

IMPACTS OF SIGIR OPERATIONS

SIGIR's work impacts multiple aspects of the U.S. mission in Iraq and that of the Government of Iraq. SIGIR's work significantly contributes financial and non-financial benefits for the U.S. organizations in Iraq as well as the taxpayer. To demonstrate whether SIGIR's efforts result in financial or non-financial benefits, SIGIR requires the staff to document the connection between the benefits reported and the work that SIGIR performed. SIGIR also has demonstrated significant financial and non-financial benefits for the Government of Iraq.

SIGIR recommendations have enabled reconstruction management officials to:

- reduce expenditures and improve efficiency and effectiveness
- implement or improve fund and asset controls
- enhance construction quality by ensuring adequacy of design specifications, stopping inadequate construction, and avoiding re-work
- increase potential oil revenue
- avoid waste and unnecessary expenditures.

Tables B-1 and B-2 detail the actual financial and non-financial-related impact of SIGIR Audit and Inspections Directorates for the U.S. government and for the Government of Iraq.

Impact of SIGIR Audits

SIGIR reports the financial impact of audits semiannually, as required by law. Through December 31, 2006, SIGIR Audit saved and recovered funds of about \$49.7 million and improved the use of \$7.8 million of funds. SIGIR Audit also challenged payments of

\$106.6 million, including possible duplicate payments, overpayments, payments for ghost workers, or for work that was not completed. SIGIR also made recommendations that improved property accountability valued at \$65.3 million. Significant non-financial benefits include those associated with a recommendation that KBR discontinue the practice of routinely marking almost all of the information it provided to the U.S. government as "*KBR proprietary data*." The government's prohibition of this practice results in improved accountability (e.g., improved management and internal controls).

Impact of SIGIR Investigations

SIGIR investigators have recovered or seized assets valued at about \$9.5 million related to the use of the Development Fund for Iraq and have another \$15 million of working potential recovery. Investigators also prevented about \$3.8 million of incurred cost by alerting contracting officers to improper contracts. Investigations also contributed to improving controls in contracting and financial management as a result of its work.

These impacts are the result of 15 investigative actions from a total of 236 open, closed, or referred cases. Seized funds were recovered from subjects identified in ongoing and closed SIGIR investigations. Recoveries are documented from fraudulent payments and seizures of unaccounted for cash. Property seizures reflect the assessed value of currently seized assets purchased with illegally obtained funds and recovered pursuant to criminal investigations.

DETAIL OF IMPACT OF SIGIR AUDITS (millions)

AUDIT #	DOLLARS SAVED/ FUNDS RECOVERED	BETTER USE	CHALLENGED PAYMENTS	NON-FINANCIAL IMPACT
04-003 DFI	\$10.90			
04-011 DFI				improved accountability over property valued at about \$65 million
05-004 DFI				Improved controls over payroll
05-006 DFI			\$96.60 ^a	
05-008 DFI			\$.04 ^b	
05-015 DFI			\$2.70 ^c	
05-016 DFI			\$1.30 ^d	
05-017 DFI		\$7.80		
05-020 DFI			\$2.00 ^e	
05-023			\$.50	
7/16/05 ^f	\$.53 ^g			
9/20/05 ^h	\$.67 ^h			
06-009	\$12.80			improved property accountability
06-010/015 seized assets	\$1.50 ⁱ		\$3.46	
06-018 U.S.	\$23.30 ^j			
Total	\$49.70	\$7.80	\$106.60	

TABLE B-1

- a DFI account manager did not properly account for the disposition of this money
- b Potential overpayments: \$40,000
- c R3P challenged
- d Needless expended, duplicated construction, equipment not needed
- e Grant rescinded, money found in bank account: \$154,000. Joint Contracting Command turned demand letter over to Iraq's Board of Supreme Audit for recovery. Remainder related to request for recovery for work not performed.
- f Dates are listed in place of specific SIGIR reports because the amounts listed are associated with actions taken with respect to cash recovered on a particular date rather than an individual report.
- g Recovery of cash turned in to Comptroller by audit and investigations (Mr Keith Kidd): \$527,456
- h Recovery of cash turned in to Comptroller by audit and investigations: \$670,664
- i Audit recommendations resulted in deobligation of \$1,512,303.29 from multiple contracts.
- j Audit recommendation prevented loss of medical equipment which would have resulted in about \$23.30 million in replacement cost per independent assessment.

Impact of SIGIR Inspections

Table B-3 details the potential impact resulting from SIGIR assessments.

inadequate construction, and avoidance of re-work by improving quality control of the U.S. government representatives.

Non-Financial Impact of SIGIR Inspections

This includes recommendations that increase project effectiveness:

- Implement or improve fund and asset controls.
- Enhance construction quality by ensuring adequacy of design specifications, stopping

Impact to the Government of Iraq

SIGIR inspections also impacted the Government of Iraq and its Development Fund for Iraq (DFI) by protecting DFI investments. In two inspections, SIGIR work protected about \$39 million (\$27.9 million of DFI and \$11.4 million in IRRF). The first inspection identified that an electrical generation plant was built

DETAIL OF IMPACT OF SIGIR INSPECTIONS

INSPECTIONS PROJECT NUMBER	FINANCIAL IMPACT	NON-FINANCIAL IMPACT	PROTECTED THE U.S. INVESTMENT	IMPACT TO GOVERNMENT OF IRAQ
PA-05-001		improved quality assurance		
PA-05-004		improved project quality and quality assurance		
PA-05-005 to PA-05-009		improved planning	\$27.9 million	
PA-05-010		increased oil revenue to meet goal of U.S. strategy		more than \$1 billion
PA-06-016		improved management of project and outcome of project repairs.		
PA-06-017		improved quality control		
PA-05-018	\$credit	improved sustainment of the project		
PA-06-021 to 06-024	potential for savings of rework costs	improved overall project management		
PA-05-029				protected \$11.4 million DFI investment
				improved planning for sustainment
PA-06-049		improved project management and alerted to need for repair of water treatment facility		
PA-06-053		improved management, quality assurance, and project record keeping		
PA-06-078 to 06-079		improved quality control		

TABLE B-2

DETAIL OF FINANCIAL-RELATED IMPACT OF SIGIR INVESTIGATIONS (millions)

	COST SAVINGS AND COST AVOIDANCE	FUNDS RECOVERED	POTENTIAL RECOVERY AS RESULT OF PROSECUTION	PROPERTY VALUE RECOVERED AND RETURNED TO THE IRAQI GOVERNMENT	TOTAL FINANCIAL AND FINANCIAL-RELATED IMPACT
Total*	\$4.83	\$11.69	\$1.26	\$0.06	\$17.84

TABLE B-3

*Numbers are provided in aggregate. Individual tracking is done on a case level and maintained by the SIGIR AIG for Investigations.

without a distribution plan, and the second was an identification that sustainment had not been planned and could have resulted in the capital investment being wasted. Further, an assessment of the Kirkuk Oil Pipeline found that operational effectiveness could be greatly improved through engineering improvements.

The U.S. Army Corps of Engineers initiated a plan to implement SIGIR recommendations while the assessment was being conducted. Management's action has a potential increase to the annual oil revenues by more than \$1 billion if the pipeline can be effectively secured.

