

SIGIR OVERSIGHT

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SECTION

5

SIGIR AUDITS

Since March 2004, SIGIR has issued 182 reports. From November 1, 2010, to January 31, 2011, SIGIR issued five audits addressing a wide range of reconstruction issues. They included:

- a report addressing concerns regarding GOI sustainment of the Iraqi International Academy
- a report on the status of IRRF 1 funds appropriated for Iraq relief and reconstruction
- a report addressing concerns over the loss of electronic data from the Deployable Disbursing System
- a report addressing DoD’s inability to reconcile Commander’s Emergency Response Program data
- a report on the management of the Sons of Iraq program

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

SIGIR currently has 18 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

TABLE 5.1
SIGIR AUDIT PRODUCTS SINCE 10/31/2010

REPORT NUMBER	REPORT TITLE	DATE ISSUED
11-007	Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Canceled Funds	1/2011
11-008	Interim Report: Action Needed To Address Missing Deployable Disbursing System Data	1/2011
11-009	Iraqi Government Support for the Iraqi International Academy	1/2011
11-010	Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak	1/2011
11-012	Commander’s Emergency Response Program Obligations Are Uncertain	1/2011

SIGIR Audits Completed This Quarter

Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Canceled Funds (SIGIR 11-007)

Introduction

In April 2003, Public Law (P.L.) 108-11 appropriated \$2.48 billion to the President for humanitarian assistance, rehabilitation, and reconstruction in Iraq, referred to as the Iraq Relief and Reconstruction Fund 1 (IRRF 1). The Office of Management and Budget (OMB) apportioned these funds, for the most part, to the U.S. Agency for International Development (USAID), the Department of Defense (DoD)/U.S. Army, the Department of State (DoS), and the U.S. Department of the Treasury (Treasury). The funds were available for new obligations through September 30, 2004, and were in expired accounts for the next five years, until September 30, 2009. While in expired accounts, the funds were only available for legitimate adjustments to obligations incurred during the period and were not available for new obligations. As of September 30, 2009, the account was closed, and remaining funds were not available for any purpose.

SIGIR is reporting on the status of the various funds used for Iraq relief and reconstruction. The objective for this report is to address the status of the IRRF 1, including the amounts apportioned to U.S. government organizations, obligated during the period of availability, adjusted during the five years the funds were in expired accounts, and canceled when the account was closed.

Results

During fiscal years (FYs) 2003 and 2004, OMB apportioned virtually all of the \$2.48 billion appropriated

for IRRF 1. OMB apportioned \$2.25 billion for new obligations, with most going to three organizations: USAID received \$1.62 billion; DoD/U.S. Army received \$518 million; and DoS received \$101 million. P.L. 108-11 also specified that funds were to be used to fully reimburse accounts administered by DoS, Treasury, and USAID for related obligations incurred prior to enactment. OMB apportioned about \$239 million to meet these previously incurred obligations: \$212 million went to USAID, which subsequently returned \$10 million to OMB, and DoS received about \$25 million as reimbursement for prior obligations. This report does not address the status of the funds that OMB provided for these previously incurred obligations.

As of September 30, 2004, the organizations' reports on budget execution and budgetary resources show that virtually all of the \$2.25 billion had been obligated, and only \$257,000 was not obligated. In the first two years of the five-year expired-funds period, about \$28 million was deobligated and reobligated, accounting for virtually all of the deobligations/reobligations during the expired funds period. DoD/U.S. Army deobligated/reobligated the most funds—deobligating \$14.52 million in FY 2005 and reobligating \$10.66 million in that same fiscal year and the remainder in FY 2006—but these funds still accounted for less than 3% of its \$518.28 million in apportioned funds.

The IRRF 1 account was closed, and funds were canceled as of September 30, 2009, with \$18.46 million being returned to Treasury's general fund. Most of the funds were returned by USAID (\$14.13 million) and DoS (\$3.53 million). As of that date, USAID had about \$2.08 million of obligations incurred under IRRF 1 that will be paid from other available funds. Furthermore, USAID had a negative cash balance in its account as of September 30, 2009, and, as a result, its account was not closed but was adjusted in FY 2010. USAID officials said that the negative cash balance occurred because of an erroneous journal entry. They said that the need for adjustment started in FY 2006 and that adjustments for the account will be finalized in early FY 2011.

The organizations expended IRRF 1 under 14 relief and reconstruction programs. USAID had seven programs, and its "Restore Economically Critical Infrastructure" program was the largest—with expenditures of \$1.12 billion. USAID primarily used IRRF 1 to help in (1) rebuilding Iraq's roads and ports, (2) facilitating transportation of humanitarian assistance, and (3) restoring the power supply to health, educational, and water supply facilities. DoD/U.S. Army had three programs: the two largest used \$464.96 million to help restore Iraq's electricity and oil sectors.

IRRF 1 was quickly apportioned by OMB, and the organizations receiving funds also acted quickly to obligate the funds. As the funds moved from available for obligation, to expired funds, and then to canceled funds and closed account, no significant issues related to IRRF 1 apportionment, obligation, expenditure, and cancellation were identified.

Recommendations

This report does not contain recommendations.

Management Comments and Audit Response

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

Interim Report: Action Needed To Address Missing Deployable Disbursing System Data (SIGIR 11-008)

Introduction

In December 2008, SIGIR announced an audit of Department of Defense (DoD) appropriation, obligation, and expenditure data related to Iraq relief and reconstruction projects (Project 9005). SIGIR is performing this analysis to meet its mandate to forensically audit all Iraq reconstruction funds. During the course of the data collection process, SIGIR reconciled financial data in the Deployable Disbursing System (DDS), which was developed in

2005 to serve as an on-site, tactical disbursing system for deployed military units with congressional appropriations and other DoD financial system data and found that some DDS data was missing. The missing data is of concern to SIGIR because the data is needed to complete SIGIR's forensic audit mandate, and SIGIR's forensic audit work has shown significant problems with controls over the Commander's Emergency Response Program (CERP)—particularly for cash disbursements, which appear to account for a large part of the missing data. Additionally, it is likely that the missing data also contains Personally Identifiable Information (PII) of military members and may also include classified information. This interim report addresses SIGIR's concerns over missing DDS data and seeks DoD assistance in recovering the data.

Results

SIGIR found that some DDS data was missing and that some of the missing data may contain PII and classified information, and that the loss of the data may indicate an intentional breach of internal controls for the CERP. In early 2010 Defense Finance and Accounting Service (DFAS) and the Army Financial Management Command officials told SIGIR that the DoD Inspector General (IG) had already made them aware of the situation. According to Army Financial Management Command officials, the missing data—from the period October 2005–March 2007 at one location and October 2005–August 2006 at another location—is missing because of a computer malfunction and because some DDS users did not follow the appropriate procedures. For example, a unit appropriately transferred data from one computer that had reached its hard drive capacity to another, but that second computer's hard drive crashed. In another instance, units transferred their data to disks but reportedly brought the data home when they left Iraq and subsequently lost the disks. The DoD IG made recommendations to address this problem,⁶¹⁴ and in April 2009, new procedures were established governing the handling and storage of DDS data.

SIGIR found that the missing data may include a large volume of CERP transactions. DoD personnel in Iraq are responsible for handling the money, creating paper records, and entering the transactions into DDS to record the payments; and the risk of DoD personnel colluding on criminal acts is heightened because the entire disbursement process is handled at the local level. To date, SIGIR investigations have resulted in six convictions of DoD personnel involving CERP-related payment activities.

SIGIR's review of DDS data has found that it includes the names of military and civilian personnel responsible for making payments of Iraq reconstruction funds. DoD's Guidance on Protecting PII (August 2006) requires that all PII be evaluated for impact of loss or unauthorized disclosure and protected accordingly. The Army Financial Management Command has not assessed the circumstances of the breach to determine whether notification of impacted personnel is required. Moreover, in 2009, the DoD IG reported that DoD personnel had entered classified information into the DDS,⁶¹⁵ so it is possible that the missing DDS data SIGIR identified may contain classified information, such as the names of intelligence sources, which could expose the sources and their associates to considerable risk.

Recommendations

SIGIR recommends that the U.S. Army (Financial Management and Comptroller) direct the Army Financial Management Command to:

1. Reconstruct all missing transactions by using available DFAS records and provide this information to SIGIR.
2. Review the reconstructed transactions to determine whether they include any PII and classified information and take appropriate action pursuant to federal law and applicable guidance.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.



One of three classroom buildings at the Iraqi International Academy. (USF-I/ITAM/MOD photo)

Iraqi Government Support for the Iraqi International Academy (SIGIR 11-009)

Introduction

In early 2009, the Multi-National Security Transition Command-Iraq⁶¹⁶, U.S. Embassy-Baghdad, and the Government of Iraq (GOI) discussed the need for an English-language training academy to consolidate the Ministry of Defense (MOD) and the Ministry of Interior English-language teaching sites and to develop a unified curriculum. At the time, the estimated cost was more than \$20 million. In January 2010, the U.S. military expanded its vision of the academy to that of a regional educational institute similar to the George C. Marshall Center in Germany.⁶¹⁷ The expanded initiative, now called the Iraqi International Academy (IIA) would offer instruction in security studies such as international relations, public administration, and academic and executive-level English. The estimated \$26 million project is funded by the Iraq Security Forces Fund (ISFF) and managed by that part of the U.S. Forces-Iraq (USF-I) Iraq Training and Advisory Mission assigned to assist the Iraqi Ministry of Defense (ITAM-MOD). A construction contract was awarded on September 20, 2009, for \$11,710,000, and three contract modifications increased costs to \$13,437,822.

As of November 1, 2010, \$3.24 million has been spent and an estimated 24% of the work has been completed. The project's second phase to furnish and equip the facility is estimated to cost \$12 million, but no funding has yet been requested, and furniture and equipment requirements have not been discussed with the Government of Iraq (GOI). SIGIR conducted this review to determine the extent to which the GOI had agreed to sustain and operate the IIA after the U.S. Army Corps of Engineers, Gulf Region District, completes the renovation and construction of IIA facilities.

Results

SIGIR found that the GOI has no plan to fund the operation of the IIA after it opens in September 2011, and that the U.S. military did not adequately address with the GOI the need for the GOI to sustain and operate the IIA in its project-planning deliberations.

To illustrate, all three MOD officials SIGIR interviewed stated that they had discussed the concept of the IIA with U.S. officials and agreed that the GOI needed such an educational institution. However, they informed SIGIR that the ITAM-MOD had not raised the issue of Iraqi financial support with them and, as one official stated, he simply assumed the United States would fund the operation of the IIA for at least one year. Additionally, Iraqi officials provided other reasons why funding of the IIA remained uncertain. One official stated that he knew the Iraqis would have to take responsibility for the IIA but had not received the necessary cost data from the U.S. military in areas such as the number and types of faculty that would be needed to develop operating, maintenance, and sustainment costs. He also said that the GOI had not designated a lead ministry for the IIA and that it was unlikely that any ministry would step up and request funding under its budget until the GOI did so.

ITAM-MOD's planning documents discussed its vision for the IIA but did not address the future operating and sustainment costs, or the need to

obtain a commitment from the GOI. ITAM-MOD officials told SIGIR that its efforts to obtain a financial support commitment to date have been unsuccessful. ITAM-MOD correspondence with the MOD and internal GOI memos and letters between 2009 and 2010 did not discuss any instances where ITAM-MOD raised the issue of the GOI's future responsibilities for the IIA. ITAM-MOD officials said they recognize that the lack of a GOI commitment to fund the IIA is a problem and that they should have addressed this issue earlier, but they are attempting to catch up at this time. Additionally, they said that the seven-month delay in forming a new government has inhibited their efforts to obtain GOI support because the GOI has not decided which ministry will be responsible. ITAM-MOD officials stated that they will continue to work with their GOI counterparts to resolve this issue.

Recommendations

SIGIR recommends that the Commander, U.S. Central Command, direct the Commanding General, USF-I, take no further action to purchase furniture and equipment for the IIA and inform the GOI that it is the GOI's responsibility to do so.

Lessons Learned

As Iraq's ability to function as a sovereign nation improves, a written and signed bilateral agreement between the United States and Iraq should be a prerequisite for development assistance projects to ensure that U.S. funds are not wasted.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil

Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak (SIGIR 11-010)

Introduction

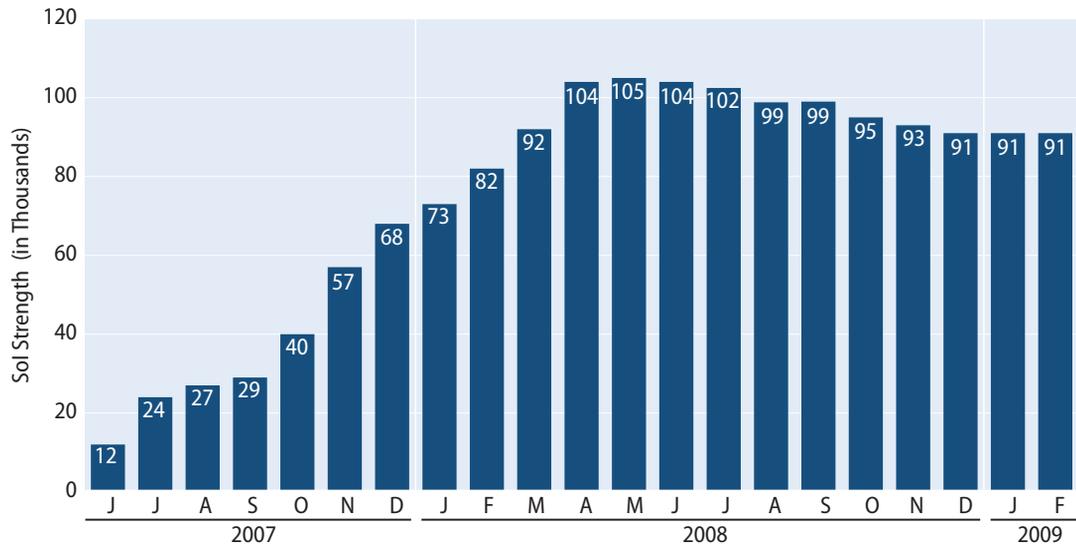
In June 2007, the Multi-National Corps-Iraq (MNC-I) began using Commander's Emergency Response Program (CERP) funds to hire former insurgents and their passive supporters to guard checkpoints, buildings, and key parts of neighborhoods in Iraq. Known as the Sons of Iraq (SOI) program, the effort has been credited with helping reduce the overall levels of violence in Iraq. During the course of the program, MNC-I spent approximately \$370 million drawn from fiscal year 2007-2009 CERP funds. Past SIGIR reports have identified weaknesses in the management of CERP funds.

SIGIR's reporting objectives for the SOI program are to determine (1) the program's contribution to reducing violence in Iraq, (2) the effectiveness of financial management controls, and (3) the status of GOI efforts to integrate SOI personnel into Iraqi ministries.

Results

Insufficient quantifiable program data coupled with the inability to segregate possible SOI effects from other factors precluded SIGIR from drawing empirically reliable conclusions about the program's contribution to the reduction in violence in Iraq that began in the late summer of 2007. Multi-National Force-Iraq (MNF-I) officials and commanders SIGIR spoke with stated that they believe the SOI program was an important factor in reducing violence and provided a number of anecdotal examples in support of their opinions. However, it is not possible to draw more definitive conclusions about the program's effects. Specifically, there was no comprehensive plan for SOI with specific goals, metrics, or milestones from which to measure the individual or collective impact of the effort. Additionally, there was no requirement for commanders to document what SOI groups

FIGURE 5.1
SOI NUMBERS FROM 6/2007–2/2009



Note: By August 2008, there were approximately 779 individual SOI agreements to cover almost 100,000 SOIs over 9 provinces in Iraq. There were 95,120 SOI registered to be transferred to the Iraqi government.

Source: USF-I presentation of monthly SOI numbers.

achieved or for any other organization to assess overall program impact in areas such as reductions in insurgent attacks. Given the absence of detailed information on SOI effects and the reality of many other factors affecting the levels of violence in Iraq during the same time period, such as the influx of large numbers of additional U.S. forces during the surge, SIGIR is unable to draw reliably supportable empirical conclusions about the full extent of SOI contributions in this area.

For a timeline of SOI membership from 2007 to 2009, see Figure 5.1.

Overall, SIGIR found that the MNF-I exercised weak financial controls over its cash payments to the SOI. SIGIR found that payments were often made directly to the SOI leader rather than to individual SOI members. In addition, in some files, the pay agent simply provided the same amount of money each month without determining how many SOI members were actually working and for how many hours they ostensibly worked during the month. For example, for a four-month project

estimated to cost \$331,200, the pay agent simply automatically provided \$82,800 each month for a total of \$331,200. In the few instances where payments were made to individual SOI members, the payments were usually lower than estimated. For example, in one project file, 545 SOI members were on the official registry, but only 454 signed the pay roster and collected their salaries. This reduced actual costs 17%, from an estimated \$62,884 to \$52,384. Furthermore, key financial control documentation including cash controls, receipts, and vouchers were usually missing from project files.

Since assuming full control of the SOI program in April 2009, the GOI has faced difficulties in managing the program, properly paying the SOI, and integrating SOI into Iraqi ministries. The GOI promised to employ 95,120 SOI members, but to date has provided offers to only 39,224. Additionally, it has not offered any jobs since November 2009. The GOI has paid the SOI members on time only 42% of the time. According to USF-I, the perception of broken promises and GOI indifference has

eroded public confidence, furthered SOI distrust of the GOI, and increased fear of insurgent influence over SOI personnel. While the GOI has made progress during a period when it was unable to form a government, such problems raise questions as to whether the GOI can maintain reconciliation with the SOI.

Recommendations

SIGIR recommends that the Secretary of Defense direct the Under Secretary of Defense (Comptroller) to revise CERP guidance to include direction on when related projects should be managed as a program with clearly defined objectives, implementing regulations, and metrics for assessing results.

Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Commander's Emergency Response Program Obligations Are Uncertain (SIGIR 11-012)

Introduction

The Army Budget Office (ABO) reports that, since 2003, it has allocated about \$3.89 billion for Commander's Emergency Response Program (CERP) projects in Iraq. According to *Money as a Weapon System* (MAAWS), the U.S. Forces-Iraq (USF-I) policy and procedures manual that directs program execution and establishes the goals for CERP funding, two information systems track CERP data: the CERP Project Tracker, which is a resource management tool that identifies the status of each CERP project, and the Army Standard Financial System (STANFINS), which identifies CERP obligations and expenditures. The objective of this review is to determine the extent to which funds appropriated for the CERP have been obligated and liquidated, and how those funds have been used.

Results

As of September 30, 2010, ABO reports that \$3,890,709,000 was allocated for CERP projects in Iraq. Of this amount, \$3,675,323,152 (94.5%) has been obligated. Of the amount obligated, \$3,560,356,040 (96.9%) has been disbursed, and \$114,967,222 (3%) remains unliquidated. The disbursement data provided by ABO agrees with the disbursement reported by USF-I. Further, SIGIR conducted a forensic review of the Department of Defense's electronic disbursements of CERP funds looking for anomalies, which were then given additional review. SIGIR's anomaly testing focused on vouchers that have been paid. SIGIR's testing has not disclosed significant issues.

The CERP fund allocations that USF-I reports it has received do not agree with the amount that ABO reports it provided. According to USF-I, it has received CERP allocations totaling \$4,558,000,000, while ABO reports allocations of \$3,890,709,829—a difference of approximately \$667,290,171. The differences occurred in fiscal years (FYs) 2008, 2009, and 2010. In FY 2008, USF-I reports it received allocations totaling \$1,250,000,000, while ABO reports allocations of \$995,909,000; and in FY 2009, USF-I reports it received allocations totaling \$747,000,000, while ABO reports allocations of \$339,050,000. Finally, in 2010, the ABO report shows an allocation of \$239,850,829, while USF-I reports about \$245,000,000, a difference of about \$5 million.

SIGIR requested supporting documentation from USF-I for its higher reported allocations, but USF-I was unable to provide it. As of September 30, 2010, both ABO and USF-I report CERP obligations of \$3,675,323,152. However, both obtained their obligation data from STANFINS. Several prior SIGIR reports have raised questions about whether STANFINS contains all CERP obligations.

For the reasons discussed above, SIGIR was unable to develop reliable data on how much USF-I spent for specific categories of CERP projects. USF-I provided information on how it has used its CERP funding, such as for protective measures and water and sanitation. However, the largest

category of spending is “No Category Listed,” which accounts for 21% of all of its CERP funding. According to USF-I officials, this category is used when units do not identify a category for their CERP projects.

Recommendations

This report does not contain recommendations.

Management Comments and Audit Response

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

Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits of major Iraq reconstruction contracts, which will support SIGIR’s response to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction. Additionally, SIGIR has conducted and will continue to conduct in-depth assessments of grants to include the reasonableness, allowability, and allocability of costs. SIGIR will also closely monitor and review reconstruction activities as the DoD presence declines and the DoS management responsibilities for reconstruction increase.

Ongoing Audits

SIGIR is currently working on these audits:

- Project 1105: Audit of the Department of Defense Use of Iraqi Funds Provided for the Iraqi Commander’s Emergency Response Program
- Project 1104: Audit of the Status of SIGIR Recommendations Made to the U.S. Agency for International Development
- Project 1103: Audit of the Status of SIGIR Recommendations Made to the Department of State
- Project 1102: Audit of the Status of SIGIR Recommendations Made to the Department of Defense
- Project 1101: Audit of the Use of Funds for the Commander’s Emergency Response Program in Iraq for Fiscal Year 2011
- Project 1021: Audit of the Status of International Narcotics and Law Enforcement Funds Appropriated for Iraq Reconstruction
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Project 1019: Audit of the Status of Oversight of Private Security Contractors in Iraq
- Project 1018: Audit of the Cost, Outcome, and Management of the Falluja Wastewater Treatment Plant Project
- Project 1017: Audit of the U.S. Army Corps of Engineers’ Plans and Processes To Transfer Ongoing Reconstruction Projects to the Government of Iraq
- Project 1015: Audit of the Controls Over the Quick Response Fund
- Project 1014b: Audit of the Status of Funds Appropriated for the Iraq Relief and Reconstruction Fund 2
- Project 1013: Audit of Cooperative Agreements Awarded to Cooperative Housing Foundation International
- Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
- Project 1008: Audit of the Status of DoD’s Theater-wide Internal Security Services (TWISS) Contracts
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

Planned Audits

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

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

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 20 focused contract and grant audits dealing with outcomes, costs, and the oversight associated with major reconstruction contract in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additionally, SIGIR conducted two grant audits that looked at outcomes and whether specific costs were reasonable, allowable, and allocable according to federal regulations. From these SIGIR has identified questionable costs. Similar contract or grant audits are ongoing, and others are planned.

In the future, SIGIR will focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund. Additionally, SIGIR will continue to address issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities to DoS.

SIGIR Audits: 2003–2010

Since 2003, SIGIR has published 182 audits addressing a wide range of topics, such as oversight of contracts and specific reconstruction programs, as well as the cost and oversight of private security contractors. Throughout its tenure, SIGIR audits have identified 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 reconstruction endeavors.

Moreover, SIGIR has made 444 recommendations to improve reconstruction activities in Iraq, and management has already agreed to and implemented 123 of them. These recommendations are discussed more in depth in the next section.

Much of SIGIR's audit results can be attributed to SIGIR's 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 enable face-to-face communications and relationship building with Department of Defense (DoD), Department of State (DoS), and Government of Iraq (GOI) officials, and they 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 identified for the Commanding General and the U.S. Ambassador areas that needed to be dealt with to ensure a smooth transition as reconstruction management shifts from DoD to DoS, as the U.S. presence downsizes and the ministerial capacity of the GOI increases.

Major Issues Addressed in Audits

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. To illustrate, in July 2008, SIGIR issued an audit report that discussed four persistent issues affecting the management of reconstruction activities in Iraq. They were:

- 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.

SIGIR Recommendations To Improve the Management of Reconstruction Activities

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 175 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 185 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 175 recommendations to improve accountability and internal control weaknesses.

(These involve deficiencies such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing.)

- more than 35 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—significant and high-cost programs that will continue even as the U.S. reconstruction effort in Iraq scales back:

- SIGIR has issued 11 reports and made 24 recommendations addressing the need to improve the management of the Commander's Emergency Response Program (CERP). This program authorizes U.S. field commanders to use CERP funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. This quarter, SIGIR completed a review of the CERP-funded Sons of Iraq program and concluded that, because of insufficient data, it was not possible to determine exactly what the program achieved. Another CERP report identified the inability of DoD to reconcile data on the levels of CERP obligations, as well as incomplete information on the uses of CERP funds.
- SIGIR has issued more than 27 reports which, to varying degrees, addressed U.S. efforts to develop functioning Iraqi Security Forces (ISF). 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 (MNSTC-I)—has been subsumed into the U.S. Forces-Iraq (USF-I). To date, SIGIR has made five recommendations regarding ministerial capacity development, oversight of weapons provided to the ISF, asset

transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel. This quarter, SIGIR reported that U.S. efforts to build and create an Iraqi International Academy are vulnerable to waste because the GOI has not agreed to fund and sustain its operation.

In some cases, agencies do not respond to a report’s recommendations in a timely manner. For example, in SIGIR’s July 2010 audit report “Plans To Preserve Iraq Reconstruction Program and Contract Records Need To Be Improved” (SIGIR 10-021), SIGIR made recommendations to the Secretaries of Defense and State, the Administrator of the U.S. Agency for International Development (USAID), and some DoD organizations in Iraq to improve their management of records documenting the U.S. reconstruction effort. The Secretaries of Defense and State and the Commanding General, USF-I, did not respond to the recommendations in the time required. Ultimately, the DoS Bureau of Near Eastern Affairs, on October 4, 2010, responded on behalf of the Secretary of State and concurred with the recommendations. The Bureau provided the specific measures it was taking to address SIGIR’s recommendations to assign an office the responsibility for records preservation, to take those steps that were listed in the recommendation, and to provide the Embassy detailed guidance. The Office of the Secretary of Defense has yet to provide its response to the SIGIR recommendation, as required by Office of Management and Budget (OMB) Circular A-50.

Additionally, SIGIR recommended that the Commanding General, USF-I, direct that plans be developed to preserve Iraq Security Forces Fund and CERP records by means such as developing standard operating procedures. The USF-I Inspector General directed that the U.S. Central Command respond, which it did—but it did so a day after the audit report was issued. USF-I responded that it did not concur with the recommendation

because it had issued guidance on preserving reconstruction records just prior to the publication of the audit report. In this case, SIGIR commends USF-I for issuing the guidance but concludes that the guidance does not fully satisfy the intent of the recommendation to develop a plan to ensure all current and historical records are preserved. Moreover, SIGIR audits continue to find problems with USF-I’s maintenance and storage of these vital records, and that there has been little effort to locate missing records—particularly for CERP-funded projects. Therefore, SIGIR is keeping the recommendation open until USF-I can document that it has improved its record management and preservation system.

SIGIR has recently announced reviews of the actions DoD, DoS, and USAID have taken, or plan to take, to address open recommendations and report these actions to the Congress as required by OMB Circular A-50 and the Inspector General Act of 1978, as amended.

Financial Impacts of SIGIR Audits

SIGIR’s audits have had financial impacts, as shown in Table 5.2. Through its audits, SIGIR has been able to identify:

- funds that would be put to better use (meaning that funds could be used more efficiently if management took an action such as reducing outlays or deobligating funds from a specific program or operation)
- payments that SIGIR questioned and recommended the agency consider recovering (because SIGIR determined that the payments were either not adequately supported in documentation or did not appear to be allowable, reasonable, or allocable according to regulations and or other agreements governing the expenditure of the funds)
- funds that were saved (because the agency under review accepted SIGIR’s recommendation that funds be put to better use by management or to recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding)

TABLE 5.2
SIGIR FINANCIAL IMPACTS
 \$ Millions

ACCOMPLISHMENTS	THIS QUARTER	CUMULATIVE
Funds To Be Put to Better Use ^a	12.00	586.62
Questioned Costs ^b	0.00	112.63
Saved and Recovered	0.00	610.61

a The Inspector General Act of 1978, § 5. (f) states:
 (4) the term "recommendation that funds be put to better use" means a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including--
 (A) reductions in outlays;
 (B) deobligation of funds from programs or operations;
 (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
 (D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
 (E) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
 (F) any other savings which are specifically identified.

b The Inspector General Act of 1978, § 5. (f) states:
 (1) the term "questioned cost" means a cost that is questioned by the Office because of--
 (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
 (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
 (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable;
 (2) the term "unsupported cost" means a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.

Source: Analysis of SIGIR audit reports and recommendations, 1/2011.

SIGIR has identified a total of \$586.62 million that could be used more efficiently and effectively if used elsewhere. For example, this quarter SIGIR identified \$12 million planned to furnish and equip the Iraqi International Academy that would be better spent elsewhere because the GOI has not made a commitment to fund the operation and maintenance of the Academy.

SIGIR has also questioned \$112.63 million in payments to contractors and grant recipients under cost-reimbursement contracts or grant agreements because the costs claimed were not supported by adequate documentation, such as receipts or invoices; were unallowable under government regulations; were unreasonably high; or were not allocable to the project. For example, SIGIR found that a recipient of a DoS democracy-building grant did not follow government regulations requiring that it obtain agency approval before purchasing almost \$700,000 in security vehicles, and therefore SIGIR questioned the cost.

Through January 31, 2011, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about \$610.61 million in saved and recovered funds. For example, \$23 million of the funds saved emanated from recommendations regarding improved inventory control of equipment purchased for primary healthcare centers, and \$94 million was saved through improved contractor invoice review procedures in the Iraqi police training program.

Table 5.3 lists SIGIR's financial impact audit reports and the value of the financial accomplishments. ♦

TABLE 5.3
SIGIR FINANCIAL IMPACT REPORTS
\$ Millions

REPORT NUMBER	REPORT TITLE	FUNDS BETTER USED	QUESTIONED COSTS ^a	UNSUPPORTED COSTS	DOLLARS SAVED & RECOVERED
04-003	Federal Deployment Center Forward Operations at the Kuwait Hilton	18.20			18.20
04-011	Audit of the Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Baghdad	19.70			19.70
04-013	Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award		5.19	5.19	
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.04
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq		2.70	2.70	0.05
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			1.30
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library		0.15		0.15
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.57
06-009	Review of Task Force Shield Programs	12.80			12.80
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	1.51	3.46	3.46	4.97
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	23.30			23.3
06-029	Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support		5.46		5.46
07-007	Status of U.S. Government Anticorruption Efforts in Iraq	3.80			
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with Fluor AMEC, LLC		0.57		
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.19
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			
10-008	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	448.49	93.53		518.11
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	5.00			5.00
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	16.10			
10-022	Improved Oversight Needed for State Department Grant to the International Republican Institute		0.69		0.69
11-001	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited		0.08		0.08
11-009	Iraqi Government Support for the Iraq International Academy	12.00			
Totals		586.62	112.63	11.35	610.61

Note:

a Questioned costs include unsupported costs.

COLLABORATIVE FORENSIC AUDITS/ INVESTIGATIONS INITIATIVE

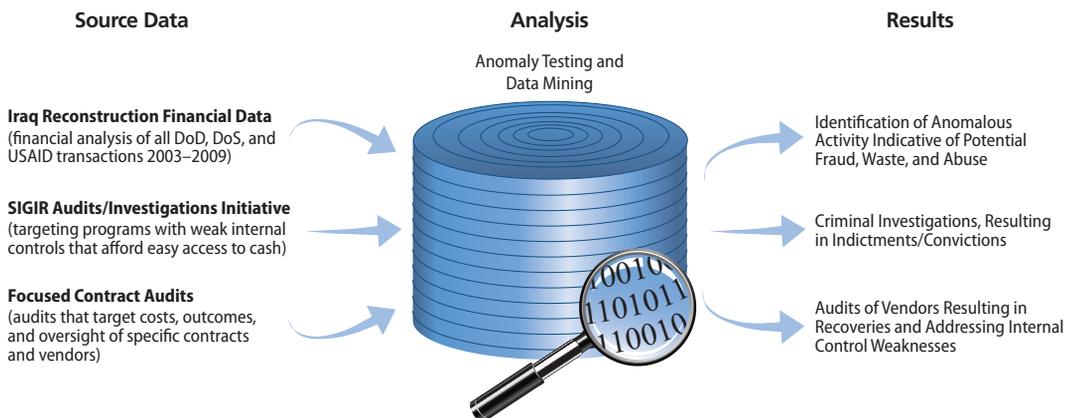
SIGIR’s Audits and Investigations Directorates are engaged in a number of collaborative forensic audit and investigation initiatives designed to identify fraud, waste, and abuse. Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which totals about \$58 billion. Over the past three years, SIGIR has conducted a series of 18 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. The analytic process is portrayed in Figure 5.2.

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 SIGIR Audits and Investigations Directorates continue to expand the proactive joint effort that was established in January 2009. This effort focuses on Iraq relief and reconstruction programs that afford easy access to cash associated with weak controls over expenditures. To date, SIGIR has opened 54 criminal investigations as a result of this effort. This project has also provided support to ongoing criminal investigations.

Additionally, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction. ♦

FIGURE 5.2
FORENSIC AUDIT PROCESS



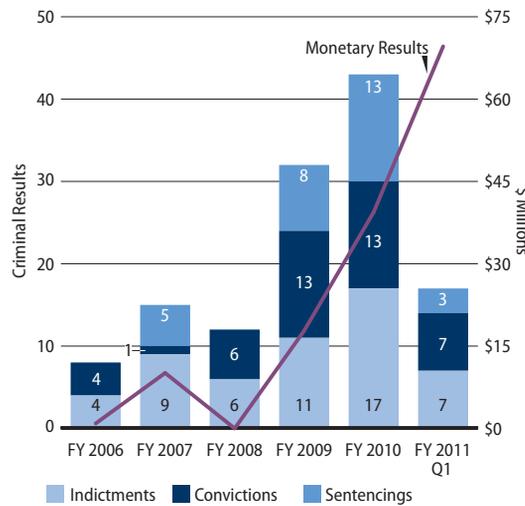
SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 104 open investigations. During this reporting period, SIGIR had 3 investigative personnel assigned to Baghdad; 7 at SIGIR headquarters in Arlington, Virginia; and 13 in offices in Pennsylvania, Florida, Texas, Ohio, New York, Oklahoma, and California. Investigative accomplishments this quarter include, 4 indictments, 3 convictions, and 2 sentencings. To date, the work of SIGIR investigators has resulted in 31 arrests, 54 indictments, 44 convictions, and more than \$140 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law enforcement personnel from other countries. As a result of SIGIR investigations, 3 defendants are pending indictment based upon arrest complaints, 7 defendants are awaiting trial, and an additional 16 defendants are awaiting sentencing. (Figure 5.3 shows the substantial increases in the number of judicial actions and monetary results achieved in each of the last two years based on SIGIR investigations. This trend is expected to continue, as substantial numbers of additional cases are in the hands of prosecutors.) For a comprehensive list of convictions compiled by the Department of Justice, see Table 5.4 at the end of this section. SIGIR notes these investigative activities this quarter:

- A fraud scheme involving reconstruction contracts resulted in convictions of two high-level employees, a deferred prosecution agreement by the company, and more than \$69 million in criminal penalties and civil settlement.
- An Army contracting officer pled guilty and was sentenced for bribery related to contracts in Iraq, Kuwait, and Afghanistan.

FIGURE 5.3
SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



- An Army officer was charged with conspiracy, accepting gratuities, and converting property of another to his own use.
- A Marine Corps major was sentenced for financial crimes involving more than \$440,000.
- An Army lieutenant colonel was sentenced for acts affecting a personal financial interest.

Fraud Scheme Results in Convictions of Two High-level Employees and More Than \$69 Million in Criminal Penalties and Civil Settlement

On November 5, 2010, the Louis Berger Group, Inc. (LBG), a New Jersey-based engineering consulting company, resolved criminal and civil fraud charges related to its international work on behalf of the United States Agency for International Development (USAID) and the U.S. Department of Defense (DoD).

In addition, two former senior LBG employees pled guilty to their roles in the scheme. Salvatore

Pepe, LBG's former Chief Financial Officer, and Precy Pellettieri, the former Controller, admitted to conspiring to defraud USAID by obtaining contract payments billed at falsely inflated overhead rates. Pepe and Pellettieri pled guilty to separate criminal informations charging them with conspiring to defraud the government with respect to claims.

The components of the settlement include:

- A Deferred Prosecution Agreement (DPA), pursuant to which the U.S. Attorney's Office in New Jersey will suspend prosecution of a criminal complaint charging LBG with a violation of the Major Fraud Statute. In exchange, LBG will, among other things, pay \$18.7 million in related criminal penalties; make full restitution to USAID; adopt effective standards of conduct, internal controls systems, and ethics training programs for employees; and employ an independent monitor who will evaluate and oversee the company's compliance with the DPA for a two-year period.
- A civil settlement that requires the company to pay the government \$50.6 million to resolve allegations that LBG violated the False Claims Act by charging inflated overhead rates that were used for invoicing on government contracts.
- An administrative agreement between LBG and USAID, which was the primary victim of the fraudulent scheme.

According to documents filed in these cases and statements made in court, LBG provides engineering and other consulting services to private and public entities, including federal agencies, state agencies, and foreign governments. Several of LBG's largest contracts were with USAID. USAID awarded several multimillion-dollar contracts to LBG for rehabilitative and reconstructive work in Iraq and Afghanistan. From at least 1999 through August 2007, LBG, through its former executives and management employees, intentionally overbilled the U.S. government in connection with contracts for work performed

overseas. The scheme to defraud the government was carried out by Pepe and Pellettieri, at the direction of a former executive.

Pepe directly supervised Pellettieri, who supervised LBG's general accounting division. Both were responsible for ensuring the integrity of LBG's cost data with respect to the calculation of overhead rates that LBG charged to USAID and other agencies. LBG charged the federal government these rates on "cost plus" contracts, which enabled contractors to pass on their overhead costs to the agency in general proportion to how much labor LBG devoted to the government contracts. Pepe and Pellettieri admitted that from September 2001 through August 2007, they agreed with each other and others to bill USAID and other federal agencies for LBG's overhead costs at falsely inflated overhead rates. They agreed to target an overhead rate above 140%—meaning that for every dollar of labor devoted to a USAID contract, LBG would receive an additional \$1.40 in overhead expenses and total profits allegedly incurred by LBG.

The case against LBG came to light when a former employee who worked in its accounting department filed a whistleblower lawsuit in the District of Maryland charging LBG with several violations of the civil False Claims Act. Under the *qui tam*, or whistleblower, provisions of the False Claims Act, a private party can file an action on behalf of the United States and receive a portion of the government's recovery.

The government's civil investigation, led by the Justice Department's Civil Division and the U.S. Attorney's Office for the District of Maryland, examined LBG's accounting from July 1, 1991, to June 30, 2008. The false claims uncovered by the civil investigation included LBG's mischarging a portion of its headquarters costs and part of its Washington office costs to overhead accounts so they appeared to have originated in LBG's government international division. In addition to mischarging USAID, the false claims also inflated billings on contracts performed overseas for the U.S. Army and U.S. Air Force.

Under the settlement, LBG will pay \$46.3 million in addition to the credits of \$4.3 million it has already provided, commencing in July and August 2007, on contracts performed for USAID. LBG and parent company Berger Group Holdings, Inc., also entered into an administrative agreement with USAID wherein the companies have agreed to continued cooperation and strategies going forward.

The case is being conducted jointly by USAID, Defense Criminal Investigative Service (DCIS), SIGIR, and Federal Bureau of Investigation (FBI).

U.S. Army Contracting Officer Pleads Guilty and Is Sentenced for Bribery

On January 19, 2011, U.S. Army Major Roderick D. Sanchez was sentenced in U.S. District Court, Denver, Colorado, to serve 60 months in prison, with three years supervised release following the prison term, and to pay a fine of \$15,000. In addition, Sanchez was ordered to forfeit Rolex watches, real estate, and other property purchased with the proceeds of the bribery scheme. The sentencing is the result of Sanchez's guilty plea on October 27, 2010, to a one-count criminal information charging him with bribery for accepting money and items of value in return for being influenced in the awarding of Army contracts.

According to court documents, at various times from approximately 2004 through 2007, Sanchez was employed by the U.S. Army and deployed overseas in Iraq, Afghanistan, and Kuwait as a contracting officer. Sanchez's duties included reviewing bids submitted by contractors for Army contracts, recommending the award of Army contracts to specific contractors, and ultimately awarding those contracts to government contractors. Sanchez admitted that during that time period he accepted illicit bribe payments from foreign companies seeking to secure Army contracts. In return, Sanchez used his official position to steer Army contracts to these companies. During the course of this criminal scheme, Sanchez accepted Rolex watches, cash payments, and other things of value totaling more than \$200,000.

The case is being conducted jointly by SIGIR, U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), DCIS, and FBI.

U.S. Army Officer Is Charged with Conspiracy, Accepting Gratuities, and Converting Property of Another to His Own Use

On November 10, 2010, a U.S. Army lieutenant colonel (LTC) was charged in a four-count indictment with conspiracy, accepting gratuities, and, as a public official, converting property of another to his own use. The LTC was deployed to Iraq from October 2003 through April 2004 and during that time served as the "Mayor" of a forward operating base (FOB). In this capacity he had authority over the day-to-day operations of the FOB.

According to the indictment, the LTC used his status to enrich himself by accepting more than \$10,000 in cash, as well as gifts of jewelry and clothing, from contractors. In return, the LTC encouraged awarding contracts to specific contractors, bypassing and relaxing security procedures at the FOB for specific contractors, issuing weapons permits without legal authority and without following proper protocol to contractor employees, directing government employees to use equipment and supplies that benefited specific contractors, and converting government property in control of the LTC for use by these contractors.

The indictment also contained a forfeiture demand for \$12,100 in currency, men's and women's jewelry and clothing, and two prayer rugs.

The case is being conducted jointly by SIGIR, DCIS, and CID-MPFU, and is being prosecuted by a SIGIR Prosecutorial Initiative (SIGPRO) Attorney.

U.S. Marine Corps Major Sentenced for Financial Crime Involving More Than \$440,000

On January 10, 2011, Major Mark R. Fuller, a U.S. Marine Corps fighter pilot, was sentenced in U.S. District Court, Phoenix, Arizona, to serve one year

and one day in prison and to pay a fine of \$198,510 and a special assessment of \$200. The sentencing was the result of Fuller's August 4, 2010, guilty plea to two felony counts of structuring financial transactions. Fuller had been charged in a 22-count indictment returned by a federal grand jury in Phoenix, Arizona, with illegally depositing more than \$440,000 into U.S. bank accounts following a six-month deployment in Iraq in 2005 as a contracting officer.

According to court documents, Fuller was deployed to Iraq from February 15, 2005, to September 27, 2005, where he served as a project purchasing officer for the Commander's Emergency Response Program (CERP) and was assigned to the 5th Civil Affairs Group, Camp Fallujah. In this capacity, Fuller identified and selected reconstruction projects, awarded reconstruction projects to Iraqi contractors, negotiated contract terms, and verified the completion of projects. CERP funds were distributed to the Iraqi contractors in the form of brand-new \$100 U.S. currency notes.

Soon after returning from his deployment in Iraq, Fuller began making cash deposits with brand-new \$100 U.S. currency notes. Between October 2005 and April 2006, Fuller made 91 cash deposits, totaling more than \$440,000, into bank accounts with Bank of America, Chase Bank, and the Navy Federal Credit Union. Fuller made multiple cash deposits under \$10,000 into various bank accounts for the purpose of evading the reporting requirements under federal law.

This investigation was conducted jointly by SIGIR, Internal Revenue Service-Criminal Investigation, DCIS, and the Naval Criminal Investigative Service (NCIS).

U.S. Army Lieutenant Colonel Sentenced for Acts Affecting a Personal Financial Interest

On January 11, 2011, U.S. Army Reserves Lieutenant Colonel Bruce Gillette was sentenced in U.S. District Court, New York, New York, to one year probation, a \$2,000 fine, and 160 hours of

community service; and he is prohibited from possessing a firearm for the period of probation. The sentencing was the result of Gillette's guilty plea on October 6, 2010, to a one-count criminal information charging acts affecting a personal financial interest.

According to the court documents, on June 28, 2004, the CPA transferred power to a sovereign Interim Iraqi Government, which was responsible for holding an election for a 275-member Transitional National Assembly, with the help of the United Nations (UN). The election transpired on January 30, 2005. The Independent Electoral Commission of Iraq (IECI) was established in May 2004 and tasked with administering one of the largest electoral logistics operations, as more than 1 million tons of election materials—including ballots, polling kits, and voting screens—had to be delivered from various locations around the world to more than 20 warehouses throughout Iraq. To assist the IECI with the election, the UN established a logistics support operation to aid in coordinating the support, planning, and supervision of the delivery of electoral equipment.

To help Iraq prepare for both this election and future elections, including a planned constitutional referendum and political election, the United States obligated approximately \$130 million to provide non-security assistance to the IECI and other Iraqi entities. In addition, as part of the Multi-National Force-Iraq (MNF-I), the United States provided both security and logistical support to the Iraqi government in connection with the elections. This support included, among other things, transporting election materials to polling places and counting stations throughout Iraq.

In December 2004, the UN Office of Project Services (UNOPS) invited bids for a freight-forwarding contract and awarded the contract in January 2005 to a freight forwarder in New York. The contractor received in excess of \$40 million for successfully completing the terms of the UNOPS contract.

According to court documents, Gillette was on active duty in Iraq from August 2004 to August

2005 and was assigned as the Chief of the Election Cell for the MNF-I, Civil Military Operations Directorate. In that position, Gillette served as the MNF-I's liaison to the IECI, the Department of State, and Iraqi government entities. He also participated in the UN's decision to award the UNOPS contract. Gillette helped develop and implement the plan to move election materials from different parts of the world to Iraq, including among other things, coordination with the contractor. In March 2005, Gillette was awarded the Bronze Star Medal for his service in Iraq "while serving as the chief to [the] Election Cell," during which he "developed the strategy, and orchestrated the largest elections cargo move in history."

Gillette engaged in discussions and negotiations concerning prospective employment with the contractor at the same time that negotiations between UNOPS and the contractor were taking place through the time that the contract was awarded.

This investigation was conducted by CID-MPFU, FBI, DCIS, and SIGIR.

SIGPRO Update

The SIGIR Prosecutorial Initiative continues to make a substantive impact. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former Department of Justice (DoJ) prosecutors. They were detailed as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction context. They are currently leading or significantly

involved in approximately 40 prosecutorial matters and continue to play integral roles in the development and prosecution of 104 cases being worked by the SIGIR Investigations Directorate.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with DoJ, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official. Between October 1 and December 31, 2010, the Army suspended 5 contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 4 contractors for debarment and finalized 11 debarments of individuals and companies during that period. To date, the Army has suspended 101 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 136 individuals and companies have been proposed for debarment, resulting in 114 finalized debarments that range in duration from 9 months to 10 years. PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2011. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.5. For a complete list of suspensions and debarments, see Appendix E ♦

TABLE 5.4
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	Pending
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	Pending
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	Pending
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years of supervised release; and ordered to forfeit \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; ordered to pay a fine of \$10,000; ordered restitution in the amount of \$25,500; and ordered a special assessment of \$100
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	Pending
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; and ordered to pay a fine of \$1,725 and to forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	Pending
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	Pending
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	Five years probation and ordered to pay \$31,000 in restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	Pending

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and restitution of \$26,276,472
Samir Itani	Conspiracy	7/21/2009	24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 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; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 in restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 in restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment

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; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; and ordered to pay a \$600 assessment and forfeit \$108,000
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr. USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment

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SIGIR OVERSIGHT

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

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

TABLE 5.5
DEBARMENT LIST

NAME	DEBARRED
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqaos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010

Continued next column

NAME	DEBARRED
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009

Continued next column

NAME	DEBARRED
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasantha Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007

Continued next column

NAME	DEBARRED
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 EVALUATIONS

SIGIR's Evaluations Directorate has implemented a multifaceted approach to evaluating the impact of programs that the U.S. government funded to support the stabilization and reconstruction of Iraq. SIGIR plans to evaluate a cross-section of the major U.S. programs initiated for this purpose. In addition to developing findings, conclusions, and recommendations to agency management, the evaluations will identify and report on the outcomes and effects of stabilization and reconstruction programs.

This quarter, SIGIR Evaluations continued its work, both in the U.S. and in Iraq, on its evaluation of the Commander's Emergency Response

Program in Iraq. SIGIR expects to report on this evaluation, announced in September 2010, in the near future.

This quarter, SIGIR Evaluations also issued its fourth evaluation announcement: "Review of Ministerial Capacity Building Efforts in Iraq." The objectives of this study are to determine the status of U.S. government-funded programs for building capacity in selected ministries of the Government of Iraq and to assess whether the programs have enhanced the capacity of the ministries to perform critical government functions. SIGIR expects to report on this evaluation by the end of April 2011. ♦

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world. Most cases are received through SIGIR’s website and electronic mail. When a case received by the SIGIR Hotline is not related to a program or operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, SIGIR refers that case to the appropriate entity.

Fourth Quarter Reporting

As of December 31, 2010, the SIGIR Hotline had initiated 831 cases. Of these cases, 765 have been closed, and 66 cases remain open. For a summary of these cases, see Table 5.6.

New Cases

During this reporting period, the SIGIR Hotline received 9 new complaints, bringing the cumulative total to 831 Hotline cases. The new complaints were classified in these categories:

- 7 involved contract fraud.
- 2 involved miscellaneous issues.

Of the 9 new Hotline complaints, 4 were received through the SIGIR website, 3 were received through electronic mail, 1 was received by telephone, and 1 was received through the U.S. Postal Service.

Closed Cases

During this quarter, SIGIR closed 9 Hotline cases:

- 4 were referred to other inspector general agencies.
- 3 were dismissed.
- 1 was closed by SIGIR Investigations.
- 1 was closed as an assist.

TABLE 5.6
SUMMARY OF SIGIR HOTLINE CASES,
AS OF 12/31/2010

OPEN CASES				
Investigations				54
Audits				12
Total Open				66
CLOSED CASES	2ND QTR 2010	3RD QTR 2010	4TH QTR 2010	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	1	47
Dismissed	2	2	3	136
Referred	7	15	4	360
Inspections	1	0	0	80
Investigations	0	0	1	119
Audits	1	0	0	17
Total Closed	11	17	9	765
Cumulative* Open & Closed				831

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 12/31/2010.

Referred Complaints

After a thorough review, SIGIR referred 4 complaints to outside agencies for proper resolution:

- 2 were sent to the Department of State Office of Inspector General.
- 1 was sent to the Department of Defense Office of Inspector General.
- 1 was sent to the Department of Justice Office of Inspector General. ♦

SIGIR WEBSITE

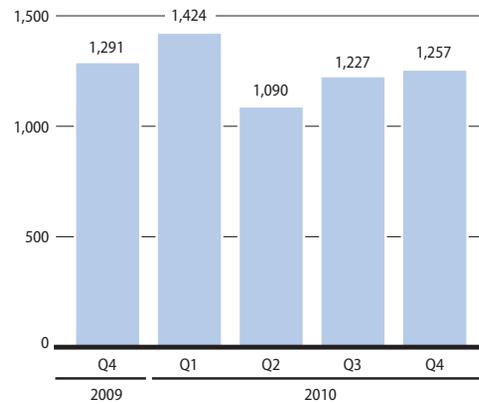
This quarter, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 115,000 users visited the SIGIR website—more than 1,250 users per day.
- The Arabic language section of the site received more than 3,350 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- More than 26,000 web feeds were visited during this quarter. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed reader programs.

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

FIGURE 5.4

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 10/1/2009–12/31/2010



Source: DoD, IMCEN, response to SIGIR data call, 1/19/2011.

LEGISLATIVE UPDATE

Appropriations

Several laws were enacted this quarter that provided for “continuing,” for various periods in FY 2011, appropriations used to fund various reconstruction activities in Iraq, generally at levels contained in fiscal year 2010 appropriations. The most recent such law, the “Continuing Appropriations and Surface Transportation Extensions Act, 2011” (Public Law 111-322) generally provided such appropriations through March 4, 2011.

Ike Skelton National Defense Authorization Act for Fiscal Year 2011

During this quarter, Congress completed work on the Ike Skelton National Defense Authorization Act (NDAA) for Fiscal Year 2011, Public Law 111-383, which was signed by the President on January 7, 2011. The following provisions affect Iraq reconstruction programs or matters related to them.

CERP

Section 1212 extends and modifies the Commander’s Emergency Response Program (CERP).

Subsection (a) authorizes the obligation in fiscal year 2011 of up to \$100 million in operation and maintenance funds for CERP in Iraq.

Subsection (b) is a permanent provision that amends the existing reporting requirement to require that reports be submitted in a searchable electronic form that permits the sorting of the amount expended, the location of projects, the “type of project, or any other field of data that is included in the report.”

Subsection (c) is a permanent provision that funds may not be obligated or expended under the authorization provided for “to carry out any project if the total amount of funds made available for the purpose of carrying out the project, including any ancillary or related elements of the project, exceeds \$20,000,000.”

Subsection (d) redefines the CERP as the program that

(1) authorizes United States military commanders to carry out small-scale projects designed to meet urgent humanitarian relief requirements or urgent reconstruction requirements within their areas of responsibility; and

(2) provides an immediate and direct benefit to the people of Iraq or Afghanistan.

The change from the previous definition, among other things, removes any ambiguity about whether the word “urgent” modified both “humanitarian relief” and “reconstruction.” (The statute previously referred to “urgent humanitarian relief and reconstruction.”) The new definition also introduces the expression “small-scale” and clarifies that any benefit to the people of Afghanistan or Iraq must be “direct” in addition to being “immediate” (as had previously been provided). Finally, the definition omits a reference to the original CPA CERP program, which had been used to justify a range of activities no longer considered consistent with the Congress’ current views of CERP’s purpose.

ISFF

Section 1510 authorizes \$63.2 billion for operation and maintenance for the Army for fiscal year 2011. It also authorizes \$9.4 billion for operation and maintenance, defense-wide, and \$1.5 billion for the Iraqi Security Forces Fund (ISFF).

Section 1532 provides a series of new limitations on the use of the ISFF. It places the ISFF under the strictures of previous authorizations for the ISFF, such as section 1512 of the NDAA for FY 2008, as amended.

One new limitation on the ISFF is that if funds are made available for the purchase of any item or service, the funds may not cover more than 80 percent of the cost of the item or service. By way of exception, this rule does not apply (a) to items determined by the Secretary of Defense to be “an item

of significant military equipment” as defined by a cited provision of the Arms Export Control Act, or (b) to items on the United States Munitions List.

A second new limitation is that not more than \$1 billion may be obligated in fiscal year 2011 until the Secretary of Defense certifies to Congress that the Government of Iraq has demonstrated a commitment to each of the following:

- (A) To adequately build the logistics and maintenance capacity of the Iraqi security forces.
- (B) To develop the institutional capacity to manage such forces independently.
- (C) To develop a culture of sustainment for equipment provided by the United States or acquired with United States assistance.

The certification must include a description of the actions taken by the Iraqi government that the Secretary has determined support the certification.

The requirement that at least 5 days’ notice be given to Congress before funds may be obligated from the ISFF is changed to require 15 days’ notice.

Other Iraq-related Provisions

Title VIII—Acquisition Policy, Acquisition Management, and Related Matters

Section 835 amends section 863 of the NDAA for FY 2008 to modify the annual joint report and Comptroller General review on contracting in Iraq and Afghanistan. This provision requires a wide-ranging (that is, not reconstruction-specific) “joint report on contracts in Iraq or Afghanistan” from the Secretaries of State and Defense and the Administrator of USAID. The Comptroller General is to review the joint report and make a report on the review.

Title XII—Matters Relating to Foreign Nations

Section 1211 repeats past language providing that no funds appropriated pursuant to an authorization of appropriations in the Act may be obligated or expended (a) to establish any military base or installation for the purpose of providing for the permanent stationing of United States Armed

Forces in Iraq, or (b) to exercise United States control over Iraq’s oil resources.

Sections 1213, 1214, and 1218 extend and modify provisions originally contained in section 1233 and 1234 of the NDAA for FY 2008 relating to the reimbursement of certain coalition nations for support to U.S. military operations, to the transfer of defense articles and the provision of defense services to the military and security forces of Iraq and Afghanistan, and to the extension of logistical support for coalition forces supporting operations in Iraq and Afghanistan. Section 1234 requires the provision of a report on the implementation of coalition support authorities for Operation Iraqi Freedom and Operation Enduring Freedom.

Section 1233 modifies the Defense Secretary’s report on “responsible redeployment of United States Armed Forces from Iraq” including by requiring:

[a]n assessment of progress to transfer responsibility [of] programs, projects, and activities carried out in Iraq by the Department of Defense to other United States Government departments and agencies, international or nongovernmental entities, or the Government of Iraq [and] [a]n assessment of progress toward the goal of building the minimal essential capabilities of the Ministry of Defense and the Ministry of the Interior of Iraq, including ... the level of commitment, both financial and political, made by the Government of Iraq to develop such capabilities, including a discussion of resources used by the Government of Iraq to develop capabilities that the Secretary determines are not minimum essential capabilities for purposes of this paragraph.

The section also requires that the report be provided to the Secretary of State, who may include an appendix containing comments or additional information.

Section 1236 requires a report on the situation of certain Iraqis who have been affiliated with the United States, including the status of those who have applied for resettlement in the United States under certain provision of law. The Secretaries of Defense, State, and Homeland Security are required to develop a plan “to expedite the processing of those applications in the case of Iraqis at risk as the United States withdraws from Iraq.”

Title XV—Authorization of Additional Appropriations for Overseas Contingency Operations

Section 1533 applies the prohibition on the use of U.S. funds in section 1508(a) of Public Law 110-417 (the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009) to funds authorized to be appropriated by Title XV (most relevantly, ISFF and operation and maintenance funds for FY 2011). Section 1508(a) prohibited the use of funds “for the acquisition, conversion, rehabilitation, or installation of facilities in Iraq for the use of the Government of Iraq, political subdivisions of Iraq, or agencies, departments, or forces of the Government of Iraq or such political subdivisions.” (The prohibition does not apply to, among other things, amounts authorized to be appropriated for CERP.)

Section 1235, which generally requires reporting police training activities in or related to Afghanistan, also requires a broad (not Afghanistan-specific) report by the President on U.S. government police training and equipping programs outside the United States, including an assessment of “what changes, if any, are required to improve the capacity of the United States ... to meet ... requirements” for such training and equipping, an “evaluation of the appropriate role of United States Government departments and agencies in coordinating on and carrying out police training and equipping programs,” attention to the role of and oversight over contractors, and “recommendations for legislative modifications ... to existing authorities relating to police training and equipping.”

Congressional Appearances

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

- November 18, 2010—**Senate Committee on Homeland Security and Governmental Affairs, Ad Hoc Subcommittee on Contracting Oversight—Hearing on “Oversight of Reconstruction Contracts in Afghanistan and the Role of the Special Inspector General.”** The Inspector General testified on the advantages of Special Inspectors General in the oversight of contingency operations. Responding to an inquiry in the Chairman’s letter of invitation, the Inspector General noted that it has been difficult for standing Inspectors General to free up and deploy the resources required to deal with contingency operations. It has also proven expensive and time-consuming to establish, staff, and deploy new Special Inspectors General for specific overseas contingencies. As an alternative, the Inspector General supported establishing a small, standing “Special Inspector General for Overseas Contingency Operations” (SIGOCO), which would have the task of preparing to quickly expand and deploy auditors, investigators, and other professionals in contingency situations. With its leadership chosen and procedures established in advance, effective oversight could be provided at the earliest possible moment, saving taxpayer money and helping to ensure more effective outcomes.

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