

# SIGIR OVERSIGHT

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# 4

# COLLABORATIVE FORENSIC AUDITS/ INVESTIGATIONS INITIATIVE

SIGIR's Audits and Investigations Directorates are engaged in an array of proactive forensic audit and investigation initiatives that are identifying fraud, waste, and abuse. The analytic process is portrayed in Figure 4.1.

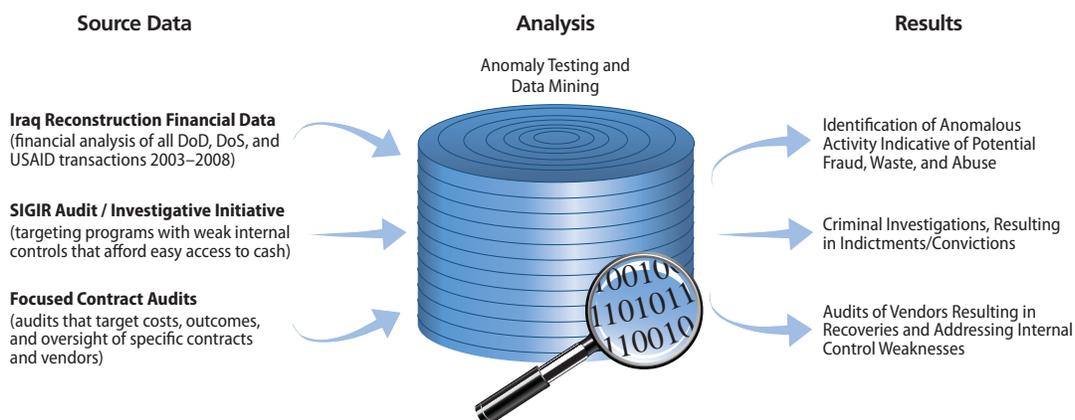
Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals about \$50 billion. Over the past two years, SIGIR has conducted a series of 19 audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR used the results of these audits to develop targeted forensic auditing approaches to identify potential instances of wrongdoing.

A forensic audit is a systematic examination of the internal controls over a program's expenditures or other financial data to identify anomalies in individual transactions that may be indicative of fraud, waste, or abuse. This quarter, the SIGIR

Audits Directorate continued its review (Project No. 9005, begun in December 2008) of DoD appropriation, obligation, and expenditure transaction data related to Iraq relief and reconstruction. In March 2009, SIGIR expanded this initiative to include expenditures by the Department of State (Project No. 9012) and the U.S. Agency for International Development (Project No. 9013); both projects are underway. The objective of these projects is to examine the appropriateness of expenditures for Iraq relief and reconstruction.

SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect problematic transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. Matters most appropriately addressed by administrative resolution, such as cost disallowance and recovery, will be referred through audit reports to agency contracting officials for appropriate action. The forensic audit project is expected to lead to SIGIR follow-on efforts, products, and

FIGURE 4.1  
FORENSIC AUDIT PROCESS



investigations. For example, the forensic audit has, to date, identified nearly \$340 million in possible duplicate payments. While these anomalies were revealed during the course of our testing procedures, we expect that many of the transactions will prove to be proper. For example, multiple purchases of an item may have legitimately occurred on the same date. An examination of key documentation, such as invoices, receiving documents, and payment documentation will support conclusions on the validity of these transactions.

The SIGIR Audits Directorate and Investigations Directorate continue to expand the proactive joint effort that was started in January 2009. That effort focuses on Iraq relief and reconstruction programs

that afford easy access to cash associated with weak controls over expenditures. SIGIR auditors and special agents are working with a number of federal agencies, such as the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) in furtherance of this effort. SIGIR auditors and investigators, in partnership with other federal law enforcement agencies, are examining thousands of documents to identify unusual or suspect financial transactions that may indicate fraud or corruption in the award and administration of Iraq relief and reconstruction contracts and grants. To date, SIGIR has opened 27 criminal investigations from this effort. The project has also provided support to criminal investigations that were already ongoing. ♦

# SIGIR AUDITS

From October 31, 2009, to January 30, 2010, SIGIR issued five audits addressing a wide range of reconstruction issues. They included:

- A report on the Department of State’s management of democracy grants to the International Republican Institute and the National Democratic Institute
- A report on the Department of State’s management of a contract to DynCorp to support the police training program in Iraq
- A report on the cost, management, and outcome of contracts awarded to Wamar to provide vehicles and to repair and refurbish turbines
- A report updating SIGIR’s forensic audit efforts
- A report addressing concerns about a contract to study future needs for the Iraq Reconstruction Management System (IRMS)

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

For a list of these audit products, see Table 4.1.

## Completed SIGIR Audits This Quarter

### *Wamar International Successfully Completed Contracts, but Unanticipated Problems Affected Costs and Schedules (SIGIR 10-007, 1/2010)*

#### Introduction

SIGIR has a legislative requirement to prepare a final forensic audit report on amounts made available for Iraq reconstruction. To fulfill this requirement, SIGIR has undertaken audits examining major Iraq reconstruction contracts. The objective of these audits is to review the key requirements and

TABLE 4.1  
SIGIR AUDIT PRODUCTS SINCE 10/31/2009

REPORT NUMBER	REPORT TITLE	DATE ISSUED
10-007	Wamar International Successfully Completed Contracts, but Unanticipated Problems Affected Costs and Schedules	1/2010
10-008	Long-standing Weaknesses in Department of State’s Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	1/2010
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	1/2010
10-011	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #2	1/2010
10-012	Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute Democracy Grants	1/2010

provisions of the contracts to determine contract costs, outcomes, and oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This audit focused on three contracts awarded to Wamar International, Inc. (Wamar): one indefinite-delivery/indefinite-quantity contract to purchase and deliver armored vehicles for U.S. and Iraqi forces and two firm-fixed-price contracts to inspect and repair turbine generators at power plants near Baghdad. The contracts were funded mostly from the Iraq Relief and Reconstruction Fund (IRRF), the Economic Support Fund (ESF), and the Iraq Security Forces Fund (ISFF). According to SIGIR’s October 30, 2008 Quarterly Report, Wamar was in the top 10 of contractors receiving ESF funds: about \$70 million had been obligated. The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) administered the contracts, and the U.S. Army Corps of Engineers, Gulf Region Division (GRD), provided contract performance oversight.

#### Results

SIGIR found that Wamar successfully completed the three contracts and that JCC-I/A and GRD

actively carried out their management and oversight responsibilities, though some management and contract problems affected costs and schedules.

The 2004 contract, competitively awarded to Wamar to purchase and deliver armored vehicles (W914NS-04-D-0121), was mostly successful, although eight vehicles were stolen, and other vehicles were delivered late. Wamar replaced the stolen vehicles at no cost to the government. At completion of the two-and-one-half-year contract in December 2006, Wamar had successfully delivered 245 armored vehicles to U.S. and Iraqi forces at a cost of \$32.96 million. The cost of some vehicles increased because of changes in U.S. government requirements, including adding special features to the basic vehicle. Further, after the theft of the vehicles, the U.S. government decided to fly the vehicles into Baghdad to prevent further thefts at a cost of about \$10,000 per vehicle. This added about \$2.0 million to total contract costs.

The two contracts awarded to Wamar to inspect and repair six turbine generators (W9GXY-06-C-0050 and W9GXY-07-0014) were generally successful even though the work cost more and took longer to complete than planned. Contract documents revealed that the two inspection contracts were competitively awarded and that Wamar's proposals represented the best overall value to the U.S. government and to the Iraq Ministry of Electricity (MOE). However, costs under the first contract, awarded in 2006, increased from \$24.01 million to \$34.82 million, and the performance period for the inspections was extended from fall 2006 to September 2008. Costs under the second contract, awarded in 2007, increased from \$14.92 million to \$25.42 million, and the performance period for the inspections was extended from fall 2007 to September 2008. Cost and schedule changes were due mainly to unanticipated repairs identified during the inspections and a fire at one of the generators. Additionally, the MOE delayed contractor access for some inspections, which increased costs. These problems were out of the control of Wamar.

JCC-I/A and GRD actively and effectively carried out their management and oversight responsibilities on the inspection contracts and resolved the few contract performance and personnel problems that occurred. SIGIR identified some administrative and management problems, including GRD-prepared independent government estimates, which were overstated, and numerous JCC-I/A narrative and math errors on the first contract. At the time of this report, JCC-I/A had not financially closed out the contracts, nor had it located the contract files from which to conduct this closeout.

## Recommendations

Previous SIGIR reports have included recommendations and/or lessons learned to address issues related to cost increases and schedule changes on Iraq reconstruction projects. The major issues identified in this report—changes in contract cost and schedules, and contract administration and project management—have been addressed. Accordingly, SIGIR includes no recommendations or lessons learned in this report.

## Management Comments and Audit Response

SIGIR provided a draft of this report to responsible agencies for comment. Both the U.S. Army Corps of Engineers and JCC-I/A concurred with the report.

### *Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program (SIGIR 10-008, 1/2010)*

## Introduction

The Department of State (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) contract with DynCorp International includes task orders to support DoD's Iraqi police training program. Under the task orders, DynCorp has provided police advisors and in-country support for those and other advisors. INL's Afghanistan,

Iraq, Jordan Support (AIJS) Division is primarily responsible for oversight of the DynCorp contract. SIGIR examined INL's oversight of the task orders because they cost over \$2.5 billion, and INL has had a history of weak oversight of the task orders. Specifically, SIGIR examined: (1) the costs, funding, and award process for the largest and most recent task orders; (2) DoS oversight of the task orders; and (3) the status of INL's implementation of SIGIR's prior recommendations.

## Results

INL continues to exhibit weak oversight of the DynCorp task orders for support of the Iraqi police training program. INL lacks sufficient resources and controls to adequately manage the task orders with DynCorp. As a result, over \$2.5 billion in U.S. funds are vulnerable to waste and fraud. The In-country Contracting Officer Representatives (ICOR), who are critical to overseeing DynCorp's performance and expenditures under the current task order, do not perform adequate reviews and tests to ensure that: (1) the costs submitted by DynCorp on invoices are allowable under the contract/task order, supported by appropriate documentation, and correct; (2) U.S. government property managed by DynCorp is adequately controlled; (3) lease agreements negotiated on behalf of the U.S. government protect the U.S. government's interests; and (4) the government receives the services at the performance standards specified in the task order. As DoS takes responsibility for the police training program from DoD in 2011 and DoS continues to oversee contracts costing the American taxpayers hundreds of millions of dollars, it will be critical for DoS to have in place effective management and controls of those contracts to ensure that U.S. funds are effectively and efficiently spent.

Inadequate resources and controls are not new problems. As early as 2005, INL was told that its staffing had not increased commensurate with its workload and that it needed to strengthen its oversight of the contracts for Iraq and Afghanistan. In 2007, INL was again told that its poor oversight of

the contract for Iraq had put millions of dollars at risk. In a hearing and in responses to audit reports, INL officials have repeatedly stated they recognized the problems and had initiatives to increase staff and improve management and oversight of the contract for Iraq. However, INL has fallen far short on those initiatives.

INL stated that it plans to increase the number of ICORs in Iraq to 11; there were 3 in November 2009. However, SIGIR believes the ICORs need additional guidance to clearly specify their responsibilities and more oversight to determine what they are or are not doing. Until that guidance is developed and implemented, INL is in no position to accurately determine how many additional ICORs it needs. SIGIR believes that more than 3 ICORs are needed but does not believe INL has demonstrated it needs 11.

Because of weak oversight of the DynCorp contract in Iraq from its start in 2004, INL is reconciling all historical invoices. Although SIGIR was told in October 2007 that the reconciliation effort would take 3 to 5 years to complete by a full complement of 11 personnel, the reconciliations will likely take longer because INL has not fully staffed the effort. In addition, reconciliation efforts have been adversely impacted by high error rates on invoices and poor or missing support documentation. Moreover, the workload will likely increase because of the problems found with the current invoice review process.

## Recommendations

Because weak contract administration and oversight have been long-standing issues that INL has not corrected, SIGIR recommends that

1. the Deputy Secretary of State for Management and Resources direct an immediate examination of the Afghanistan, Iraq, Jordan Support Division's personnel and operations to determine if the Division is structured, staffed, and managed to effectively and efficiently oversee the contracts under its responsibilities.
2. Until such an examination can be conducted, SIGIR recommends that the Assistant

Secretary, INL, direct the Chief of AIJS to develop detailed guidance for ICORs, assign specific responsibilities to each ICOR, determine how many ICORs are needed in Iraq to accomplish assigned responsibilities, and staff the invoice reconciliation effort to validate historical invoices within the next two years.

### Management Comments and Audit Response

INL agreed with SIGIR's recommendations. It did not agree with SIGIR's position that \$2.5 billion in U.S. funds are vulnerable to waste and fraud. Because of the serious control weaknesses identified in this and prior audits, SIGIR maintains its position.

#### *Department of State Contract To Study the Iraq Reconstruction Management System (SIGIR 10-010, 1/2010)*

### Introduction

In late 2004, the U.S. Army Corps of Engineers Gulf Regional Division (GRD) and the Project and Contracting Office developed the Iraq Reconstruction Management System (IRMS). The IRMS was originally intended to be a data base for projects funded by the IRRF. However, through the years, data has been added from ISFF projects, Commander's Emergency Response Program (CERP) projects, and ESF projects.

SIGIR's last IRMS report was issued in July 2008 and was intended to assess the overall data system management, policies, procedures, uses, and benefits.<sup>454</sup> However, in the course of conducting the review, SIGIR learned that GRD was preparing a draft plan for the future of the IRMS. As a result, SIGIR stopped its review and issued a report to alert the Embassy and GRD of certain issues that needed to be addressed.

Foremost, SIGIR pointed out that when the IRMS was initiated in 2004, it had a design life of five years (completing in 2009). A life-cycle maintenance program was not implemented, and

the system, then in its fourth year of operation, was becoming operationally unreliable and unstable. SIGIR also reported that the IRMS had had few system upgrades, and many of its critical system components were no longer under warranty. In some cases, the manufacturer no longer supported the system. SIGIR recommended that the U.S. Ambassador to Iraq and the Commanding General, Multi-National Forces-Iraq, jointly direct the establishment of an interagency planning process to address the future operation and use of the IRMS.

In written comments on a draft of SIGIR's July 2008 report, GRD stated that it had authorized one of its contractors to conduct a study of the IRMS and that the study would consider factors such as the system's age, compatibility of hardware platforms, and software and network infrastructure. The study would also provide GRD with recommendations for the future needs of stakeholders.

DoS did not respond to the July 2008 draft report until December 20, 2008, but concurred with all the report recommendations. In the response, the U.S. Ambassador appointed the Iraq Transition Assistance Office (ITAO) as the executive agent for the IRMS. In addition, the Ambassador stated that the recommendation regarding current and future system requirements of stakeholders and the need for a common operating picture was particularly important.

As of November 2009, neither GRD nor ITAO had developed the plans they had committed to in their formal comments to SIGIR's draft report.

### Results

SIGIR believes that the long delay in taking action to improve IRMS has largely negated any potential benefits from improving or developing a replacement for IRMS. About 95% of the funds appropriated for the reconstruction of Iraq to date have been spent, and the need for an improved management information system for the remaining funds is likely to be marginal. Additionally, the plan to turn IRMS hardware and software over to the Government of Iraq has been dropped. Given

this, investing \$5 million for a replacement system that will not be available until October 2010 at the earliest will not likely provide any meaningful improvements or benefits to either the Embassy or any other IRMS users. Moreover, the principal agencies that will be involved in reconstruction beyond October 2010 have existing systems that can track reconstruction activities.

## Recommendations

SIGIR recommends that, absent information showing the need to develop a replacement system for the IRMS, the U.S. Ambassador to Iraq direct that the Iraq Transition Assistance Office cancel that part of the contract with Enterprise Information Systems to develop a new web-based system to replace Iraq Reconstruction Management System.

## Management Comments

The Embassy stated that it did not concur with SIGIR's recommendations. It believes it should continue the contract because it "hopes to get a fresh perspective from [Enterprise Information Systems] and the possible directions ITAO can take on the future of the IRMS information." Although SIGIR continues to believe that the primary purpose of the contract was the development of a new system, we do recognize that developing a course of action for IRMS information is important. Therefore, SIGIR modified its draft recommendation to make clear that unless the information gathered under the contract provides some sound reasons to continue IRMS, SIGIR continues to believe that the Embassy should cancel the remaining system development tasks.

### ***Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, Abuse—Interim Report #2***

*(SIGIR 10-011, 1/2010)*

## Introduction

Public Law 108-106 requires SIGIR to prepare a final forensic audit report on all funding appropriated

for the reconstruction of Iraq, which to date totals over \$50 billion. This interim report presents the results of SIGIR's ongoing forensic auditing program, including an update on the review of agency expenditures and an update on SIGIR's efforts to identify questionable financial activity. The report also presents information on data-mining methodology and discusses the metrics SIGIR is using to measure progress. SIGIR is reporting results quarterly, and a final cumulative report will eventually address all available reconstruction funds.

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

SIGIR continues its forensic review of DoD, DoS, and USAID expenditures. These reviews systematically examine Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect questionable transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions.

SIGIR has also initiated a review of Iraq reconstruction program areas known to have weaknesses in internal controls. This effort focuses on programs that afford easy access to cash with weak controls over expenditures.

## Results

Since the last report, SIGIR has reviewed an additional 51,000 transactions valued at \$17.3 billion, bringing the total transactions reviewed to 73,000 transactions valued at \$28 billion. SIGIR continues to identify numerous anomalous transactions, including payments that may be duplicates, payments to possibly fictitious or generic vendors, notable variances in payment activity, payments

occurring prior to or on the date of invoice, and oddly sequential contractor invoices. SIGIR also identified payments to firms with what appear to be fictitious addresses and payments to possibly suspended or debarred contractors. To date, SIGIR has identified almost \$340 million in transactions, involving approximately 800 vendors, that require additional investigation.

SIGIR is in the process of determining whether any of the anomalous transactions are actually fraudulent or improper, by examining the transactions and reviewing relevant contract file documentation. Due to the number of transactions that must be examined, SIGIR is prioritizing work using risk factors such as transaction type, amount, and prior history of questionable activity. A SIGIR forensic audit team is currently focusing on possible duplicate payments associated with DoD expenditures.

In addition, a SIGIR initiative that focuses on programs that afford easy access to cash associated with weak controls over expenditures continues to identify instances of questionable activity. As a result of this effort, to date SIGIR has opened 27 criminal investigations involving 36 subjects. Detailed information regarding ongoing criminal investigations will not be presented in these reports.

The results of SIGIR's forensic audit efforts will generally be reported in the aggregate and specific findings will be included where appropriate and useful. We are also providing lessons learned that can be applied to other contingency operations, such as in Afghanistan.

### Recommendations

SIGIR makes no recommendations in this report; this is an informational report only.

### Management Comments

Because this audit report does not contain recommendations, management comments were not required.

### ***Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute Democracy Grants***

*(SIGIR 10-012, 1/2010)*

### Introduction

This report addresses the Department of State's Bureau of Democracy, Human Rights, and Labor (DRL) management of 12 grants issued between 2004 and 2009, valued at approximately \$248 million, to the International Republican Institute (IRI) and the National Democratic Institute (NDI) for democracy-building activities in Iraq. SIGIR's objective for this report is to examine the DoS's oversight of the costs and outcomes of IRI and NDI democracy-building grants in Iraq.

### Results

DRL does not have documentation on whether the IRI and NDI grants are meeting their goals and whether the grant money is being used in the most effective and efficient manner. While IRI and NDI state they have assessed the impact their grants have had in achieving grant objectives, DRL has not required that IRI and NDI provide these assessments in progress reports, as required by the grant agreements. A DRL program official stated that DRL recently hired a specialist to improve the evaluation process and determine methods to measure impact of the grants.

During SIGIR's review of the costs for seven grants, SIGIR found that only 41% of the grant funds reviewed were actually spent on direct program activities. More than 60% of IRI's expenditures and almost 50% of NDI's expenditures were for security and overhead costs; mostly security. NDI spent almost one-third of its funds on security, and IRI spent more than one half of its funds on security. Thus, only approximately \$47 million of the approximately \$114 million was spent on direct program activities. SIGIR notes that the level of security expenditures for a grant

is a case-by-case decision and should be based on a cost and benefits analysis. Absent such analysis, there is no basis to assess the appropriateness of security costs.

Current DRL officials could not explain why the apparent risks associated with these grants, as evidenced by the high security costs, were accepted because they were not assigned to manage these grants until after they had been awarded. They noted, however, that DRL received direction from the Congress to ensure grant activities occurred. Nevertheless, the officials explained that DRL does not have a set formula to gauge an appropriate level for security costs per grant, and shifting circumstances may dictate security requirements.

SIGIR also found that DRL's oversight of IRI and NDI grants is limited. First, DRL manages the grant program from Washington, D.C., which limits face-to-face interaction with grantee personnel in Iraq and impacts insight into grantee activities. Second, DRL does not require that progress reports follow guidelines established by DRL in grant agreements. For example, grantees are encouraged to submit progress reports that identify the level and type of activities conducted for the period along with supporting documentation to provide evidence that activities occurred. NDI included supporting documentation in 22 of the 23 reports it submitted; IRI included supporting documents for only 3 of the 29 reports it submitted. Moreover, progress reports did not provide expenditure data by objective, as suggested in the grant. IRI and NDI submitted quarterly financial reports identifying total expenditures, but the reports do not break down expenditures into categories such as security or training. Although relevant guidance does not require such detailed data, the information would benefit DRL's oversight of the program.

## Recommendations

SIGIR recommends the U.S. Secretary of State improve DRL oversight of grants by directing DRL to:

1. review and document the reasonableness of grantee budgets for activities not directly

associated with executing grant objectives, to include security and other indirect costs, as well as the costs versus benefits of awarding grants with significant non-direct program costs;

2. request for current grants and require for future grants that grantees report quarterly expenditures on major cost categories; and
3. assess the appropriateness of establishing a program manager position in Iraq versus maintaining democracy advisors as DRL representatives in Iraq.

SIGIR also recommends that the Deputy Secretary of State for Management and Resources direct an examination of DRL's personnel and operations to determine if the Bureau is structured and staffed to effectively and efficiently oversee the grants under its responsibility.

## Management Comments

DRL concurred with three of the draft report recommendations but did not concur with a draft recommendation that it amend grant agreements to require grantees to report quarterly expenditures on major cost categories. DRL stated that formal amendments to current grants, as well as expired grants, may not be useful, but they will request this of grantees receiving future grants. SIGIR modified this recommendation related to cost category reporting to reflect the DRL comment.

## Ongoing and Planned Audits

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

## Ongoing Audits

SIGIR is currently working on these audits:

- Project 1006: Audit of Transaction Data for the Development Fund for Iraq
- Project 1004: Audit of the Sons of Iraq Program
- Project 1003: Audit of the Status of the Iraq Security Forces Fund
- Project 9030: Audit of Plans To Transition and Maintain Iraq Reconstruction Contract Files to Permanent Storage Facilities
- Project 9028: Audit of the Program Management Practices for the Iraqi Police Training Program
- Project 9026: Audit of the Commander's Emergency Response Program Projects within the Baghdad International Airport Economic Zone
- Project 9023: Audit on Projects To Develop the Iraqi Special Operations Forces
- Project 9019: Audit of Efforts Under a Stanley Baker Hill Contract To Address Deficiencies in U.S.-funded Health Projects
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

## Planned Audits

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

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations, designed to facilitate Iraq reconstruction
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available

for Iraq reconstruction. As part of that effort, SIGIR has completed 17 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing, and others are planned. These audits will increasingly focus on contracts funded by the ISFF and ESF.

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

## SIGIR Audits: 2004–2009

Since 2004, SIGIR has published 160 audit reports addressing a wide range of topics, such as oversight of contracts and specific reconstruction programs, as well as the cost and oversight of protective services contractors. Throughout its tenure, SIGIR audits have identified serious deficiencies in the management of contracts and reconstruction activities; made recommendations to improve economy and efficiency of U.S. operations and make activities less vulnerable to fraud, waste, and abuse; and provided lessons learned for use in other major reconstruction endeavors.

Much of SIGIR's audit results can be attributed to its significant and permanent presence in Iraq. This presence has enabled SIGIR to provide real-time audits—often starting and completing within six months—that address critical reconstruction issues. SIGIR's in-country audit activities also enable face-to-face communications and relationship building with DoD, DoS, and Iraqi officials and provide an in-depth and historical knowledge of the reconstruction program in the country.

SIGIR has worked proactively with previous and current U.S. ambassadors and commanding generals, providing insights on issues that need to be addressed. For example, in August 2009, SIGIR provided the commanding general and the U.S. ambassador information regarding areas that needed to be dealt with to ensure a smooth transition as reconstruction management shifts from DoD to DoS, as U.S. presence downsizes, and as the ministerial capacity of the Government of Iraq (GOI) increases.

External confirmation of SIGIR Audits' capabilities and commitment to professionalism occurred this past year as SIGIR underwent and passed the Council of Inspectors General on Integrity and Efficiency-mandated external peer review of its system of quality control. SIGIR received a clean opinion. SIGIR's peer review for the year ending July 31, 2009, was conducted by the National Science Foundation's Office of Inspector General in accordance with Government Auditing Standards and guidelines established by the Council of Inspectors General on Integrity and Efficiency. On November 20, 2009, Allison C. Lerner, Inspector General of the National Science Foundation, wrote, in pertinent part,

In our opinion, the system of quality control for the SIGIR audit organization in effect for the year ended July 31, 2009, has been suitably designed and complied with to provide SIGIR with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. SIGIR has received a peer review rating of *pass*...

This review found that SIGIR audits met all the requirements of Generally Accepted Auditing Standards as identified by the Comptroller General of the United States. SIGIR's Audits Directorate continues to monitor and oversee U.S. reconstruction activities in Iraq.

## Audits Have Addressed Major Issues and Recommended Numerous Improvements in the Management of Reconstruction Activities

In the course of its work, SIGIR has identified broad recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audits and lessons learned, which could be applicable to reconstruction in other contingency operations. Moreover, SIGIR has made 399 recommendations to improve reconstruction activities in Iraq, which encompass a wide array of management issues. Management has already agreed to and implemented 269 of these recommendations.<sup>455</sup> When taken together, this information provides an important starting point for managing reconstruction activities in a contingency environment.

To illustrate, in July 2008, SIGIR issued an audit report that identified four persistent issues affecting the management of reconstruction activities in Iraq:<sup>456</sup>

- **The need to better understand the problems associated with implementing reconstruction programs in an unstable security environment.** For example, security issues and their costs were often not adequately taken into consideration in designing and implementing reconstruction activities and estimating costs.
- **The impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects.** The lack of such unity of command led to situations where the U.S. government could not determine the full extent of all agencies activities on a single issue such as anticorruption or capacity development.
- **The importance of anticipating staffing needs and reducing staff turnover.**
- **Recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects.**

Additionally, SIGIR audits of contracts have pointed out numerous areas where contract management needed to be improved to provide better economy and efficiency and make the contract less vulnerable to fraud, waste, and abuse.

In response, SIGIR made recommendations to deal with these management problems. In a number of cases a single recommendation addressed more than one of the issues outlined above. To illustrate, SIGIR has provided:

- more than 150 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover
- more than 70 recommendations to improve interagency coordination and cooperation and to better share information
- more than 160 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 150 recommendations to improve accountability and internal control weaknesses, such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing
- more than 30 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that U.S. efforts will not be wasted

Additionally, SIGIR has provided recommendations to improve the management, efficiency, and outcome of essential, high-cost programs that will continue even as the U.S. reconstruction effort in Iraq scales back:

- SIGIR has issued seven reports and made 19 recommendations addressing the need to improve the management of the CERP. This \$3.65 billion program authorizes U.S. field commanders to use these funds to respond to relief and reconstruction requirements that

immediately assist indigenous populations and achieve focused effects.

- SIGIR has issued, to varying degrees, more than 25 reports—one this quarter—on U.S. efforts to develop functioning Iraqi Security Forces. This effort takes on increasing importance as the U.S. military footprint decreases and now that the principal agency created to implement this goal—the Multi-National Security Transition Command-Iraq—has been subsumed into the U.S. Forces-Iraq. SIGIR has made 54 recommendations regarding ministerial capacity development, oversight of weapons provided the ISF, asset transfer, use of CERP funds, anticorruption efforts, and other topics, including logistics, maintenance responsibilities, and security forces personnel training.

With the implementation of SIGIR's audit recommendations, agencies have made progress in improving their operations:

- DoS has made progress in its efforts to organize and implement an anticorruption program in Iraq.
- DoD improved its support for Iraq's ability to maintain and repair small arms issued to its security forces through a centralized armoring facility.
- DoD has improved the oversight and use of contractors in the Iraq reconstruction program.

Nevertheless, agencies have yet to implement a number of SIGIR recommendations addressing important issues. For example,

- **As early as 2006, SIGIR identified the need for greater coordination among agencies providing reconstruction assistance.** In January 2006, SIGIR recommended that the Commanding General, Multi-National Force-Iraq, direct program managers and subordinate commands to “coordinate plans and funding for the sustainment of large CERP construction projects and projects that have strategic value with DoS.”<sup>57</sup> That recommendation remains open,

and SIGIR continues to find examples of activities being conducted without coordinating with other U.S. assistance agencies.

- **DoD has yet to implement a number of recommendations to improve the management of ISFF to develop the ISF.** For example, as early as October 2006, SIGIR noted deficiencies in the planning and implementation of Iraqi police and military training programs and recommended that DoD identify Iraqi local and national police forces logistics personnel and Iraqi Army logistics personnel requirements and formulate a plan for training these personnel. Out of the 54 recommendations noted above, 24 remain open.
- **DoD also has yet to implement 13 of the 19 recommendations to improve management of the CERP program.** As such, problems continue in maintaining complete project records, in developing clear and precise criteria to select projects, and in transferring and sustaining large-scale projects.

SIGIR recommendations to improve the processes to transfer U.S.-built facilities to the GOI have also not been fully implemented; six of the ten recommendations remain open and deal with important issues, such as:

- establishing a single uniform process for the various agencies transferring completed reconstruction projects to the GOI
- completing an assessment of the GOI's capacity to maintain the transferred assets
- developing a plan, based on the assessment of GOI's capacity, to develop GOI's capacity to maintain transferred capacity.

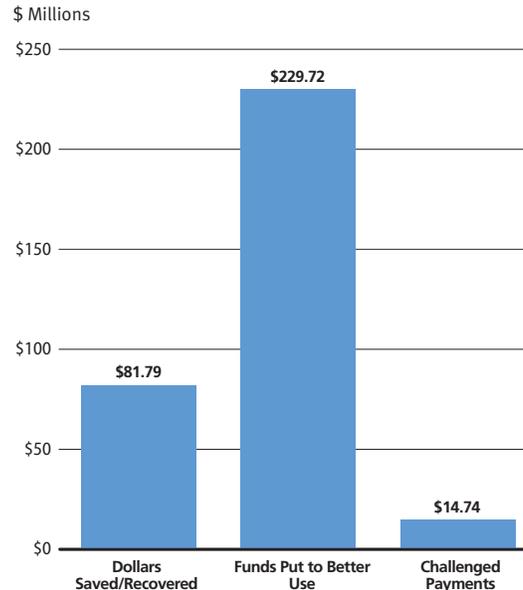
SIGIR also continues to identify specific instances where GOI sustainment of projects is at risk. All SIGIR audit reports can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## SIGIR Audits Have Had Major Impacts

SIGIR's audits have had major financial and non-financial impacts in improving the management of reconstruction programs in Iraq. Through January 31, 2010, SIGIR audits saved and recovered about \$81.79 million and improved the use of \$229.72 million in taxpayer funds (See Figure 4.2). SIGIR also challenged payments of \$14.74 million, including possible duplicative payments, overpayments, or payments for work that was not completed. Two-thirds of the funds saved emanated from recommendations regarding the equipment purchased for primary healthcare centers and the need for invoice review of the Iraqi police training program. SIGIR also determined that nearly \$200 million in funding for the police training program could be put to better use elsewhere. SIGIR continues to document ways to save additional funds. ♦

FIGURE 4.2

### IMPACT OF SIGIR AUDIT



## SIGIR INSPECTIONS

To date, SIGIR has completed 164 project assessments covering 152 project sites. This quarter, SIGIR completed five project assessment reports:

- Renovation of the Tomb of the Unknown Soldier
- Abu Ghraib Dairy
- Rabeaa Point of Entry Screening Facility
- Hammam Al Alil Division Training Center
- Hammam Al Alil Regional Training Center

These projects were funded by the Commander’s Emergency Response Program (CERP), the Iraq Freedom Fund (IFF), and the Iraq Security Forces Fund (ISFF). Of the five assessments, one was a sustainment assessment, and four were in-progress construction assessments.

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

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

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

Since the Inspections program began four years ago, SIGIR has also completed 96 limited on-site inspections and 846 aerial assessments.

Security continues to improve in Iraq, though the risk of violence still exists. SIGIR’s ability to conduct on-site assessments of reconstruction projects continues to be facilitated by the transportation, security escort, and life support provided to it by U.S. Forces-Iraq (USF-I) and the Gulf Region District and local project offices of the U.S. Army Corps of Engineers (USACE). While it has not been possible for SIGIR inspection teams to spend as much time on site at some of the project locations as would be possible for locations in the United States, every effort has been made to enable and assist SIGIR inspections.

TABLE 4.2  
**FIVE PROJECTS ASSESSED THIS QUARTER**  
 \$ Thousands

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Renovation of the Tomb of the Unknown Soldier	Sustainment	Baghdad	\$1,741	MNC-I	CERP	Bennett, Fouch, and Associates	Central
Abu Ghraib Dairy	Construction	Baghdad	\$3,400	TFBSO	IFF	Al Balagh Investments	Central
Rabeaa Point of Entry Screening Facility	Construction	Ninewa	\$3,110	GRN	ISFF	Biltex Construction Company	North
Hammam Al Alil Division Training Center	Construction	Ninewa	\$3,574	GRN	ISFF	Local	North
Hammam Al Alil Regional Training Center	Construction	Ninewa	\$5,029	GRN	ISFF	Local	North

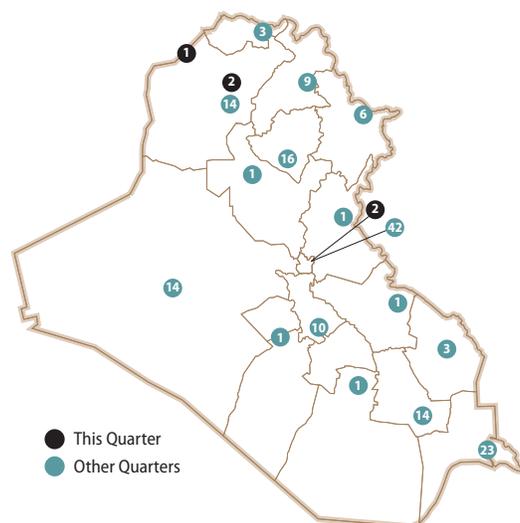
Results of this quarter’s assessments were similar to SIGIR’s findings in previous sustainment and construction assessments:

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

For a list of the project assessments that SIGIR completed this quarter, see Table 4.2. For a complete list of project assessments from previous quarters, see Appendix E.

Figure 4.3 shows the approximate location of each project assessed this quarter and in previous quarters.

FIGURE 4.3  
PROJECT ASSESSMENTS



Approximate locations of projects assessed this quarter and location by province of previous quarters’ assessments.

## SIGIR Project Assessments

This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, [www.sigir.mil](http://www.sigir.mil).

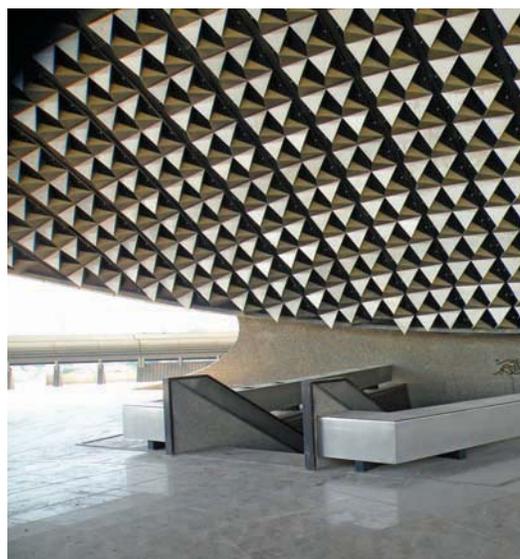
### *Renovation of the Tomb of the Unknown Soldier, Baghdad, Iraq*

SIGIR PA-09-168

The objective of this \$1.74 million CERP-funded project located in Baghdad was to fully renovate the Tomb of the Unknown Soldier monument and provide the Iraqi Military Honor Unit with ceremonial uniforms. At the time of SIGIR’s inspection, the project was complete and had been turned over to the Iraqis in 2006; however, the Iraq Reconstruction Management System (IRMS) listed the “Tomb of the Unknown Soldier” project as 75% complete.

#### Findings

After the fall of the Saddam Hussein regime in 2003, an important monument in Baghdad, the Iraqi Tomb of the Unknown Soldier, was looted



Interior of the Tomb of the Unknown Soldier.

and damaged. In 2006, the U.S. military awarded a contract under the CERP to fully renovate the landmark and provide the Iraqi Military Honor Unit with ceremonial uniforms.



Minaret at the Tomb of the Unknown Soldier.



Faulty step work at the Tomb of the Unknown Soldier.

SIGIR determined that the project file did not contain all documentation required by the contract and applicable CERP guidance, such as payment documentation and quality assurance reports. The lack of payment documentation resulted in confusion as to the amount of CERP funding disbursed for this project. Eventually, Multi-National Corps-Iraq representatives researched the Army's Standard Finance System and found that the actual amount paid to the contractor was \$1,740,772.

In addition, without quality assurance reports and project photographs, SIGIR could not determine the contractor's construction practices during the course of the project, the actual amount of work completed, or the condition of the project when it was completed.

The contract required installation of an oil proofing system to ensure that the fountain did not leak. This system was not installed, nor were damaged tiles replaced. The contract also required sodding of all garden sections with St. Augustine grass and planting of date palm trees, which was not done.

A summary of disbursements for the work performed indicates that on January 10, 2007, the civil works and landscaping portions of this

project were determined to be 100% complete and that the contractor was paid the entire \$476,000 for civil works and \$155,000 for landscaping. Because the contract statement of work (SOW) did not break down the individual cost of each civil works and landscaping element, SIGIR could not determine the actual value the contractor was paid for work not performed. Further, the summary of disbursements confirmed that the contractor was paid \$300,000 for uniforms and ceremonial weapons; however, the project file lacked documentation to verify the number of uniforms and ceremonial weapons provided to the Iraqi Military Honor Unit.

Based on SIGIR's site visit, review of available project file documentation, and discussions with Honor Unit personnel, SIGIR determined that although the project did not meet all the standards specified in the contract's SOW, the Iraqi Tomb of the Unknown Soldier has been significantly improved by the renovation project.

### Recommendations

SIGIR recommends that the Commanding General, Multi-National Force-Iraq (MNF-I), take these actions:

1. Update this project in IRMS with the most current information. Updates should include percentage complete, total construction cost, and date of completion.
2. Determine the value of contract-required work not performed and goods not provided by the contractor and recover this amount from the contractor.

### Management Comments

SIGIR received comments on its draft report from the MNF-I concurring with the recommendations in the report. MNF-I also provided technical comments for clarification.

### Evaluation of Management Comments

MNF-I comments addressed Recommendation 1. MNF-I's response to Recommendation 2 was that the contractor performed work for all of the \$1,740,772 it was paid. However, SIGIR noted civil work and landscaping work not performed by the contractor for which payment was made, as well as lack of documentation for the number of uniforms and ceremonial weapons provided to the Iraqi Military Honor Unit. SIGIR revised Recommendation 2 and requested MNF-I determine the value of contract-required work not performed and goods not provided by the contractor and recover this amount from the contractor.

### *Abu Ghraib Dairy, Abu Ghraib, Iraq*

*SIGIR PA-09-172*

The overall objective of this \$3.4 million Iraq Freedom Fund project was to rebuild the Iraqi State Company for Dairy Products—Abu Ghraib Dairy factory's production capability, satisfy the local market, and support the Ministry of Education's school nutrition program of providing Iraqi school children with pasteurized milk.

### Findings

Equipment to reconstitute powdered milk, purchased by the then-Saddam Hussein government



Entry door at the Abu Ghraib Dairy.

in 2002, had been sitting idle because the Iraqi State Company for Dairy Products did not have the funding to construct a building to house and operate the equipment.

A cooperative agreement, funded by the U.S. Task Force for Business and Stability Operations (TFBSO), to construct a building and to set up and operate the milk line equipment was entered into by the Joint Contracting Command-Iraq/Afghanistan and the State Company for Dairy Products. SIGIR's review disclosed that the contractor's design drawings lacked significant details for water supply and treatment and sewage treatment. In addition, SIGIR identified significant deficiencies in the building's structural integrity.

On April 12, 2009, SIGIR visited the project site, which was approximately 30% complete. SIGIR observed construction deficiencies, such as inadequately protected anchor bolts, improper concrete masonry construction, poorly constructed floor slab, and deformation of several of the roof trusses.

SIGIR immediately brought these concerns to the attention of TFBSO representatives who promptly engaged the services of the USACE Gulf



Welding work at the Abu Ghraib Dairy.



Inferior welds at the Abu Ghraib Dairy.

Region Division (GRD) to provide oversight of the contractor's corrective actions. GRD is determining the acceptability of proposed corrective actions and verifying implementation.

SIGIR, however, remains concerned about the state of the milk line equipment and whether it will be operational after sitting idle in a warehouse for more than seven years.

### Lessons Learned

A significant number of issues negatively affecting this project are a direct result of the use of a cooperative agreement versus a standard construction contract and the initial lack of U.S. government oversight. The cooperative agreement did not provide specific requirements to the contractor regarding design submittals and specifications, warranty clauses, and quality control; nor did it require the U.S. government to review the design submittals and specifications for accuracy and completeness or to provide construction oversight via a quality assurance program. The lack of design submittals and specifications review allowed the contractor to begin construction with an inadequate design that lacked significant details while the lack of quality assurance allowed the contractor to continue

construction without being required to correct deficient work.

Following discussions with SIGIR, TFBSO realized the above-mentioned limitations of the cooperative agreement and the impact of limited oversight of a construction project. Consequently, TFBSO representatives stated that when they recently awarded a contract for an open air market in Basrah, the contract contained specific requirements for design submittals and specifications. In addition, construction oversight will be enforced through the use of an external entity, such as USACE GRD, to promote quality construction.

### Recommendations

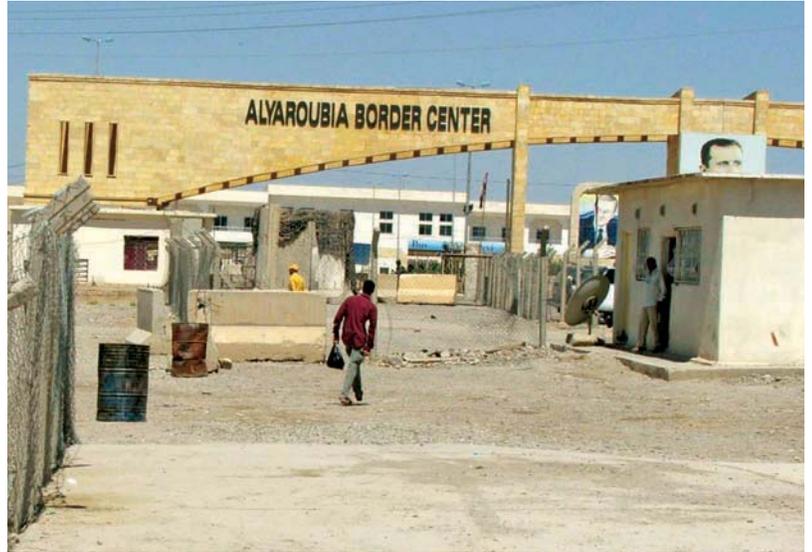
SIGIR recommends that USACE take these actions:

1. Continue oversight of the contractor's corrective actions.
2. Work with the contractor to develop specific details with respect to site utilities.

SIGIR also recommends that TFBSO continue to work with the Abu Ghraib Dairy Director General to determine the status of missing equipment and the award of the contract to install and commission the milk line equipment.



Improper masonry work at the Abu Ghraib Dairy.



Rabeaa Point of Entry.

### Management Comments

SIGIR received comments on the draft of this report from GRD and TFBSO concurring with the recommendations, citing corrective actions taken, and providing comments for clarity and accuracy of the report.

### Evaluation of Management Comments

SIGIR appreciates the concurrence by GRD and TFBSO with the draft report's recommendations. Their comments addressed SIGIR's recommendations, cited corrective actions taken, and provided additional clarifying information for this final report.

### *Rabeaa Point of Entry Screening Facility, Rabeaa, Iraq*

*SIGIR PA-09-173*

The objective of this \$3.1 million ISFF project was to provide a new 1,230 square meter single-story screening facility and multiple support structures, such as a water distribution system, septic system, electrical distribution system, and 1-megawatt generator, as well as the demolition of existing buildings.

### Findings

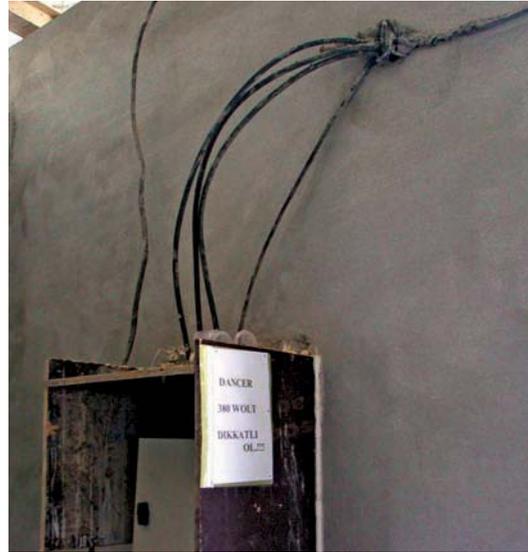
On May 17, 2009, SIGIR performed an on-site assessment of the Rabeaa Point of Entry Screening Facility project. A point of entry is a place where people lawfully enter a country. It typically has a staff that verifies passports and visas and inspects luggage to ensure that contraband is not imported. At the time of the site visit, the project was approximately 60% complete. SIGIR observed ongoing construction work, such as concrete formwork and preparation for concrete placement. SIGIR identified a number of construction deficiencies, including:

- construction that did not adhere to the contract's SOW
- construction that was not in compliance with design drawings
- defective construction
- safety concerns

The contractor's implementation of the quality control (QC) program and the U.S. government's application of the quality assurance (QA) program were not effective in monitoring this construction project.



Exterior work at the Rabeaa Point of Entry.



Faulty electrical wiring at the Rabeaa Point of Entry.

SIGIR discussed these issues with personnel from the USACE Mosul Area Office. Mosul Area Office representatives stated that the contractor would address these issues throughout the project, and corrective action would be taken.

Although SIGIR identified significant issues with this project, the actions that the Mosul Area Office indicated that they would take should remedy the identified deficiencies and should result in a new functioning Rabeaa Point of Entry Screening Facility.

**Recommendations**

SIGIR recommends that the USACE Mosul Area Office take these actions:

1. Review all areas of concern identified in SIGIR’s report by comparing actual field construction to SOW and design drawing requirements.
2. Determine if cost savings are due to the U.S. government for the approval of alternative materials and methods.
3. Require the contractor to repair any construction defects without cost increases to the U.S. government.
4. Enforce the contractor safety plan.

5. Implement controls to ensure that the procedures outlined in the QA and QC plans of the project are applied.

**Management Comments**

SIGIR received comments on its draft report from the Gulf Region District of USACE concurring with the recommendations and documenting corrective actions taken.

**Evaluation of Management Comments**

The comments addressed the issues identified in SIGIR’s recommendations. As a result, no additional comments are required.

***Hammam Al Alil Division Training Center, Mosul, Iraq***

*SIGIR PA-09-174*

The overall objective of this \$3.5 million ISFF project was to construct a division training center consisting of new ranges and facilities. The contract required the construction of three multi-purpose small-arms ranges, two military operation on urban terrain (MOUT) facilities, a combat assault



Faulty sandbags at the Hammam Al Alil Division Training Center.



Firing range at the Hammam Al Alil Division Training Center.

course, and 14 three-sided outdoor training structures. At the time of the site visit, the project was approximately 78% complete.

### Findings

On July 8, 2009, SIGIR performed an on-site assessment of the Hammam Al Alil Division Training Center project. SIGIR observed ongoing and completed construction work. SIGIR found:

- project components were adequately designed
- construction did not fully adhere to the contract
- quality management programs were in need of improvement
- project results were or will be consistent with their original objectives

The contract required the construction and installation of overhead baffles between the firing positions and the terminal end of the range. Overhead baffles were designed to contain all bullets that overshot the berm at the terminal end of the range. However, at the time of the SIGIR site assessment, there were no overhead baffles present.

The Mosul Area Office representative stated that the overhead baffles were constructed, but were of such poor quality that they were removed. Therefore,

the multi-purpose small-arms ranges went from being fully contained to non-contained ranges. Documentation that addressed the safety concerns of removing the overhead baffles was not available.

In addition, the contractor used precast concrete planks in several areas as footbridges over the swale constructed to convey runoff away from the range site. SIGIR observed a safety hazard where the contractor had not removed the rebar lifting lugs from the precast planks.

SIGIR determined that the QC and QA staff were not effective in achieving quality construction. The QC personnel did not maintain a presence on the job site or provide effective project management and oversight. The QA representative did not enforce the daily QC report requirements.

### Recommendations

SIGIR recommends that the Mosul Area Office of the USACE take these actions:

1. Conduct a ground safety study to determine the danger zone for the small-arms range and the MOUT facility, and provide this information to the Hammam Al Alil Division Training Center for planning to lessen the severity of any danger presented by the open range.



Mound behind firing range targets at the Hammam Al Alil Division Training Center.

2. Require the contractor to replace all deteriorating sandbags.
3. Ensure that the rebar lifting lugs are removed from panels that are used as footbridges.
4. Implement controls to ensure that the procedures outlined in the QA and QC plans of the project are applied.

#### Management Comments

SIGIR received comments on its draft report from USF-I concurring with the recommendations in the report and also providing technical comments for clarification.

#### Evaluation of Management Comments

The comments addressed SIGIR's recommendations and provided additional clarifying information for the final report.



Dormitory at the Hammam Al Alil Regional Training Center.

#### *Hammam Al Alil Regional Training Center, Mosul, Iraq*

*SIGIR PA-09-183*

The overall objective of this \$5 million ISFF project was to provide a new Iraqi Army Regional Training Center. The work consisted of new construction as well as renovation and upgrades of existing utilities, including enlisted barracks, latrines, potable water, wastewater management system, and power generation, as well as demolition of existing buildings, structures, and tents. Subsequent to the award of the original contract, the Iraqi Army decided not to increase the number of students at the facility. Therefore, a partial termination of the project was requested, and the contract requirements were reduced. The new barracks were not required; however, the contractor would perform repairs to the existing barracks building to allow for adequate heating and cooling. In addition, the contractor was to repave the existing roads and reconfigure the separate latrines into one single building. At the time of the site visit, the project was approximately 34% complete.



Pipework at the Hammam Al Alil Regional Training Center.



Hammam Al Alil Regional Training Center.

### Findings

On July 8, 2009, SIGIR performed an on-site assessment of the Hammam Al Alil Regional Training Center, located at Forward Operating Base Scorpion. The project site is approximately 15 miles south of Mosul, near the Tigris River. The site is relatively flat with little ground cover or vegetation, and contains several buildings along with existing utility facilities.

SIGIR determined that project components were adequately designed, the construction complied with the design standards, project sustainability was addressed, and project results to date were consistent with the original objectives.

The U.S. government QA program was effective in monitoring the contractor's QC program. The Mosul Area Office employed local Iraqi QA representatives to monitor field activities and complete daily QA reports. The daily reports documented the number of workers on site and the daily work performed. The QA representatives supplemented the daily reports with detailed photographs that reinforced the information provided in the reports. In addition, QA representatives maintained a deficiency tracking log that provided a description of the deficiency, location, and suggested corrective

action. The QA representatives did an effective job identifying and correcting construction deficiencies at the project site.

### Recommendations

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

### Management Comments

U.S. Central Command, USF-I, and the USACE provided a response to the draft report indicating that they had reviewed it, generally agreed with the facts as stated in the report, and had no comments to provide.

## Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, performs aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR

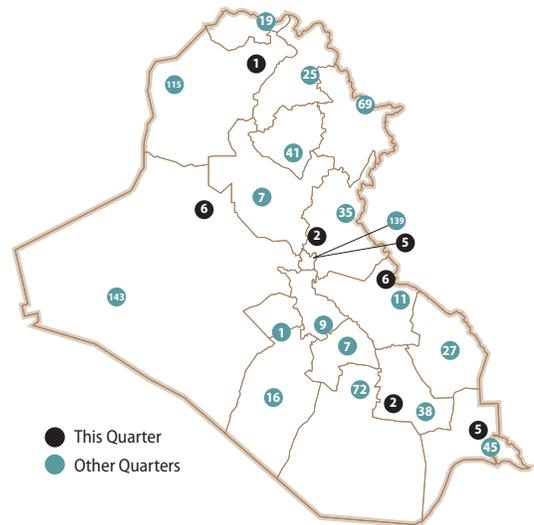
TABLE 4.3  
**IMAGERY ASSESSED THIS QUARTER  
 SUPPORTING SIGIR PROJECT ASSESSMENTS  
 AND OTHER DIRECTORATES**

PROJECT TYPE	NUMBER OF PRODUCTS
Zurbatiya Point of Entry Cargo Transload Area	6
Al Farabi School	4
Tomb of the Unknown Soldier	3
Basrah Modern Slaughter House	3
Thi Qar Bee Farm	2
Al Hadi Permanent Police Station	2
Al Qaim Electrical Mobile Substation	2
Haditha Dam Perimeter Security	2
Hammam Al Alil Regional Training Center	1
<b>Additional Products</b>	
Diyala Province—Al Wajihya PHC	1
Diyala Province—Hai Al Tahrir PHC	1

directorates—Inspections, Audits, and Investigations. This program has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 40 images and created 27 imagery products, using satellite imagery and limited contract information. Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. The 27 imagery products produced this quarter assisted inspectors with their project assessments of the 5 sites assessed this quarter and provided

FIGURE 4.4  
**AERIAL IMAGERY ASSESSMENTS**



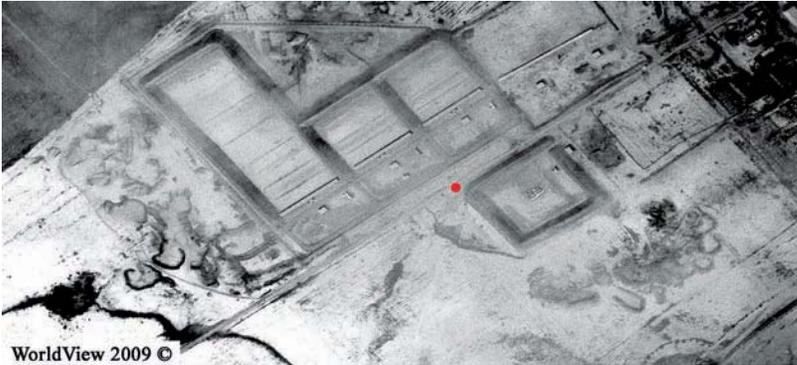
Approximate locations of SIGIR’s aerial imagery assessments conducted this quarter and the locations by province of assessments from previous quarters.

analyses of potential future sites. This quarter, the SIGIR imagery analyst assessed and reviewed projects funded by the IFF, ISFF, CERP, and other sources. For an overview of the imagery products produced this quarter, see Table 4.3.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 846 cumulative satellite imagery assessments and products. For an overview of the approximate locations of these assessments, see Figure 4.4. ♦



Aerial Imagery taken on April 22, 2008, of the Zurbatiya Point of Entry Cargo Transload Area (PA-09-187) to be assessed in a future quarter.



Aerial Imagery taken on April 16, 2009, of the Hammam Al Alil Regional Training Center site (PA-09-183).

## SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 113 open investigations. SIGIR has 5 investigative personnel assigned to Baghdad; 12 at SIGIR headquarters in Arlington, Virginia; and 16 in offices in Pennsylvania, North Carolina, Florida, Texas, Arizona, Ohio, Michigan, New York, and California. This quarter, SIGIR placed a special agent in Rome, New York, to support the Defense Finance and Accounting Service project, and placed an auditor in Phoenix, Arizona, to support investigations in the Southwest and West. To date, the work of SIGIR investigators has resulted in 26 arrests, 33 indictments, 25 convictions, and more than \$53 million in fines, forfeitures, recoveries, and restitution.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and work closely with prosecutors, U.S. partner investigative agencies, and Coalition partner investigators. As a result of SIGIR investigations, two defendants are pending indictment based upon arrest complaints, seven defendants are awaiting trial, and an additional four defendants are awaiting sentencing in a number of cases. For a comprehensive list of convictions compiled by the Department of Justice, see Table 4.4 at the end of this section.

SIGIR notes these investigative activities this quarter:

- A Criminal Information was filed charging a U.S. Army staff sergeant with money laundering as part of a larger bribery investigation.
- Major John Cockerham, Melissa Cockerham (his wife), Carolyn Blake (his sister), and Nyree Pettaway (his niece) were all sentenced in U.S. District Court for their participation in a bribery and money-laundering scheme related to bribes paid for contracts awarded in support of the Iraq war. The jail sentences ranged from 12 to

210 months, and the court-ordered restitution totaled more than \$19 million.

- A U.S. Army captain pled guilty in U.S. District Court to the theft of government property and structuring financial transactions involving approximately \$690,000 in CERP funds.
- A former U.S. Army colonel was sentenced to five years in prison for his role in a bribery conspiracy in Hilla, Iraq.
- A former DoD contracting officer was sentenced to 110 months in prison for filing false income tax returns in which he failed to report more than \$2.4 million in income.
- The husband of a former U.S. Army officer was sentenced for laundering stolen money from Iraq.
- A retired U.S. Army major was sentenced to 57 months in prison for his role in a bribery scheme involving DoD contracts.
- A Coalition partner citizen was arrested for money laundering involving a Coalition Provisional Authority contract.
- A U.S. Army major was arrested after being indicted and charged with bulk cash smuggling and making false statements.
- A former U.S. Army lieutenant colonel was sentenced to 42 months in prison for his role in a bribery conspiracy in Hilla, Iraq.

### Criminal Information Filed Charging U.S. Army Staff Sergeant with Money Laundering

On November 2, 2009, a criminal information was filed in the U.S. District Court, San Antonio, Texas, charging a U.S. Army staff sergeant with one count of money laundering. The criminal information reflected that, from about January to October 2004,

the staff sergeant was assigned to Logistical Support Area (LSA) Anaconda, a military installation near Balad, Iraq, established in 2003 to support U.S. military operations in Iraq.

The criminal information reflects that from about April 2004 to about August 2005, Person A was employed by the Army and deployed to LSA Anaconda as a contracting officer. Funding sources for contracts awarded at LSA Anaconda included CERP, IRRF, and U.S. Army O&A funds. During this same period, Person A accepted illicit and secret bribe payments from foreign companies seeking to secure Army contracts, and, in return, Person A used his official position at LSA Anaconda to, among other things, steer Army contracts to these foreign companies. Person A accepted hundreds of thousands of dollars in this criminal scheme.

The criminal information further reflects that from about August 2004 to about February 2005, Person A transferred a portion of the bribe payments he received—approximately \$31,800 in cash—to the staff sergeant. She then deposited these funds into a domestic bank account and subsequently used these funds to purchase, among other things, a car, cosmetic surgery, and household furnishings.

This investigation is being conducted jointly by SIGIR, the U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), Defense Criminal Investigative Service (DCIS), Internal Revenue Service (IRS), and Federal Bureau of Investigation (FBI).

## Army Officer, Wife, and Relatives Sentenced in Bribery and Money Laundering Scheme

A former U.S. Army contracting officer, his wife, his sister, and his niece were sentenced in U.S. District Court, San Antonio, Texas, on December 2, 2009, for their participation in a bribery and money laundering scheme related to bribes paid for contracts awarded in support of the Iraq war.



Former Maj. John Cockerham is escorted into federal court for sentencing. He was convicted of taking \$9.6 million in bribes from military contractors. (Photo by Shaminder Dulai. Copyright 2009 *San Antonio Express-News*, reprinted with permission.)

The individuals were sentenced as follows:

- John L. Cockerham, 43, a former major in the U.S. Army, was sentenced to 210 months in prison. He also was ordered to serve three years of supervised release following the prison term and to pay \$9.6 million in restitution.
- Melissa Cockerham, 43, John Cockerham's wife, was sentenced to 41 months in prison. She also was ordered to serve three years of supervised release following the prison term and to pay \$1.4 million in restitution.
- Carolyn Blake, 46, John Cockerham's sister, was sentenced to 70 months in prison. She also was ordered to serve three years of supervised release following the prison term and to pay \$3.1 million in restitution.
- Nyree Pettaway, 36, John Cockerham's niece, was sentenced to 12 months and 1 day in prison. She also was ordered to serve two years of supervised release and to pay \$5 million in restitution.

John Cockerham pled guilty in February 2008 to conspiracy, bribery, and money laundering for his participation in a complex bribery scheme while working as an Army contracting officer in 2004 and 2005. Cockerham was responsible for awarding contracts for services to be delivered to troops in Iraq. Cockerham admitted that in return for awarding contracts, he received more than \$9 million in bribe proceeds. Once Cockerham agreed to take money in exchange for awarding

contracts, he directed the contractors to pay his wife and sister, among others, in order to conceal the receipt of bribe payments.

Melissa Cockerham pled guilty in February 2008 to money laundering for accepting \$1.4 million on John Cockerham's behalf, and she admitted storing the money in safe deposit boxes at banks in Kuwait and Dubai. Carolyn Blake pled guilty in March 2009 to money laundering for accepting more than \$3 million on John Cockerham's behalf, and she admitted storing the money in safe deposit boxes at banks in Kuwait. Blake also admitted that she intended to keep 10 percent of the money that she collected. Both Melissa Cockerham and Carolyn Blake also admitted that they obstructed justice by impeding and obstructing the investigation.

Nyree Pettaway pled guilty in July 2009 to conspiring with John Cockerham, Carolyn Blake, and others to obstruct the investigation of money laundering related to Cockerham's receipt of bribes. Pettaway admitted that Cockerham solicited her help in creating cover stories for the millions of dollars he received and in returning \$3 million in cash to co-conspirators for safekeeping. Pettaway also admitted that she traveled to Kuwait in January 2007, received the cash from Blake, and gave it to others to hold for Cockerham. To date, the United States has recovered more than \$3 million in bribe proceeds.

This investigation is being conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, Immigration and Customs Enforcement (ICE), and FBI.

## U. S. Army Captain Pleads Guilty to Theft of Government Property and Structuring Financial Transactions Related to CERP Funds

On December 7, 2009, Captain Michael Dung Nguyen pled guilty in U.S. District Court, Portland, Oregon, to the crimes of theft of government property and structuring financial transactions.



Nyree Pettaway leaves the John H. Wood, Jr. Federal Courthouse. The niece of Fort Sam Houston-based Army Maj. John Cockerham pled guilty to conspiracy to obstruct justice. Pettaway, of suburban Houston, admitted helping Cockerham cover up evidence of \$15 million in bribes that he expected to get for steering bottled-water contracts to companies in Kuwait. (Photo by Nicole Frugé. Copyright 2009 *San Antonio Express-News*, reprinted with permission.)

In pleading guilty to the offenses, Nguyen admitted that while on deployment to Iraq, he stole and converted to his own use approximately \$690,000 in U.S. currency. Nguyen gained access to the currency in his capacity as the project purchasing officer in the 1st Battalion, 23rd Infantry Regiment of the U.S. Army. The currency was derived from Commander's Emergency Response Program (CERP) funds. CERP funds are the property of the United States and are managed by DoD. The currency was intended as payment for security contracts with the Sons of Iraq as well as humanitarian relief and reconstruction programs.

Nguyen transported the stolen currency into the United States by mailing it to himself at his family's Oregon residence before his return from Iraq. Shortly after he returned from Iraq, Nguyen opened new bank accounts at Bank of America, Washington Mutual Bank, America's Credit Union, and Heritage Bank, and proceeded to deposit \$387,550 of the stolen CERP currency into those accounts in Oregon and elsewhere. Between June 9, 2008, and September 26, 2008, Nguyen made repeated deposits of stolen currency in a manner that was intended to evade federal reporting requirements for the deposit of large amounts of money.

After depositing the money in the accounts, Nguyen purchased a 2008 BMW and a 2009

Hummer H3T, in addition to purchasing computers, firearms, electronics, and furniture. During the execution of a search warrant, investigators discovered more than \$300,000 in stolen CERP currency hidden in the attic of Nguyen's Portland family home.

Nguyen is scheduled to be sentenced on March 1, 2010. In addition to pleading guilty, Nguyen agreed to forfeit all the stolen currency, as well as all of the personal property purchased with the stolen funds.

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

As a result of this investigation, SIGIR's Audits Directorate announced the audit of the Sons of Iraq Program (Project No. 1004) to determine the cost, outcome, and oversight of efforts to train and equip the Sons of Iraq using funds from the Commander's Emergency Response Program.

## Two Former U.S. Army Officers and the Husband of Another Sentenced for Their Roles in Bribery Conspiracy in Hilla, Iraq

As of January 21, 2010, the last remaining defendants resulting from SIGIR's investigation of the "Bloom-Stein Conspiracy" have been sentenced to prison. In all, this investigation led to the imprisonment of eight conspirators, with the final three being sentenced in December 2009 and January 2010.

The investigation began with a whistleblower complaining to SIGIR about contracting irregularities at the Coalition Provisional Authority-South Central Region (CPA-SC) in Hilla, Iraq. SIGIR auditors subsequently found that contract awards to Phillip Bloom for construction work at police academies in Hilla and Babylon, and a library in Karbala, involved inflated charges, the circumvention of CPA regulations, improper disbursements, and work that had not been performed.

The resultant investigation uncovered a massive bribery, fraud and money laundering scheme,

involving the theft of millions of dollars from the CPA in Iraq, all of which occurred during Robert Stein's tenure as the comptroller for the CPA-SC. Shortly after assuming the position of comptroller, Stein met Bloom, a U.S. citizen who owned and operated several businesses in Iraq and Romania. From December 2003 until December 2004, with the assistance of other complicit CPA-SC personnel, Stein used a rigged bidding process that resulted in approximately 20 construction contracts being awarded by the CPA-SC to Bloom's companies. In total, Bloom received more than \$8.6 million in rigged contract awards. In return, Bloom provided his co-conspirators with payments of more than \$1 million in cash, expensive vehicles, business class airline tickets, computers, jewelry, promises of employment, and other items of value. Bloom also laundered in excess of \$2 million in cash that had been stolen from the vault at the CPA-SC. Bloom used his bank accounts in Romania and Switzerland to send the stolen funds to his co-conspirators. The stolen funds were also used to purchase weapons, including machine guns, assault rifles, grenade launchers and silencers, which the conspirators converted to their personal use in the U.S.

The initial phase of this investigation was conducted by SIGIR special agents in Iraq, with support from SIGIR auditors and inspectors. Subsequent casework in the United States was conducted by SIGIR, IRS, and ICE with some assistance from other federal agencies. The conspirators were prosecuted by trial attorneys of the Public Integrity Section, Criminal Division, U.S. Department of Justice.

### Former U.S. Army Colonel Sentenced

On December 8, 2009, Curtis Whiteford, a former colonel in the U.S. Army Reserve, was sentenced in U.S. District Court, Trenton, New Jersey, to five years in prison. Whiteford was also ordered to pay \$16,200 in restitution and to serve two years of supervised release following his prison term.

Along with former U.S. Army Lt. Col. Debra Harrison, former U.S. Army Reserve Lt. Col. Michael Wheeler, and civilian William Driver,

Whiteford was charged in a 25-count indictment unsealed on February 7, 2007, with various crimes related to a scheme to defraud the CPA-SC. Whiteford was the second-most senior official and highest ranking military officer at CPA-SC in Hilla. On November 7, 2008, a federal jury convicted Whiteford of conspiracy to commit bribery and the interstate transport of stolen property. Harrison pled guilty on July 28, 2008, to one count of honest services wire fraud for her role in the scheme, and was sentenced on June 4, 2009, to 30 months in prison, followed by two years of supervised probation, and to pay \$366,640 in restitution.

### **Husband of Former Army Officer Sentenced for Laundering Money Stolen from Iraq**

On December 11, 2009, William Driver, a New Jersey accountant, was sentenced in U.S. District Court for the District of New Jersey in Trenton for laundering portions of more than \$300,000 acquired as part of his role in the Bloom-Stein conspiracy. The funds were stolen from the CPA in Iraq and brought back to the United States by his wife, Debra Harrison. From April through June 2004, Harrison was the deputy comptroller and acting comptroller of CPA-SC. At the plea hearing, Driver admitted that Harrison stole money from the CPA-SC and transported it to their home in Trenton. Driver then contracted a home improvement company to build a deck on their home; from October through December 2004, he and Harrison used the stolen cash to make four payments of \$9,000 each to the contractor. Driver also admitted that he and his wife made cash payments to evade transaction-reporting requirements when the contractor deposited the funds at a bank.

Driver was sentenced to six months home confinement, three years probation and ordered to pay a \$100 special assessment and \$36,000 in restitution. The judge commented during the sentencing that she took into account that, as a consequence of his guilty plea, Driver lost his job and pension with the State of New Jersey.

### **Former U.S. Army Colonel—the Eighth and Final Defendant Sentenced**

On January 21, 2010, Michael Wheeler, a former U.S. Army lieutenant colonel and the eighth and last remaining defendant to be sentenced as part of the investigation, was sentenced in U.S. District Court, Trenton, New Jersey, to 42 months in prison. Wheeler was also ordered to pay \$1,200 in restitution and a \$100 special assessment, and to serve three years of supervised release following his prison term. Wheeler was convicted of conspiracy to commit bribery, honest services wire fraud, the interstate transport of stolen property, and possession of unregistered firearms.

### **Former DoD Contracting Officer Sentenced to 110 Months in Prison for Filing False Tax Returns**

On December 10, 2009, Tijani Ahmed Saani, a former civilian employee of the U.S. Department of Defense (DoD), was sentenced to 110 months in prison for filing false tax returns in which he failed to report more than \$2.4 million in income. Saani was also ordered to pay a \$1.6 million fine and serve one year of supervised release following his prison term. Saani was also ordered to pay \$816,485 in restitution to the IRS.

Saani, a former resident of Kuwait City, Kuwait, and dual U.S./Ghanaian citizen, pleaded guilty on June 25, 2009, to five counts of filing false tax returns, one for each tax year from 2003 through 2007. According to court documents, Saani admitted failing to report at least \$2.4 million in taxable income during this time, while he served in Kuwait as a contracting officer for the DoD. According to the indictment to which Saani pled guilty, he worked on detail from 2002 until 2007 at Camp Arifjan, Kuwait. Saani also admitted he failed to report his ownership interest in foreign bank accounts in five different countries, including Ghana, Switzerland, the Jersey Channel Islands,

the Netherlands, and the United Kingdom. Saani used these accounts to help conceal his unreported income, and to send and receive wire transfers totaling more than \$3.5 million.

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

## **Retired U.S. Army Major Sentenced to 57 Months in Prison for Role in Bribery Scheme Involving DoD Contracts**

On December 16, 2009, Christopher H. Murray, a retired major in the U.S. Army, was sentenced in U.S. District Court, Columbus, Georgia, to 57 months in prison, and ordered to pay \$245,000 in restitution, and to serve three years of supervised release following the prison term for his role in a bribery scheme related to DoD contracts awarded in Kuwait.

Murray pled guilty in January 2009 to a criminal information charging him with four counts of bribery and one count of making a false statement. In 2005 and 2006, according to the court documents, then-Major Murray served as a contracting specialist in the small purchases branch of the contracting office at Camp Arifjan, Kuwait. As a contracting specialist, Murray was responsible for soliciting bids for military contracts, evaluating the sufficiency of those bids, and then recommending the award of contracts to particular contractors. In this capacity, Murray solicited and received approximately \$225,000 in bribes from DoD contractors in exchange for recommending the award of contracts for various goods and services.

According to court documents, Murray returned to Kuwait in fall 2006 as a contracting officer and solicited and received another \$20,000 in bribes from a DoD contractor in exchange for the award of a construction contract. When confronted with evidence of his criminal conduct, Murray made false statements to federal agents (SIGIR, DCIS, and CID-MPFU) investigating the matter.

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

## **Coalition Partner Citizen Arrested for Money Laundering Involving a CPA Contract**

An ongoing joint investigation by SIGIR, Coalition-partner criminal investigative personnel, and DCIS has led to the arrest of a citizen of the Coalition-partner country. Because of the sensitivity of the investigation, SIGIR will not identify at this time the Coalition partner involved.

The investigation involves an \$8.4 million contract awarded by the CPA. It is alleged as a result of the investigation that the contractor provided false documentation in order to receive full payment for the contract and failed to deliver any items under the terms of the contract. The Coalition-partner citizen arrested was the chief executive of one of the companies involved in this investigation.

## **U.S. Army Major Arrested after Being Indicted for Bulk-Cash Smuggling and Making False Statements**

A U.S. Army major was arrested on January 11, 2010, following an indictment by a federal grand jury in Memphis, Tennessee. The indictment, originally returned on January 5, 2010, was unsealed after the arrest charging the major with bulk-cash smuggling and making false statements to a federal agency. According to the indictment, in January 2005, the major smuggled in excess of \$100,000 in currency, concealed in a Federal Express package, into the United States from Iraq, and failed to declare that he imported the money. As alleged in the indictment, from August 2004 through February 2005, the major was deployed to Balad Regional Contracting Center at Logistical Support Area (LSA) Anaconda in Iraq. LSA Anaconda is a

U.S. military installation established in approximately 2003 to support U.S. military operations in Iraq. While deployed to LSA Anaconda, the major served as a contracting officer. Funding sources for contracts awarded at LSA Anaconda included CERP, IRRF, and U.S. Army O&A funds.

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

The indictment also contains a criminal forfeiture allegation. Specifically, if convicted of the bulk-cash smuggling charge, the major would be ordered to forfeit all the money he is alleged to have concealed in the package.

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

## Suspension and Debarment

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

To date, the Army has suspended 88 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait. A total of 96 individuals and companies have been proposed for debarment, resulting in 78 finalized debarments, ranging in duration from 9 months to 10 years. PFB is aggressively pursuing additional companies and individuals involved with fraud associated with Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions expected during 2010. Cases originating in Afghanistan—previously listed with cases originating in Iraq, Kuwait, and other locations in Southwest Asia—were removed from PFB's submissions to SIGIR in the third quarter of 2009 and are now included in the quarterly report produced by the Special Inspector General for Afghanistan Reconstruction (SIGAR).

For a list of debarments, see Table 4.5. For a complete list of suspensions and debarments, see Appendix F. ♦

TABLE 4.4  
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Michael D. Nguyen	Theft and Structuring Financial Transactions	12/7/2009	Pending
Ronald Radcliffe	Bribery and Money Laundering	10/16/2009	Pending
Joselito Domingo	Bribery	11/19/2009	Pending
Gloria Martinez	Bribery and Conspiracy	8/12/2009	Pending
Robert Jeffery	Conspiracy and theft	8/11/2009	Pending
William Driver	Money Laundering	8/5/2009	3 years probation, to include 6 months home confinement; \$36,000 restitution
Nyree Pettaway	Conspiracy to Obstruct Justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	Pending
Robert Young	Conspiracy and theft of Government Property	7/24/2009	97 months in prison, 3 years supervised release; forfeiture of \$1 million; and restitution of \$26,276,472
Samir Itani	Conspiracy	7/21/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 in restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert George	Theft of government property; conspiracy	5/18/2009	Pending
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	Pending
Frederick Kenvin	Conspiracy	4/30/2009	Pending
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	Pending
Jeff Alex Mazon, Contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	Pending
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	Pending
Harith al-Jabawi, Contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison; \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; \$100 special assessment

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
David Ramirez, Contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; \$200 special assessment
Lee Dubois, Contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; \$100 special assessment
Robert Bennett Contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	Pending
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison; 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; \$9.6 million restitution.
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; \$1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	Pending
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; \$200,504 restitution
Jesse Lane, USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison; \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison; \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; \$100 assessment

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Sgt. Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; \$100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, Employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served; 2 years supervised release
Gheevarghese Pappen, USACE Civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; \$144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; \$100 special assessment
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; \$1,400 assessment
	Witness Tampering	8/10/2009	Pending
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; \$300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; \$200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; \$500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; \$200 assessment

TABLE 4.5  
DEBARMENT LIST

NAME	DEBARRED
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon, Ltd. LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos L. Chavez	1/30/2009
Darryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008

Continued next column

NAME	DEBARRED
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
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.

### Fourth Quarter Reporting

As of December 31, 2009, the SIGIR Hotline had initiated 780 cases. Of these cases, 718 have been closed, and 62 remain open. For a summary of these cases, see Table 4.6.

### New Cases

During this reporting period, the SIGIR Hotline received 30 new complaints, bringing the cumulative total to 780 Hotline cases. The new complaints were classified in these categories:

- 15 involved contract fraud.
- 7 involved personnel issues.
- 5 involved waste.
- 2 involved mismanagement.
- 1 involved abuse.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and electronic mail. Of SIGIR's 30 new Hotline complaints, 15 were received through electronic mail, 13 by the SIGIR website, 1 by telephone, and 1 by walk-in.

### Closed Cases

During this quarter, SIGIR closed 25 Hotline cases:

- 1 was closed by SIGIR Investigations.

TABLE 4.6  
SUMMARY OF SIGIR HOTLINE CASES, AS OF 12/31/2009

OPEN CASES					
Investigations					51
Audits					10
Inspections					1
<b>Total Open</b>					<b>62</b>
CLOSED CASES					
	1ST QTR 2009	2ND QTR 2009	3RD QTR 2009	4TH QTR 2009	CUMULATIVE*
FOIA	0	0	0	0	4
OSC Review	0	0	0	0	2
Assists	0	0	0	0	46
Dismissed	2	1	2	1	129
Referred	11	8	13	23	325
Inspections	0	0	0	0	79
Investigations	1	3	37	1	117
Audits	4	0	3	0	16
<b>Total Closed</b>	<b>18</b>	<b>12</b>	<b>55</b>	<b>25</b>	<b>718</b>
<b>Cumulative* Open &amp; Closed</b>					<b>780</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 12/31/2009.

- 23 were referred to other inspector general agencies.
- 1 was dismissed for lack of information.

### Referred Complaints

After a thorough review, SIGIR referred 23 complaints to outside agencies for proper resolution:

- 6 were sent to the U.S. Army Office of Inspector General.
- 6 were sent to the Joint Contracting Command-Iraq/Afghanistan.
- 5 were sent to the Department of Defense Office of Inspector General.
- 3 were sent to the Department of State Office of Inspector General.
- 2 were sent to the U.S. Forces-Iraq Office of Inspector General.
- 1 was sent to the U.S. Agency for International Development Office of Inspector General. ♦

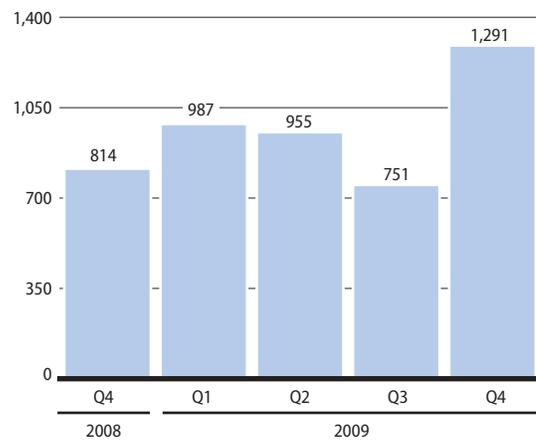
## SIGIR WEBSITE

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

- More than 118,000 users visited the SIGIR website—about 1,300 users per day.
- The Arabic language section of the site received 811 visits.
- The most frequently downloaded documents were SIGIR’s most recent Quarterly Reports.

For an overview of daily visits to the SIGIR website, see Figure 4.5. ♦

FIGURE 4.5  
AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, AS OF 12/31/2009



Source: DoD, IMCEN, response to SIGIR data call, 1/13/2010.

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## LEGISLATIVE UPDATE

On December 16, 2009, the President signed Public Law 111-117, the Consolidated Appropriations Act, 2010, which contains several items related to SIGIR and to Iraq's reconstruction more generally. Those provisions are included in the act's Division F, which is designated as the Department of State, Foreign Operations and Related Programs Appropriations Act, 2010, and will be referred to in this section as the State/Foreign Operations Appropriations Act.

On December 19, 2009, the President signed Public Law 111-118, the Department of Defense Appropriations Act, 2010, which also contained provisions related to Iraq's reconstruction.

### State/Foreign Operations Appropriations Act

#### SIGIR Funding

The Consolidated Appropriations Act includes an additional \$23 million for SIGIR operations in FY 2010 (for a total of \$30 million).

The conference report states:

The Inspectors General of the Department of State, USAID, SIGIR, and SIGAR each have independent oversight and investigative responsibilities in Iraq and Afghanistan. The Inspectors General should, to the maximum extent practicable, coordinate, and de-conflict all activities related to oversight and investigation of assistance programs for the reconstruction of Iraq and Afghanistan to ensure that resources are used effectively and are not unnecessarily duplicative.

The conferees understand that SIGIR will use a portion of the funds made available in fiscal years 2009 and 2010 to make short-term appointments of experienced, career prosecutors and detail them to the Criminal Division of the Department of Justice, where they will work on cases that fall within SIGIR's jurisdiction. The conferees strongly support efforts by SIGIR and the Department of Justice to investigate and prosecute cases of fraud and criminal activity associated with assistance programs in Iraq.

#### Other Funding Provisions

The State/Foreign Operations Appropriations Act provides additional funding, not to exceed \$466.8 million, for Iraq's reconstruction. (This ceiling does not apply to funds for Iraq that may be derived through regional funding within individual appropriations accounts.)

The conference report provides specific allocations by program for Iraq, including up to \$382.5 million for the Economic Support Fund (ESF). The conference report further provides that from the ESF, \$5 million should be provided to the Marla Ruzicka Iraqi War Victims Fund, \$50 million for the Civilian Assistance Program, \$126 million for "Democracy and Civil Society," of which \$10 million should be for the Iraqi women's democracy initiative, \$50 million for USAID's Ministerial Capacity Development program, and \$10 million for Iraqi minority populations.

The conferees state that the GOI should assume full responsibility for support of ministerial capacity development programs in the future.

With respect to the allocation for assistance to minority populations, the conferees refer specifically to "religious groups in the Nineveh Plains region" and direct the Secretary of State to submit a report within 90 days of the date of enactment of the Act on the "unique needs of minority populations in Iraq, including security requirements, organizations that have received funding from the Department of State and USAID for programs to assist such populations, and the total amount of funds provided for such purposes."

The conference report also calls for up to \$52 million for the International Narcotics Control and Law Enforcement (INCLE) account. The conferees direct that none of those funds be used for new construction.

In addition, unspecified amounts are permitted to be allocated for Iraq from the Non-proliferation,

Anti-terrorism, Demining, and Related Programs (NADR) account and International Military Education and Training (IMET) program and, possibly, other programs. The statutory ceiling for Iraq of \$466.8 million will accommodate both the requested levels of \$30.3 million for NADR and \$2 million for IMET, as well as the amounts allocated for ESF and INCLE.

The conferees indicate their concern about security costs and their relation to benefits of programs conducted in Iraq and ask that the Department of State and USAID consult jointly about the decision-making processes used to compare those costs and benefits.

### General Provisions

The act provides that “[n]one of the funds made available in this Act may be used by the Government of the United States to enter into a permanent basing rights agreement between the United States and Iraq.”

The act continues previous requirements that funds appropriated for assistance for Iraq shall be made available, to the maximum extent practicable, in a manner that utilizes Iraqi entities and in accordance with the Department of State’s April 9, 2009, “Guidelines for Government of Iraq Financial Participation in United States Government-Funded Civilian Foreign Assistance Programs and Projects.”

A general provision (not specifically related to Iraq) requires:

the Secretary of State to maintain a list of officials of foreign governments and their immediate family members who the Secretary has credible evidence have been involved in corruption relating to the extraction of natural resources, and to submit a report to the Committees on Appropriations summarizing such evidence for each individual on the list. The conferees note that past reports have been deficient and direct that future reports provide the required information, in a classified form if necessary. Any individual on the list shall be ineligible for admission to the United States. The conferees, recognizing the need to broaden sanctions against those who engage in corrupt practices, direct the Secretary to urge other governments to take similar steps.

The act does not include a former provision of Public Law 111-8 (section 7042), applicable to prior

years, which made certain funds for assistance to Iraq “available only to the extent that the Government of Iraq matches such assistance on a dollar-for-dollar basis.”

## Department of Defense Appropriations Act

During the consideration of the Department of Defense Appropriations Act, 2010, the Chairman of the House Subcommittee on Defense, Representative Murtha, caused an “explanatory statement” to be printed in the Congressional Record, which, according to section of 8124 of the act, is to be treated as if it were a joint explanatory statement of a conference committee.

### CERP

The act does not provide any funds for Iraq reconstruction other than through the Commander’s Emergency Response Program (CERP). Up to \$1.2 billion is allocated from Operations and Maintenance, Army, for the CERP, of which \$200 million is allocated for use in Iraq by the explanatory statement.

The act requires that \$500 million of the \$1.2 billion be withheld from availability pending the completion and submission of a “thorough review” of the CERP. It does not specify whether the funds need to be withheld from use in either Iraq or Afghanistan.

The explanatory statement further provides:

This report shall include: the process by which CERP budget requests are generated and justified; existing management and oversight of CERP funds and contracts by the Department of the Army, the Undersecretary of Defense, Comptroller, and U.S. Central Command; the number of personnel required and the number of personnel currently deployed to Afghanistan with Joint Contracting Command and U.S. Forces–Afghanistan specifically in support of CERP; a separate assessment for Iraq and Afghanistan of the goals, purpose and expected requirement for CERP funds in the coming year; the coordination process of projects with other U.S. government agencies and Non-Governmental Organizations carrying out projects in Iraq and Afghanistan; the requirements for the sustainment

of projects carried out under CERP; the procedures for ensuring that projects carried out under CERP are coordinated with the host governments and local community leaders; and the process and systems for tracking projects carried out under CERP. Additionally, the Secretary of Defense is directed, as part of the program review, to report on the advisability of establishing a program office for CERP to be responsible for the development of budgets, strategic plans, program controls, requirements for program coordination, and standards for training.

## Restrictions on the Use of Funds

The act continues provisions prohibiting the use of appropriated funds “to establish any military installation or base for the purpose of providing for the permanent stationing of United States Armed Forces in Iraq,” or “to exercise United States control over any oil resource of Iraq.”

## Medical Treatment for Contractors

The explanatory statement, addressing a “concern that American workers are not getting reasonable medical treatment for injuries they have suffered while working in a combat zone,” urges the Department of Defense:

to encourage Federal contractors to provide access to the most effective treatment available for injuries suffered while working outside the United States in support of military operations, including Operation Iraqi Freedom . . . ; and encourage Federal contractors performing a Federal contract outside the United States to ensure that American workers performing the contract receive the same benefits for injuries suffered outside the United States that they would receive if they were working within the United States. ♦