Program in Iraq

SIGIR Special Report No. 1

From 2004 to 2011, the Congress authorized almost \$4.0 billion for Department of Defense (DoD) use through the Commander's Emergency Response Program (CERP) in Iraq. The purpose of this program was to enable commanders to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out projects that would immediately assist the Iraqi people. Over the years, commanders used CERP funds for construction projects such as the building of schools, roads, health clinics, and sewers, as well as non-construction projects such as condolence payments and microgrants for economic development.

DoD describes the CERP as an important counterinsurgency tool that contributes to maintaining stability, which is key to a successful counterinsurgency campaign. SIGIR, however, has raised questions about the CERP, including challenges in managing CERP projects and the susceptibility of the program to fraud. SIGIR has also raised questions about the growing use of the CERP to support conventional stabilization and reconstruction objectives, and whether the rules and procedures in place are adequate to support this new and expanding use.

Survey Objectives

To address these issues and gain a better understanding of how commanders view the utility of CERP, SIGIR surveyed Army battalion

commanders who made crucial decisions about how the money would be spent, risked their own lives and the lives of the men and women under their command implementing those efforts, and also monitored project results. SIGIR also surveyed Marine Corps battalion commanders, Provincial Reconstruction Team members from the Department of State and U.S. Agency for International Development, and U.S. Army Corps of Engineers (USACE) officials to obtain additional perspectives on key issues, such as interagency coordination. Collectively, these individuals represent the first level of U.S. government leadership responsible for selecting, monitoring, and evaluating CERP projects, and they were in the best position to witness the impact that projects had on local communities and the bureaucratic, operational, and cultural challenges associated with project implementation.

Specifically, SIGIR developed and administered this survey to obtain information on:

- the extent to which commanders used the CERP and the time required to manage CERP projects
- anticipated outcomes by type of project
- metrics used to assess outcomes and extent to which outcomes have been assessed
- the effectiveness of coordination among commanders, their higher headquarters, and other U.S. government agencies
- the degree and impact of commander coordination with Government of Iraq (GOI) counterparts and Iraqi citizens
- the perceived level of fraud and corruption in CERP projects

The survey data was designed to augment available data from administrative records. To the best of SIGIR's knowledge, this is the first time a survey has attempted to capture first-line military and civilian leaders' perspectives on the CERP.

Results

The survey provides detailed data on military and civilian officials' responses to SIGIR's questions. This information is provided in SIGIR's final report, which can be found on the SIGIR website: www.sigir.mil. The following are the major themes that emerged from the survey.

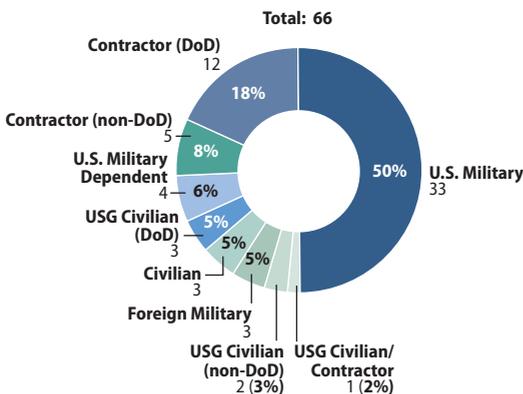
1. Reducing violence is a useful and manageable tool for measuring CERP effectiveness.
2. Insufficient metrics and poor project selection complicates CERP's effect on capacity building.
3. CERP projects can strengthen relationships with the host country.
4. Limiting CERP's overall programmatic scope produces a more manageable program and better outcomes.
5. Involving national and local governments in project selection increases project success rates.
6. Insufficient interagency integration in planning and execution limits CERP effectiveness.
7. CERP projects should be executed in secure zones.
8. Fraud and corruption within the CERP limits program effectiveness.
9. Capping the financial size of a CERP project increases the likelihood of its success and reduces the likelihood of fraud.
10. Poorly monitored CERP projects can result in funds reaching the hands of insurgents. ♦

SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 106 active investigations. During this reporting period, SIGIR had 1 investigator assigned in Baghdad; 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, and California; and 6 investigative personnel at SIGIR headquarters in Arlington, Virginia. Investigative accomplishments this quarter included 16 indictments,

5 convictions, and 6 sentencings. As of March 31, 2012, the work of SIGIR investigators had resulted in 86 indictments, 66 convictions, and more than \$175 million in fines, forfeitures, recoveries, restitution, and other monetary results. For SIGIR convictions, by affiliation of wrongdoer at the time of criminal activity, see Figure 5.1. For the monetary results of SIGIR investigations, by affiliation of wrongdoer, see Figure 5.2. Investigative accomplishments this quarter also included 19 suspensions, 20 proposals for debarment, and 11 debarments.

FIGURE 5.1
SIGIR CONVICTIONS, BY AFFILIATION OF WRONGDOER, AS OF 3/31/2012



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, 18 defendants were awaiting trial and an additional 15 defendants were awaiting sentencing at the end of the quarter. Figure 5.3 shows the increases in the number of judicial actions and monetary results achieved in each of

FIGURE 5.2
SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 3/31/2012
\$ Millions

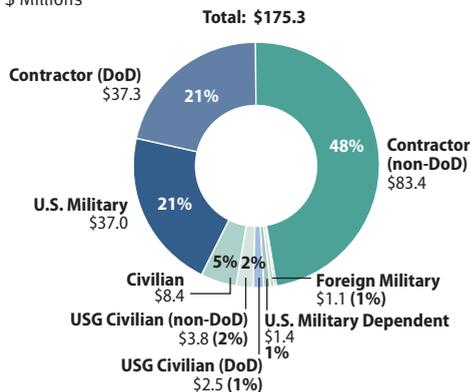
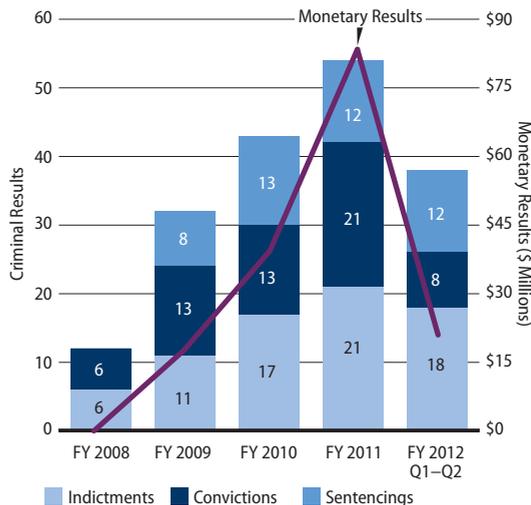


FIGURE 5.3
SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



Note: Numbers affected by rounding.

the last 5 years based on SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.2 at the end of this subsection.

SIGIR notes these investigative activities this quarter:

- Former officers of a New Mexico-based defense contractor were charged for their alleged roles in fraud and money-laundering schemes related to rebuilding efforts in Iraq.
- A British citizen, his company, and two U.S. citizens were charged for allegedly conspiring to defraud U.S. government.
- The wife of a former U.S. Army major was sentenced to six years in prison for participating in a bribery and money-laundering scheme.
- A former U.S. Army contractor was sentenced to 39 months in prison for his role in a bribery and money-laundering scheme and was ordered to forfeit more than \$15.7 million.
- A former U.S. Marine Corps gunnery sergeant was sentenced for his role in a scheme to steal military equipment worth \$124,000 in Iraq.
- A U.S. Army Reserves sergeant was charged and pled guilty to conspiracy to defraud the Department of Defense (DoD).
- A retired U.S. Army sergeant was sentenced for theft of Department of State (DoS) equipment.
- A U.S. Army major was sentenced for stealing more than \$47,000 in Commander's Emergency Response Program (CERP) funds.
- A U.S. Army captain was charged and pled guilty to accepting illegal gratuities involving CERP funds.
- A former civilian contractor pled guilty for his role in a scheme to steal military equipment in Iraq.
- A U.S. Army major was charged and pled guilty to accepting illegal gratuities from a U.S. Army Corps of Engineers (USACE) contractor.
- An associate of a U.S. Marine Corps contracting officer was sentenced in a money-laundering conspiracy.

Former Officers of New Mexico-based Defense Contractor Charged in Fraud and Money-laundering Schemes

On February 28, 2012, a federal grand jury returned a 91-count indictment in U.S. District Court in Albuquerque, New Mexico, charging three former officers of a New Mexico-based defense contractor, the wife of one of the officers, and four foreign nationals for their alleged roles in a fraud and money-laundering scheme involving defense contracts for reconstruction projects in Iraq.

The indictment charges the three former company officers with conspiracy to defraud the United States of more than \$5 million through wire fraud. The four foreign nationals are charged with participating in the wire-fraud conspiracy. These seven defendants also are charged with an aggregate of 74 substantive wire-fraud offenses. In addition, one of the company officers and one of the foreign nationals are charged with offering and receiving illegal kickbacks. The indictment also charges the company officers and the wife of one of the officers with conspiracy to launder money and with 11 substantive money-laundering offenses, and it includes three counts of income tax evasion for one of the company officers.

The U.S. defendants will be summoned to U.S. District Court in Albuquerque for arraignment. The United States will seek to locate the foreign nationals and initiate extradition proceedings if they are located.

According to the indictment, Laguna Construction Company, Inc. (LCC) successfully bid and was awarded multiple contracts, including contracts administered by the United States Air Force Center for Engineering and the Environment (AFCEE), for wartime reconstruction projects in Iraq and Jordan. From 2003 through 2009, LCC administered more than \$350 million of such contracts on a cost-plus basis pursuant to which LCC received a percentage of the total contract awarded as compensation.

LLC is wholly owned by the Pueblo of Laguna, a Native American Indian tribe located in New Mexico. At the time the contracts were awarded,

LLC was a minority disadvantaged business, and at the time of the events alleged in the indictment, the three company officers were employees of LCC but not members of the Pueblo of Laguna.

According to the indictment, LCC was required, to the greatest extent possible, to award subcontracts to foreign companies by generating requests for proposals and soliciting independent subcontract bids from qualified foreign companies. All subcontract bids were required to be independently prepared by the subcontractors without collusion from LCC, and LCC was required objectively to evaluate the bids and to award the subcontracts to the lowest qualified bidders. LCC and its personnel were prohibited from accepting anything of value—whether gifts, bribes, or kickbacks—from the bidders.

From January 2004 through February 2009, the company officers allegedly colluded with the foreign nationals to defraud the United States of more than \$5 million through the following unlawful scheme:

- The foreign nationals allegedly offered kickbacks to two of the company officers for the award of LCC subcontracts.
- The two company officers allegedly fraudulently eliminated bids submitted by other foreign companies that were unwilling to pay kickbacks for the award of LCC subcontracts, and they awarded the subcontracts to companies controlled by the foreign nationals
- When preparing invoices, the foreign nationals allegedly overstated the actual costs incurred on LCC subcontracts in order to obtain excess funds to pay kickbacks.
- The two company officers allegedly approved payment on invoices submitted by the foreign nationals that falsely overcharged the United States for costs not incurred.
- The foreign nationals allegedly paid kickbacks in the form of wire transfers of funds and the delivery of property to the company officers in return for the award of LCC subcontracts in Iraq.

According to the indictment, the company officers and the wife of one of the officers conspired to

conceal the nature of the illegal kickbacks by having funds wire-transferred into the bank accounts of relatives and companies controlled by the defendants; by using the kickbacks to acquire goods and remodel residential real property; and by accepting kickbacks in the form of personal property, including automobiles, and cash. In addition to receiving monetary kickbacks, one of the company officers allegedly received a 1967 Ford Shelby GT500D (valued at \$290,000) in January 2008 from one of the foreign nationals for facilitating the award of LCC subcontracts to his companies.

The indictment seeks forfeiture of any proceeds and property involved in the unlawful conduct charged from the company officers and the wife, if convicted, and a monetary judgment in the amount of \$5,257,067, which represents the loss allegedly incurred by the United States as a result of the criminal conduct charged in the indictment. During the course of the four-year investigation, the United States seized currency and assets valued at \$1,586,634.84 pursuant to court-authorized seizure warrants. To date, the United States has obtained forfeiture of currency and assets valued at \$1,473,849.60 through court proceedings.

The maximum penalty for the wire-fraud conspiracy and each wire-fraud charge is 20 years in prison and a fine of \$250,000 or twice the gross loss sustained as a result of the offense. The maximum penalty for receiving a kickback is 10 years in prison and a \$250,000 fine. The maximum penalty for money-laundering conspiracy and each money-laundering charge is 10 years in prison and a fine of \$250,000 or twice the amount of the criminally derived property involved in the transaction. The maximum penalty for tax evasion is five years in prison and a \$100,000 fine.

The case is being prosecuted by the U.S. Attorney's Office for the District of New Mexico and investigated by SIGIR, the Defense Criminal Investigative Service (DCIS), Federal Bureau of Investigation (FBI), Internal Revenue Service-Criminal Investigation (IRS-CI), and Defense Contract Audit Agency (DCAA).

British Citizen and Two Americans Charged for Allegedly Conspiring To Defraud U.S. Government

In an indictment unsealed on March 13, 2012, a British citizen and his company were charged in the Northern District of Alabama for their roles in a conspiracy to defraud the United States and pay kickbacks in exchange for receiving subcontracts for a DoD program in Iraq. They were charged with one count of conspiracy to defraud and commit offenses against the United States, six counts of unlawful kickbacks, one count of wire fraud, and three counts of mail fraud. The British citizen was arrested on February 14, 2012, in Los Angeles.

In addition, two informations filed in the Northern District of Alabama were unsealed on March 13, 2012, charging two employees of a prime contractor to the U.S. government with conspiring to commit the federal offenses of kickbacks, wire fraud, and mail fraud, and with filing false tax returns.

According to the indictment, the British citizen paid more than \$947,500 in unlawful kickbacks to two employees of the prime contractor in order to obtain lucrative subcontracts for himself and his company in connection with the Coalition Munitions Clearance Program (CMCP). CMCP was operated in Iraq by USACE's Huntsville Engineering and Support Center (HESC), which is headquartered in the Northern District of Alabama. The CMCP worked to clear, store, and dispose of weapons that were seized or abandoned in Iraq from 2003 through November 2008. HESC awarded a prime contract to perform this work to an international engineering and construction firm headquartered in Pasadena, California.

The indictment alleges that beginning in or about March 2006, the British citizen entered into a kickback agreement with the prime contractor's program manager and deputy program manager, who arranged for the award of subcontracts to the British citizen's company to provide materials, heavy equipment, and equipment operators for the CMCP. The British citizen also allegedly obtained multiple funding increases to those subcontracts. From April

2006 through August 2008, the British citizen and his company received more than \$23 million in U.S. funds for services under the CMCP.

According to the two informations that were unsealed, the prime contractor's program manager and deputy program manager are charged with conspiring to solicit and accept kickbacks to award subcontracts under the CMCP program and to commit mail and wire fraud by knowingly and intentionally devising a scheme to defraud the United States. In addition, both are charged with failing to report the kickback income on their federal tax returns. They are also facing criminal forfeiture proceedings.

The case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Northern District of Alabama. The case is being investigated by SIGIR, DCIS, IRS-CI, the FBI, and the U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU).

Former U.S. Army Contractor Sentenced to 39 Months in Prison for Role in Bribery and Money-laundering Scheme

On March 20, 2012, Terry Hall, a former U.S. Army contractor, was sentenced in U.S. District Court in Birmingham, Alabama, to 39 months in prison for his participation in a bribery and money-laundering scheme. Hall was also ordered to serve one year of supervised release following the prison term. Hall has agreed to forfeit \$15,757,000, as well as real estate and a Harley Davidson motorcycle.

Hall pled guilty on February 18, 2010, to bribery conspiracy and money laundering and agreed to testify against his co-defendants, former U.S. Army major Eddie Pressley and his wife, Eurica Pressley. The Pressleys were convicted on March 1, 2011, of bribery, conspiracy to commit bribery, honest-services fraud, money-laundering conspiracy, and engaging in monetary transactions with criminal proceeds.

The case against Hall and the Pressleys arose from a corruption probe focusing on Camp Arifjan, a U.S. military base in Kuwait. As a result of this investigation, 19 individuals, including Hall, have pled guilty or been found guilty at trial for their roles in the scheme.

According to evidence presented at the Pressleys' trial, from spring 2004 through fall 2007, Hall operated and had an interest in several companies, including Freedom Consulting and Catering Co. and Total Government Allegiance. The companies received more than \$20 million from contracts and blanket purchase agreements (BPAs)—contracts that allow DoD to order supplies on an as-needed basis at a pre-negotiated price—to deliver bottled water and erect security fences for the U.S. military in Kuwait and Iraq.

Hall testified that, to obtain the contracting business and facilitate unlawful payments by other contractors, 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 Eddie Pressley and former U.S. Army majors John Cockerham, James Momon, Christopher Murray, and Derrick Shoemake.

According to Hall's testimony and other evidence presented at the Pressley trial, Eddie Pressley demanded a \$50,000 bribe before he would issue bottled water orders, or "calls," to Hall. Hall testified that in April 2005 he and his associates arranged for Pressley to receive the money in a bank account established in the name of a shell company, EGP Business Solutions Inc., which was controlled by Eurica Pressley.

Hall testified that soon after the \$50,000 bribe was paid, Pressley and Cockerham increased the bribe demand to \$1.6 million—\$800,000 for Pressley and \$800,000 for Cockerham. After Hall and others agreed to pay the money, Pressley and Cockerham issued calls for bottled water and fencing, arranged for Hall to receive a fence contract, and modified Hall's agreement to remove the upper limit of the money that Hall could receive from DoD under the bottled-water BPA.

Evidence at the trial also showed that Eddie Pressley enlisted the help of Eurica Pressley to receive the bribes. Eurica Pressley traveled to Dubai with Hall in May 2005 and to the Cayman Islands in June 2005 to open bank accounts to receive the bribe money. Hall testified that he and the Pressleys attempted to conceal the true nature of their corrupt scheme by having Eurica Pressley execute bogus "consulting agreements." They also prepared false invoices that were designed to justify the bribe payments as payment for non-existent "consulting services."

Hall testified that, in total, he transferred approximately \$2.9 million in bribe payments to the Pressleys, approximately \$1.6 million of which consisted of payments from other contractors that Hall facilitated for Eddie Pressley. Bank statements, wire-transfer reports, and other records presented at trial showed that Hall and Eddie Pressley used approximately \$2.9 million of the money to purchase commercial real estate in Muscle Shoals, Alabama.

In addition, Hall testified that, after Eddie Pressley and Cockerham left Kuwait, he paid Momon more than \$300,000, approximately \$100,000 of which consisted of unlawful payments from another corrupt military contractor, which Hall facilitated by routing the money through bank accounts in Kuwait controlled on Hall's behalf. In exchange, Momon issued calls under Hall's bottled water BPA worth more than \$6.4 million. Hall also testified that he paid Murray approximately \$30,000 in exchange for official acts that benefited Hall and his companies.

On January 5, 2012, Eddie Pressley was sentenced to 12 years in prison, and on February 23, 2012 (as discussed below), Eurica Pressley was sentenced to 6 years in prison.

This case is being investigated by SIGIR, Army CID-MPFU, DCIS, Immigration and Customs Enforcement (ICE), the FBI, and IRS-CI.

Wife of a Former U.S. Army Major Sentenced to 6 Years in Prison in Bribery and Money-laundering Scheme

On February 23, 2012, Eurica Pressley was sentenced in U.S. District Court in Birmingham, Alabama, for her participation in the bribery and money-laundering scheme described above. Pressley was sentenced to six years in prison and ordered to serve three years of supervised release following the prison term. She was also ordered to forfeit \$21 million as well as real estate and several automobiles.

On January 5, 2012, her husband, Eddie Pressley, was sentenced to 12 years in prison. He was also ordered to serve three years of supervised release following the prison term and to forfeit the same money and property as Eurica Pressley.

The Pressleys were found guilty on March 1, 2011, of one count of bribery, one count of conspiracy to commit bribery, eight counts of honest services fraud, one count of money-laundering conspiracy, and 11 counts of engaging in monetary transactions with criminal proceeds.

The case is being investigated jointly by SIGIR, CID-MPFU, DCIS, ICE, IRS-CI, and the FBI.

Former U.S. Marine Corps Gunnery Sergeant Sentenced for His Role in Scheme To Steal Military Equipment

On February 6, 2012, Eric Hamilton, a former U.S. Marine Corps gunnery sergeant, was sentenced in U.S. District Court in Greenville, South Carolina, to 18 months in prison for conspiring to steal at least 55 electrical generators from Marine Corps bases in Iraq in 2008. Hamilton was also sentenced to three years of supervised release and ordered to pay \$124,944 in restitution. Hamilton pled guilty on August 10, 2011, to a criminal information charging him with two counts of conspiracy to steal public property.

According to court documents and information presented at his plea hearing, Hamilton was stationed from May to September 2008 at Camp Fallujah, Iraq, where he was in charge of a military

storage yard containing electrical generators and other equipment for use by Marine Corps units. Hamilton admitted that, while he was stationed at Camp Fallujah, he entered into a scheme with a Marine Corps officer to facilitate the theft of electrical generators from the base by private Iraqi contractors. Hamilton admitted that he identified the generators to be stolen, painted markings on them to designate them for theft by Iraqi contractors, and facilitated access to the storage yard by the contractors' trucks to load and remove the generators. Hamilton also entered into a separate scheme with a private Iraqi contractor to facilitate that contractor's theft of generators from the base. Both of these theft schemes continued after the Marine Corps closed Camp Fallujah and relocated personnel to Camp Ramadi, Iraq, where Hamilton was assigned to from October 2008 to December 2008.

In pleading guilty, Hamilton admitted that he received more than \$124,000 in payments from the Marine Corps officer and the Iraqi contractor in return for facilitating the theft of the generators from Camps Fallujah and Ramadi. Hamilton received the funds through cash payments in Iraq, checks issued to his wife in the United States by the officer's wife, and wire-transfer payments to a bank account in the United States. Hamilton sent home approximately \$43,000 of the cash he received from the thefts at Camp Fallujah by concealing it among American flags contained in foot lockers that he mailed from Iraq to his wife. The investigation into this case continues.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of South Carolina, and it is being investigated by SIGIR and DCIS.

U.S. Army Reserves Sergeant Charged and Pleads Guilty to Conspiracy To Defraud DoD

On February 14, 2012, Amasha M. King, a sergeant in the U.S. Army Reserves, pled guilty in U.S. District Court in Macon, Georgia, to a criminal

information charging her with one count of conspiracy to defraud DoD.

According to the court documents, Sergeant King served at Camp Arifjan, Kuwait, from November 2004 to February 2006, in support of Operation Iraqi Freedom as part of the 374th Finance Battalion. While in Kuwait, King was responsible for receiving and processing pay vouchers and invoices from military contractors for various contracts and BPAs, including BPAs for bottled potable water. With King's approval, the contractors were paid from the finance battalion. In some instances, King was responsible for the issuance of U.S. government checks to those contractors.

According to the court documents, King agreed to receive money from a military contractor in return for defrauding the United States by preferentially processing the contractor's invoices outside of the proper procedures and protocols for payment. This allowed the contractor to be paid much faster than usual and ultimately to bid for more contracts than it otherwise could have financed.

Sergeant King admitted that she received four wire transfers totaling approximately \$20,500. She also admitted that she instructed the contractor to wire the money to designees in the United States and to keep the amounts under \$10,000 in order to avoid bank reporting requirements.

King faces up to five years in prison and a fine of \$250,000 or twice the amount of the criminally derived property she received. In addition, King has agreed to pay \$20,500 in restitution to the United States. A sentencing date has been scheduled for May 16, 2012.

This case is being investigated by SIGIR, Army CID-MPFU, DCIS, IRS-CI, ICE, and the FBI.

Retired U.S. Army Sergeant Sentenced to Prison for Theft of DoS Equipment

On February 21, 2012, John Hayes, a retired U.S. Army sergeant, was sentenced in U.S. District Court in Montgomery, Alabama, to five months in prison followed by two years of supervised release, and he was ordered to pay \$12,000 in restitution.

The sentencing is the result of his pleading guilty to conspiring to steal DoS equipment related to his work as an employee of a DoS contractor in Baghdad in 2009.

According to the court documents and information presented at his plea hearing, after retiring from the U.S. Army, Hayes became a civilian contractor and deployed to Iraq to manage air operations for a DoS contractor during reconstruction efforts. While working in Iraq, Hayes agreed with other co-conspirators to steal a truck and a generator. Once the truck and generator were stolen, a co-conspirator began to arrange for them to be sold in the black market in Iraq.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Middle District of Alabama. The case was investigated by SIGIR, the FBI, and the Department of State Office of the Inspector General (DoS OIG).

U.S. Army Major Sentenced for Stealing More Than \$47,000 in CERP Funds

On March 2, 2012, U.S. Army Major Kevin J. Schrock was sentenced in U.S. District Court in Tacoma, Washington, to three years of probation and ordered to pay restitution of \$47,241.62 and a special assessment of \$100. The sentencing is the result of Schrock's guilty plea on February 8, 2011, to a money-laundering charge.

According to court documents, 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. Schrock was deployed to Mosul from September 2004 to September 2005 and had been appointed as a pay agent for the CERP. The pay 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. Schrock admitted that he stole \$45,000 from funds he was to administer in Iraq and that he smuggled the cash home on his person.

This case was investigated by SIGIR, Army CID-MPFU, and DCIS.

U.S. Army Captain Pleads Guilty to Accepting Illegal Gratuities

On March 7, 2012, Michael Rutecki, a captain in the U.S. Army, pled guilty in U.S. District Court in Anchorage, Alaska, to one count of accepting illegal gratuities.

According to the court documents, Rutecki was deployed to Iraq as a civil affairs officer at a forward operating base in Rustimaya. As part of his assignment, he was a pay agent responsible for directing CERP funds to pay contractors to perform work in accordance with objectives set forth by U.S. Army commanders. It is a violation of federal law for pay agents to accept personal gifts or gratuities from contractors dependent upon pay agents for contracts.

According to court documents, during and after the solicitation of contracts, Rutecki accepted cash and other things of value from an Iraqi contractor, including \$10,000 in cash, two silver rings with diamond stones, 15 gold coins worth more than \$10,000, and other valuables from the contractor. Rutecki admitted that he took the valuables and money with the understanding and belief that they were for or because of his assistance to the contractor, who received the contract.

Rutecki faces up to two years in prison and a fine of \$250,000. In addition, Rutecki agreed to forfeit all gratuities and pay \$10,000 in restitution to the United States. A sentencing date has not yet been scheduled by the court.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of Alaska. The case is being investigated by Army CID-MPFU and DCIS.

Former Civilian Contractor Pleads Guilty for Role in Scheme To Steal Military Equipment

David John Welch, a former U.S. civilian contractor employee, pled guilty in U.S. District Court, Raleigh, North Carolina, on April 2, 2012, to conspiring to steal military generators in Iraq in 2011 and selling them on the black market.

In 2011, according to court documents, Welch was the operations and maintenance manager of a U.S. government contractor on Victory Base Complex in Baghdad. In this capacity, Welch had the ability to influence the distribution and movement of U.S. government equipment. In addition, Welch was in charge of overseeing the movement of generators from the compound to the Defense Reutilization & Marketing Office (DRMO). In October 2011, Welch and a co-conspirator entered into a scheme to steal and later sell approximately 38 generators on the black market in Iraq to unknown co-conspirators by diverting these generators from the DRMO to an undisclosed location in Iraq.

After the generators were stolen from the compound, Welch's co-conspirator provided him with four stacks of \$100 bills, totaling approximately \$38,600.

At sentencing, scheduled for July 9, 2012, Welch faces a maximum penalty of five years in prison, a \$250,000 fine, and three years of supervised release following his prison term. As part of his guilty plea, Welch agreed to pay \$160,000 in restitution to the United States.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Eastern District of North Carolina. The case is being investigated by SIGIR, the FBI, and Army CID-MPFU.

U.S. Army Major Charged with and Pleads Guilty to Accepting Illegal Gratuities from USACE Contractor

On April 9, 2012, U.S. Army Major Christopher G. Bradley pled guilty before the U.S. Magistrate, El Paso, Texas, to accepting illegal gratuities. The guilty plea was the result of a two-count criminal information charging Bradley with accepting \$20,000 in illegal gratuities while deployed in Iraq in 2008.

According to court documents, Bradley was deployed to Forward Operating Base (FOB) Diamondback in Mosul from January to November 2008. During that time, Bradley served with the Ninewa Operation Command Military Transition Team, where he helped develop facilities at the base and train a companion Iraqi Army unit that was stationed on an adjacent Iraqi base.

Bradley admitted that he accepted \$20,000 in cash from an Iraqi contractor at FOB Diamondback. Bradley escorted the contractor around the base when the contractor was unable to hire a properly credentialed employee. Further, Bradley assisted the contractor to circumvent security procedures requiring the off-loading and reloading of trucks prior to entering the base. He arranged for the contractor's trucks to be allowed onto the Iraqi portion of the base without previously being off-loaded and re-loaded, thus saving the contractor substantial costs and time. Bradley admitted that, on two separate occasions, he accepted an envelope filled with \$10,000 cash from the Iraqi contractor and that the payments were given to him because of his assistance to the contractor.

Bradley faces between six months and one year in federal prison and has agreed to pay \$20,000 in restitution. A sentencing date has yet to be scheduled.

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

Associate of U.S. Marine Corps Contracting Officer Sentenced in Money-laundering Conspiracy

On March 23, 2012, Francisco Mungia III was sentenced in U.S. District Court in Honolulu, Hawaii, to four months of imprisonment, followed by three years of supervised release, and ordered to pay restitution of \$30,000 and a special assessment of \$100. The sentence was the result of Mungia's guilty plea on July 22, 2011, to a one-count criminal information charging him with conspiracy. Mungia was a former Marine and an associate of a Marine Corps contracting officer stationed at Camp Fallujah, and agreed to launder approximately \$150,000 in bribes that the contracting officer had received from two contractors in Iraq.

The Marine Corps contracting officer received the money between 2005 and 2008 in return for awarding contracts to contractors in Iraq. The associate of the contracting officer established bank accounts to conceal and disguise the nature, location, source, ownership, and control of the funds. These funds were then transferred from the Iraqi contractors to the United States via cash and wire transfers. The associate deducted a 20% share and then transferred the funds back to the contracting officer or a designee. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and the FBI.

SIGPRO Update

The SIGIR Prosecutorial Initiative (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 DoJ prosecutors. They were detailed as a unit to the Fraud Section of DoJ's Criminal Division to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with SIGIR's General Counsel and

other DoJ prosecutors assigned to SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate. In line with SIGIR reductions in staff, the SIGPRO unit now comprises two prosecutors and one legal analyst.

Suspensions and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army 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 involved in 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. This quarter, the Army suspended 19 contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 19 contractors for debarment and finalized 11 debarments of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait. The Army has suspended 135 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003, and 191 individuals and companies have been proposed for debarment, resulting in 138 finalized debarments that range in duration from 9 months to 10 years. PFB is aggressively 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 2012. 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 F. ♦

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

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Gaines Newell, former DoD contractor employee	Conspiracy and filing false tax returns	4/10/2012	Pending
Maj. Christopher G. Bradley, USA	Gratuities	4/9/2012	Pending
David J. Welch, former DoD contractor employee	Conspiracy to steal government property	4/2/2012	Pending
Capt. Michael G. Rutecki, USA	Gratuities	3/7/2012	Pending
Sgt. Amasha M. King, USAR	Conspiracy to defraud	2/14/2012	Pending
John F. Hayes	Conspiracy	11/10/2011	5 months in prison; 2 years supervised release; and \$12,000 restitution
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; \$1,000 fine; and \$100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	4 years probation with the first 6 months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of \$73,500; and \$100 special assessment
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	\$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	18 months in prison; 3 years supervised release; and \$124,944 restitution
Francisco Mungia III	Conspiracy	7/22/2011	4 months in prison; 3 years supervised release; and \$30,000 restitution
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	1 year probation with the first 4 months in home confinement; \$7,169 restitution; and \$100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, former USA major	Bribery	6/13/2011	Pending
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and \$24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	2 years in prison; 3 years supervised release; \$400,000 restitution; and \$100 special assessment
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	12 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
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	6 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; \$106,820 restitution; and \$200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	3 years probation; and \$47,241 restitution

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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	3 years in prison; 3 years supervised release; forfeiture of \$57,030; and \$200 special assessment
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and \$4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of \$757,525
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison and 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	\$18.7 million in criminal penalties; civil settlement of \$50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
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	1 year and 1 day in prison; and restitution
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 forfeiture of \$107,900 and 17,120,000 in Iraqi dinar
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 forfeiture of \$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

Continued on the next page

SIGIR OVERSIGHT

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	1 year home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	39 months in prison; 1 year supervised release; and forfeiture of \$15,757,000
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	39 months in prison; 2 years supervised release; and \$70,000 fine
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	1 year 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	2 years 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
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

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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
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
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
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	12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution
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	2 years 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

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SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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	15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special assessment
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
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 or results from courts martial.

TABLE 5.3
DEBARMENT LIST

NAME	DEBARRED
Raman International, Inc.	2/25/2012
Mike Atallah	2/25/2012
Marta Atallah	2/25/2012
Theresa J. Baker, MAJ, USA	2/25/2012
Theodore Q. Williams	2/17/2012
Ozgen Kacar	2/17/2012
Mezin Kacar	2/17/2012
Ayfer Atilan	2/17/2012
Al Amal Al Mushrig Company	2/15/2012
Charles E. Sublett, MAJ, USA	1/19/2012
David Pfluger, LTC, USA (Ret.)	12/6/2011
Ehsan Hassan Al-Ameli	11/29/2011
Al AALI General Contracting Co.	11/28/2011
Mahmoud Shakier Mahmoud	10/14/2011
Ahmad Muhammed Hassan	10/13/2011
Al Ula Iraq	10/12/2011
Al Ula FZCO	10/12/2011
Al Ula Global Trading, LLC	10/12/2011
Chet M. Fazand	9/13/2011
Chad M. Fazand	9/13/2011
Fazand International Trading, LLC	9/13/2011
Al Dalla Co.	9/13/2011
Faustino L. Gonzales, CAPT, USA	9/7/2011
Chasib Khazal Mehadi Al Mosawi	9/7/2011
Quasay Shamran Mehdi Al-Mosawi	9/7/2011
The Economical Group	9/7/2011
Jenna International, Inc.	8/4/2011
Al-Methwad Company	7/21/2011
Tariq Zadan Dawood	7/21/2011
Tareq Zaidan Dawod	7/21/2011
Tariq Zaidan Dawod	7/21/2011
Tariq Zaidon Dawod	7/21/2011
Tarik Zaidon Dawood	7/21/2011
Abd Al Alim Abbod	7/21/2011
Frankie Joseph Hand	7/21/2011
Richard Joseph Harrington	7/21/2011

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NAME	DEBARRED
Janet L. Schmidt	6/22/2011
Mariam M. Steinbuch	6/6/2011
Mark Carnes	6/3/2011
Terence O. Walton	6/3/2011
Al Aali Future Mario Company	5/11/2011
Eric K. Schmidt	4/20/2011
Mark R. Fuller	4/1/2011
Ahmad Mustafa	1/25/2011
Mubarek Hamed	1/25/2011
Ali Mohammed Bagegni	1/25/2011
Abdel Azzim El-Saddig	1/25/2011
Mark Deli Siljander	1/25/2011
Precy Pellettieri	1/12/2011
Salvatore Pepe	1/12/2011
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

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NAME	DEBARRED
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
Marko Rudi	5/26/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
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

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NAME	DEBARRED
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
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

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NAME	DEBARRED
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
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

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NAME	DEBARRED
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. 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.

TABLE 5.4
SUMMARY OF SIGIR HOTLINE CASES,
AS OF 3/31/2012

OPEN CASES				
Investigations				17
Audits				1
Total Open				18
CLOSED CASES	3RD QTR 2011	4TH QTR 2011	1ST QTR 2012	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	0	47
Dismissed	1	2	1	145
Referred	2	8	2	394
Inspections	0	0	0	80
Investigations	18	9	0	155
Audits	12	0	0	29
Total Closed	33	19	3	856
Cumulative* Open & Closed				874

*Cumulative total covers the period since the SIGIR Hotline began operations—from 3/24/2004 to 3/31/2012.

Fourth Quarter Reporting

As of March 31, 2012, the SIGIR Hotline had initiated 874 cases. Of these cases, 856 have been closed, and 18 cases remain open. For a summary of these cases, see Table 5.4.

New Cases

During this reporting period, the SIGIR Hotline received 3 new complaints, bringing the cumulative total to 874 Hotline cases. The new complaints all involved contractual issues.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and email. Of SIGIR's 3 new Hotline complaints, all were received through email.

Closed Cases

During this quarter, SIGIR closed 3 Hotline cases:

- 2 were referred to another inspector general agency.
- 1 was dismissed because it did not fall under SIGIR's purview.

Referred Complaints

After a thorough review, SIGIR referred 2 complaints to the Department of Defense Office of Inspector General for proper resolution. ♦

SIGIR WEBSITE

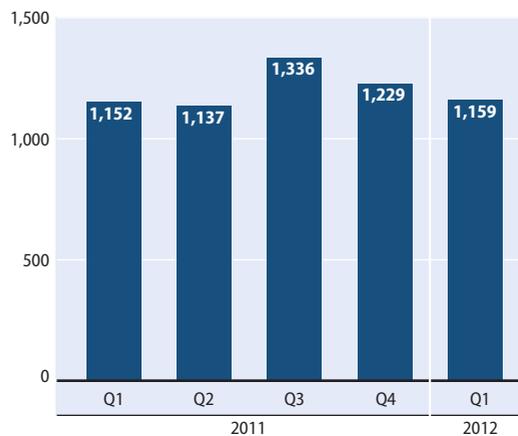
During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- Just over 100,000 users visited the SIGIR website—1,159 users per day.
- The Arabic-language section of the site received more than 3,000 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 38,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.

SIGIR's custom Google site search has returned more than 13,000 results since its inception in April 2010.

For an overview of daily visits to the SIGIR website, see Figure 5.4. ♦

FIGURE 5.4
AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 1/1/2011–3/31/2012



Source: DoD, IMCEN, response to SIGIR data call, 4/6/2012.