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# 5

## SIGIR AUDITS

Since March 2004, SIGIR has issued 206 audit reports. From November 1, 2011, to January 30, 2012, SIGIR issued five audits addressing the following reconstruction issues:

- whether the Department of Defense (DoD) properly accounted for \$2.8 billion deposited in the Federal Reserve Bank of New York (FRBNY) and \$217.7 million in cash that remained in the Presidential Palace vault when the Coalition Provisional Authority (CPA) was dissolved
- the Department of State (DoS) process to provide information on reconstruction projects to the Government of Iraq (GOI)
- the status of SIGIR recommendations to DoD
- whether U.S. Army Corps of Engineers (USACE) contract terminations resulted in wasted funds
- the disposition of \$13.1 million that SIGIR had reported was returned to the Central Bank of Iraq (CBI) in 2009

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

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

### SIGIR Audits Completed This Quarter

#### *Development Fund for Iraq: The Department of Defense Cannot Fully Account for the Funds It Used after the Coalition Provisional Authority Dissolved*

(SIGIR 12-008, 1/2012)

#### Introduction

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

During its almost 14-month governance, the CPA had access to \$20.7 billion in DFI funds and directed expenditures of about \$14.1 billion. The CPA had \$6.6 billion under its control when its mission ended on June 28, 2004. The GOI gave DoD access to about \$3 billion of these funds to pay bills for contracts the CPA awarded prior to its dissolution. Most of these funds were deposited into a DFI sub-account at the FRBNY established for this purpose.

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 11/1/2011

REPORT NUMBER	REPORT TITLE	DATE ISSUED
12-008	Development Fund for Iraq: The Department of Defense Cannot Fully Account for the Funds It Used after the Coalition Provisional Authority Dissolved	1/2012
12-009	The Department of State's Process To Provide Information on Reconstruction Projects to the Government of Iraq	1/2012
12-010	Status of Recommendations Made by the Special Inspector General for Iraq Reconstruction to the Department of Defense	1/2012
12-011	Few Contracts Terminated by the U.S. Army Corps of Engineers Resulted in Wasted Funds in Iraq	1/2012
12-012	Development Funds for Iraq Returned to the Central Bank of Iraq	1/2012

SIGIR initiated this audit to determine whether DoD properly accounted for its use of the (1) \$2.8 billion deposited into the DFI sub-account at the FRBNY after the CPA dissolved, and (2) \$217.7 million in cash that remained in the presidential palace vault when the CPA dissolved.

## Results

DoD cannot account for about two-thirds of the approximately \$3 billion in DFI funds made available to it by the GOI for making payments on contracts the CPA awarded prior to its dissolution. Most of these funds (\$2.8 billion) were held in the DFI sub-account at the FRBNY; the remainder (\$217.7 million) was held in the presidential palace vault in Baghdad. FRBNY records show that DoD made about \$2.7 billion in payments from the DFI sub-account. However, the FRBNY does not have specifics about the payments or financial documents, such as vendor invoices, to support them. It required only written approval from the GOI to issue payment.

Although DoD had responsibility for maintaining documentation to support the full \$2.7 billion in expenditures made from the FRBNY sub-account, it could provide SIGIR documentation to support only about \$1 billion. Although DoD established internal processes and controls to report sub-account payments to the GOI, the bulk of the records are missing. As a result, SIGIR's review was limited to the \$1 billion in available records. SIGIR examined 15 payments from this group and found most of the key supporting financial documents. DoD continues to search for documents supporting the remaining \$1.7 billion in payments. DoD's problems with DFI records management are not new, and both SIGIR and DoD have previously reported on them.

DoD is also missing other key documents, including copies of monthly reports documenting expenditures from the DFI sub-account and from the palace vault. When the Minister of Finance gave DoD authority to spend the money, he directed DoD to submit monthly reports and a final report

documenting its payments from the DFI sub-account to the ministry. From July 2004 through December 2007, DoD should have provided 42 monthly reports. However, it can locate only copies of the first four reports. SIGIR found evidence indicating that other monthly reports were sent. For example, SIGIR found transmittal letters dated July 2006 and October 2007, but the attachments providing the transaction details were missing. SIGIR also contacted the DoD official who signed the October 2007 letter, who confirmed that the monthly report was sent. However, neither SIGIR nor DoD could locate any of the other reports.

Finally, DoD cannot locate documentation supporting \$119.4 million of the \$193.3 million it spent from the \$217.7 million in cash remaining in the presidential palace vault when the CPA dissolved; \$24.4 million was returned to the GOI in March 2008. DoD did not establish the required U.S. Treasury account to maintain accountability for the funds. Instead, DoD established its own internal processes and controls to account for and report cash payments to the Minister of Finance. DoD has Excel spreadsheets supporting about \$73.9 million of the \$193.3 million spent from the palace vault cash. SIGIR reviewed 15 payments from the \$73.9 million to assess DoD's financial controls and found most of the required documents to support them. DoD continues to search for documentation supporting the remaining \$119.4 million in cash payments.

## Recommendations

This report contains no recommendations.

## Management Comments

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

***The Department of State’s Process  
To Provide Information on Reconstruction  
Projects to the Government of Iraq  
(SIGIR 12-009, 1/2012)***

**Introduction**

In SIGIR’s previous asset-transfer report, it found that each U.S. agency was using its own procedures for turning over completed projects to the Iraqis. As a result of these disparate processes, the GOI and its ministries responsible for planning the sustainment and integration of assets generally had incomplete information on U.S.-funded and completed projects. SIGIR initiated this report to determine how DoS is accounting for tens of thousands of completed projects and providing information on these projects to the GOI.

**Results**

SIGIR found that because ISPO uses a narrowly focused definition of a reconstruction project, the GOI receives only a partial inventory of all completed and transferred reconstruction projects. A November 10, 2009, memorandum of understanding between U.S. Embassy-Baghdad and the GOI’s Ministry of Planning and Development Cooperation (MoPDC) declares that “in the view of the large volume of projects funded by the [U.S. government] it is necessary to put together appropriate procedures and mechanisms to document and inventory those projects and exchange information concerning their operation and maintenance.” However, ISPO is reporting only “capital assets,” defined as tangible property that cannot easily be converted into cash. Additionally, ISPO requires that eligible capital asset projects (1) have a value of \$250,000 or more, (2) have an expected life of five years or more, and (3) are funded by one of four major U.S. reconstruction funds: the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Commander’s Emergency Response Program (CERP), and Economic Support Fund (ESF). Using these criteria, ISPO has provided the MoPDC with information on 5,289

projects valued at approximately \$15 billion as of June 30, 2011.

DoS obtains its project information from the Iraq Reconstruction Management System (IRMS)—a database that SIGIR has previously reported contains incomplete and inaccurate information—and the Iraq Status of Construction (ISOC) database. However these systems do not contain complete information on the U.S.-funded reconstruction efforts in Iraq. As of September 30, 2011, the total value of projects listed in IRMS and ISOC as a percentage of obligations was about 58%, or \$27.1 billion of the \$46.9 billion of obligations for projects funded by the IRRF, ISFF, CERP, and ESF. Thus, about \$19.8 billion is not captured in either IRMS or ISOC.

Because of the lack of transparency identified in this report, SIGIR will be conducting a comprehensive overview of how U.S. dollars were spent in Iraq and expects to report in the summer of 2012.

**Recommendation**

To ensure that the U.S. government is identifying all major projects, SIGIR recommends that the U.S. Ambassador to Iraq develop criteria for selecting projects that are to be reported to the GOI that better reflect the numerous variables that have been identified in this report.

**Management Comments**

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

***Status of Recommendations Made  
by the Special Inspector General for Iraq  
Reconstruction to the Department of Defense  
(SIGIR 12-010, 1/2012)***

**Introduction**

The Inspector General Act of 1978, as amended, requires SIGIR to identify in its semiannual reports

each significant recommendation described in previous semiannual reports on which corrective action has not been completed. This report follows up on 37 audit recommendations SIGIR made primarily to the Secretary of Defense and other senior DoD headquarters officials that were unresolved (that is, open) as of September 30, 2011. The objectives of this report are to determine whether DoD officials took appropriate action to address these recommendations and whether DoD has a system to track and oversee the status of SIGIR's audit recommendations.

## Results

As a result of information received from DoD organizations, and information developed during other SIGIR audits, SIGIR closed 32 of the 37 open recommendations. The details, as of December 31, 2011, are as follows.

1. There were 21 open recommendations addressed to officials within the Office of the Secretary of Defense (OSD), including the Secretary of Defense, Under Secretary of Defense (Comptroller), and Deputy Under Secretary of Defense for Business Transformation. Based on responses from OSD offices and documentation provided, SIGIR closed 19 recommendations: 10 because they were implemented, 5 because they were overtaken by events and became obsolete, and 4 because management decided not to take action. One recommendation remains open because implementing action is planned for March 2012, and the other recommendation remains open because it was referred to another DoD office for action, and SIGIR was not able to verify the status of that recommendation.
2. There were eight open recommendations addressed to the U.S. Central Command (CENTCOM) or its former subordinate command, U.S. Forces-Iraq. Based on responses from CENTCOM and documentation provided, SIGIR closed five recommendations: one because it was implemented and four because they were overtaken by events and became

obsolete. Three recommendations remain open because CENTCOM stated that another organization was responsible for their implementation, and SIGIR was not able to verify the status of those recommendations.

3. There were six open recommendations addressed to the Defense Contract Management Agency (DCMA). Based on responses from DCMA and documentation provided, SIGIR closed all six: three because they were implemented, two because management decided not to take action, and one because it was overtaken by events and became obsolete.
4. There were two open recommendations addressed to or referred to Department of the Army officials. Based on responses and documentation provided, SIGIR closed both recommendations: one because it was implemented and the other because it was overtaken by events and became obsolete.

SIGIR will continue to follow up on the five open recommendations. In agreement with the DoD Office of Inspector General (DoD OIG), all remaining open SIGIR recommendations and all future SIGIR recommendations addressed to DoD will be tracked through the DoD OIG system.

## Recommendations

This report contains no recommendations.

## Management Comments

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

***Few Contracts Terminated by the U.S. Army Corps of Engineers Resulted in Wasted Funds in Iraq (SIGIR 12-011, 1/2012)***

## **Introduction**

The U.S. government has appropriated \$61.83 billion for Iraq reconstruction, primarily through four reconstruction funds: \$20.86 billion from the IRRF, \$20.54 billion from the ISFF, \$4.83 billion from the ESF, and \$3.96 billion from the CERP. The four funds account for 81.2% of all U.S. funds appropriated for Iraq reconstruction through November 2011. Most of the funds have been obligated for contracts.

This report examines USACE's Iraq reconstruction contracts terminated from June 2008 through April 2011. SIGIR undertook this review to examine the outcomes of USACE-terminated contracts to determine if the agency maintains effective controls over contracts and if wasted U.S. funds resulted from the execution of these contracts.

## **Results**

USACE terminated 55 reconstruction contracts during the period reviewed, far fewer than the 227 contracts terminated by USACE from 2005 through June 2008. According to USACE senior contracting officials, the reduction is attributable to several reasons, including improved security conditions in Iraq, USACE improvements in contract management, and a smaller reconstruction program. Thirty-one contracts were terminated at the convenience of the government because requirements changed and the services were no longer needed, and 24 contracts were terminated for default due to poor contractor performance.

SIGIR could not determine if there was waste associated with 22 of the 55 terminated contracts because USACE could not find 11 contract files, and SIGIR could not determine from available documentation if the other 11 terminated contracts were rewarded and the projects successfully completed. For the remaining 33 terminated contracts, SIGIR determined that 10 resulted in

approximately \$3.8 million in waste. For example, on October 18, 2008, USACE terminated the contract for the construction of the Ghazaliya sewage and pump station after having spent \$1.9 million. USACE suspended construction because the Baghdad public works department directed that the construction be stopped until the contractor obtained its approval of all designs, material tests, and permits. Ultimately, the Mayor of Baghdad and the public works department would not allow the contractor to resume work. Therefore, USACE terminated the contract for the convenience of the U.S. government. While responsibility for the waste does not fall exclusively on USACE, SIGIR believes better planning and coordination between the U.S. agencies involved and the Baghdad government might have prevented \$1.9 million in wasted funds that could have been put to better use.

SIGIR also identified eight terminated contracts costing \$11.1 million that had possible waste in amounts that were indeterminate, and 15 had no waste that SIGIR could determine. An example of possible waste is the \$2.9 million the U.S. government spent on the renovation of the Radwaniya water treatment plant network. USACE terminated the contract for default after the contractor abandoned the project, and on April 30, 2009, unilaterally transferred the non-functional project to the Iraqi Ministry of Municipalities and Public Works "as is." In a memorandum, USACE stated the project was 95% complete but also identified deficiencies, such as incomplete service connections and tanks and pumps that had not been installed. If the Iraqis do not complete the project, the funds will be mostly wasted.

Better planning and coordination by USACE, its customers, and the Iraqi government could have avoided much of the waste. SIGIR recognizes that wasted funds on 18 terminated contracts do not indicate systemic problems for an agency that has managed hundreds of contracts. For example, according to USACE, it completed or terminated 864 contracts with a total value of \$2.5 billion from June 2008 through April 2011. However, SIGIR

believes that lessons can be learned from these terminations.

### Recommendations

This report contains no recommendations.

### Management Comments

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

### *Development Funds for Iraq Returned to the Central Bank of Iraq (SIGIR 12-012, 1/2012)*

#### Introduction

This report responds to a November 2011 inquiry from the Prime Minister of Iraq to SIGIR about \$13.1 million from the DFI, which consisted of Iraqi oil proceeds—used for development projects in 2003 and 2004—that SIGIR reported were returned to the CBI in March 2009. The inquiry was made because former and current GOI officials informed the Prime Minister that they could not locate any records supporting the return of the funds. SIGIR initiated this review to determine the disposition of the \$13.1 million.

Because this report contains sensitive information, such as names and account numbers, the full report is being released “For Official Use Only” and is not available to the public.

#### Results

FRBNY documents clearly show that the funds in question were transferred to an FRBNY account under the control of the GOI on March 3, 2009. The documents supporting this transfer are as follows:

1. An instruction sheet with information the FRBNY said it received from an Iraq Ministry of Finance official, directing that the funds be deposited in an FRBNY account identified as the Central Bank of Iraq-Development Fund for Iraq account.
2. A wire transfer form showing that on March 3, 2009, USACE transferred \$13,129,168.11 to the FRBNY, for deposit to an FRBNY account under the control of the GOI and identified as the Central Bank of Iraq-Development Fund for Iraq account. An FRBNY official told SIGIR that when the funds were deposited into this account, they became comingled with other funds in the account. The wire transfer also identified the Minister of Finance, Accountancy Department as the beneficiary of the returned funds.
3. A Society for Worldwide Interbank Financial Telecommunications (SWIFT) message from the FRBNY to the CBI dated March 5, 2009, notifying the CBI that \$13,129,168.11 had been deposited into the Central Bank of Iraq’s-Development Fund for Iraq account at the FRBNY. SWIFT provides a highly secure network to allow financial and non-financial institutions to transfer banking instructions, including payment instructions and account information. The FRBNY SWIFT message to the CBI on March 5, 2009, served first to advise the CBI that a deposit had been made to its account. In addition, it provided information directing the CBI to apply the funds for credit to a specific GOI account. Typically, it would be expected that the CBI would credit the funds to that same account on its own books in Baghdad, and the FRBNY would not be involved in or aware of the ultimate credit. In this case, the FRBNY’s records do not establish whether the funds were physically transferred or otherwise credited to the designated account at the CBI in Baghdad.

### Recommendations

This report contains no recommendations.

### 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 in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the United States. SIGIR will continue to also closely monitor and review DoS management and oversight of reconstruction activities.

## Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1204: Audit of the Status of SIGIR Recommendations Made To Improve Oversight of Anham LLC's Contracts
- Project 1203: Audit of State Department's Efforts To Address Quick Response Fund Management Controls
- Project 1202: Audit of the Cost, Outcome, and Management of the Temporary Internment Facility Rehabilitation Center in Ramadi
- Project 1201: Audit of the Department of State's Progress in Implementing the Police Development Program
- Project 1114: Audit of Plans To Spend Remaining Funds from Iraq Security Forces Fund
- Project 1113: Audit of the Government's Reviews of Business Systems for Contractors Receiving U.S. Funds To Work in Iraq
- Project 1112c: Audit of the Department of Defense's Efforts To Account for Funds from the Development Fund for Iraq
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Projects 9005, 9012, and 9013: Audits of Department of Defense, Department of State, and the U.S. Agency for International Development Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction

## 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 24 focused contract and grant audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. SIGIR is planning to issue a report detailing the results of all of its forensic efforts in the near future.

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

## SIGIR Audits: 2003–2012

Since March 2004, SIGIR has published 206 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 478 recommendations to improve reconstruction activities in Iraq, and management has already agreed to and implemented 209 of them. These recommendations are discussed in depth in the next subsection.

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 also enable face-to-face communications and relationship building with DoD, DoS, and 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, SIGIR and the Office of the Under Secretary of Defense (Comptroller) coordinated and worked together throughout SIGIR's six DFI audits. In commenting on a draft report entitled “Development Fund for Iraq: The Coalition Provisional Authority Transferred Control over Most Remaining Funds to the Central Bank of Iraq” (SIGIR 12-001), dated October 26, 2011, the Under Secretary of Defense (Comptroller) stated, “I appreciate the collaborative effort with my team and your willingness to conduct this follow-up audit to the previous report... Your independent validation of our research and discoveries further addresses the issue of Department of Defense (DoD) accountability for the Development Fund for Iraq (DFI) program funds.” SIGIR also coordinates regularly with the Comptroller's office regarding actions taken to address DFI report recommendations.

### 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 190 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 200 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- nearly 200 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 in Iraq even as the U.S. reconstruction effort scales back. Moreover, these recommendations provide important lessons learned in implementing reconstruction activities in other contingency operations. To illustrate:

- SIGIR has issued 12 CERP and Iraq-CERP (I-CERP) reports and made 29 recommendations addressing the need to improve the management of the 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. In July 2011, SIGIR completed a review of the uses and management of FY 2011 CERP-funded projects and concluded that the emphasis to concentrate on capacity-development projects likely does not meet DoD CERP objectives, and that there are no meaningful metrics to measure these projects' impact. Another related report looked at DoD's

management of the funds the GOI provided for I-CERP projects. SIGIR found that DoD was using U.S. CERP funds for projects that would have been more appropriately funded under I-CERP, and that DoD was not maintaining accurate information on the I-CERP funds or projects.

- SIGIR has issued approximately 30 reports that, to varying degrees, addressed DoD efforts to develop a functioning Iraqi Army, Air Force, Navy, and Police. These reports ranged from the management of contracts that provided training and other services, ministerial capacity development, oversight of weapons provided, asset transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel. Recommendations addressed issues such as the need to determine whether billings and costs questioned by SIGIR should be disallowed and recovered, and the need to ensure that the Iraqi Ministry of Defense assumes responsibility for maintaining U.S.-built facilities.
- SIGIR has looked specifically at the progress in developing the Iraqi police forces. SIGIR issued seven reports that dealt exclusively with U.S. police training programs. For example, SIGIR made numerous recommendations to improve oversight of, and reduce vulnerabilities to fraud, waste, and abuse. SIGIR examined both the contract under which police advisors were training Iraqi police and the actual assistance program to provide the training. To illustrate, SIGIR reviewed whether DoS had adequately planned for its assumption of the Police Development Program and found significant problems. SIGIR found that DoS lacked a current assessment of Iraqi police forces' capabilities upon which to base the program, had not obtained GOI written commitment regarding either its support for the program or its intended financial contributions, and only 12% of program costs will be used for actual program implementation, with the vast preponderance of funds going for security. SIGIR recommended that DoS work

with the Ministry of Interior (MOI) to develop an assessment of the police forces, develop an in-depth development plan to include metrics from which to evaluate success, and complete a written agreement with the MOI on its roles and responsibilities in developing their police. Moreover, SIGIR provided matters for the Congress to consider in encouraging more effective and efficient delivery of this training.

SIGIR's Audits Directorate has also taken a number of steps to determine the extent to which SIGIR recommendations have been implemented, and to ensure adequate follow-up of still-open recommendations once SIGIR is dissolved. To assess the current status of recommendations, SIGIR initiated reviews of the actions DoD, DoS, and the U.S. Agency for International Development (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. During the past three quarters SIGIR audits found:

- USAID had taken corrective actions on four of the six open SIGIR recommendations and is working with SIGIR to close the remaining two. Moreover, SIGIR found that the agency's audit tracking system is effective and well managed.
- While DoS reports that it has acted on most of the open recommendations and informed SIGIR that it has closed 38 of the 45 recommendations, SIGIR could close only 13 because DoS did not provide sufficient information to allow us to close the others. SIGIR also found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress, nor for resolving disagreements and questions about recommendations, as required by Office of Management and Budget Circular A-50.
- Three DoD agencies—CENTCOM, USF-I, and USACE—provided sufficient information to allow SIGIR to close 24 of the 26 recommendations made to these organizations. Two remain open because USACE could not provide sufficient information, but SIGIR will continue to monitor their status.
- SIGIR has been able to close 32 of the 37 audit recommendations made primarily to the Secretary of Defense and other senior DoD headquarters officials that were unresolved (that is, open) as of September 30, 2011. Additionally, DoD OIG has a follow-up process and tracking system that will now include all SIGIR open and future recommendations made to DoD.

SIGIR is working with all cognizant agency IGs or other department officials to ensure that the status of SIGIR recommendations is adequately tracked.

### 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 actually saved because the agency under review accepted SIGIR's recommendation to put funds to better use, or to recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding, or funds that were saved because the Congress elects to reduce appropriations based on SIGIR's work

TABLE 5.2  
**SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACTS**  
 \$ Millions

ACCOMPLISHMENTS	LAST 6 MONTHS	CUMULATIVE
Potential Savings If Funds Are Put to Better Use <sup>a</sup>	387.00	973.62
Potential Savings If Agencies Recover Questioned Costs <sup>b</sup>	0.00	635.83
Actual Saved and Recovered Funds Based on Agency and Congressional Actions Responding to SIGIR Findings and Recommendations	0.57	644.89

**Notes:**

- <sup>a</sup> 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 pre-award reviews of contract or grant agreements, or  
 (F) any other savings which are specifically identified.
- <sup>b</sup> 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 as of 1/2012.

SIGIR has identified a total of \$973.62 million that could be used more efficiently and effectively elsewhere.

SIGIR has also questioned \$635.83 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 major problems in U.S. oversight of a contract with Anham, LLC, and is therefore questioning the entire \$113 million that has thus far been expended on the contract.

Through January 30, 2012, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about \$644.89 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 \$509 million was saved in the Iraqi police training program through

measures such as improved contractor invoice review procedures.

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

## SIGIR's Forensic Audit Approach

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

- SIGIR conducted in-depth audits of major DoD, DoS, and USAID reconstruction awards. In these focused contract and grant audits, SIGIR examined costs, outcomes, and

TABLE 5.3  
**SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACT REPORTS**  
 \$ Millions

REPORT NUMBER	REPORT TITLE	POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS			ACTUAL SAVINGS
		FUNDS THAT COULD BE BETTER USED	QUESTIONED COSTS		DOLLARS SAVED & RECOVERED
	UNALLOWABLE UNALLOCABLE UNREASONABLE		UNSUPPORTED COSTS		
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	0.00 <sup>a</sup>
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.00 <sup>a</sup>
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq			2.70	0.00 <sup>a</sup>
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			0.00 <sup>a</sup>
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			7.80
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library		0.15		0.00 <sup>a</sup>
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.00 <sup>a</sup>
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	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			23.30
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			3.80
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC		0.57		0.57
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.06 <sup>a</sup>
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			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	502.25		508.66
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			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

Continued on next page

REPORT NUMBER	REPORT TITLE	POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS			ACTUAL SAVINGS DOLLARS SAVED & RECOVERED
		FUNDS THAT COULD BE BETTER USED	QUESTIONED COSTS		
			UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	
11-009	Iraqi Government Support for the Iraq International Academy	12.00			
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed		1.08		1.08
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected		113.40		
12-006	Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency	387.00			
<b>Totals</b>		<b>973.62</b>	<b>624.48</b>	<b>11.35</b>	<b>644.89</b>

Note: All SIGIR audit reports can be found on the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

<sup>a</sup> SIGIR previously reported that agencies saved some, or more money, but collection efforts were stopped for reasons such as the company went out of business, or the cost of collection would have exceeded the funds recovered.

<sup>b</sup> The total dollar amount of questioned costs comprises two subcategories which are delineated in this table in order to clarify the nature of the questioned cost as defined by the Inspector General Act.

management oversight and identified whether internal controls were in place to ensure effective contract management and use of reconstruction funds.

- SIGIR established a joint audit and investigative initiative in January 2009. Known as the Forensic Evaluation, Research, Recovery and Enforcement Team (FERRET), this multi-disciplinary initiative involved auditors, analysts, and investigators working together to examine programs where U.S. military and civilian personnel involved in the reconstruction of Iraq had easy access to cash and where controls over expenditures appeared to be weak.
- SIGIR auditors examined transaction data of payments made to vendors to identify irregular, or anomalous, transactions that could indicate

potential fraud. SIGIR selected nearly 180,000 payments totaling about \$40 billion from DoD, DoS, and USAID financial systems for close review. These transactions came from four major reconstruction funds: IRRF (totaling \$19.83 billion), ISFF (\$14.1 billion), ESF (\$1.83 billion), and CERP (about \$4.0 billion).

More recently, SIGIR added an additional component to the forensic effort. SIGIR analyzed nearly 100 closed criminal investigations related to the Iraq reconstruction effort to identify internal control weaknesses that contributed to individuals' ability to commit criminal acts. SIGIR continues to explore ways in which to examine expenditures and payments for Iraq reconstruction activities in order to reduce fraud, waste, and abuse. ♦

## SIGIR LESSONS LEARNED

In December 2011, SIGIR published *Iraq Reconstruction: Lessons in Inspections of U.S.-funded Stabilization and Reconstruction Projects*. This report provides details on how SIGIR implemented its Inspections program and what lessons SIGIR derived from its assessment of projects in a war zone. The report also summarizes SIGIR's most significant and notable project assessments, and it describes the impact of SIGIR's work on the oversight of U.S.-funded reconstruction projects in Iraq.

### SIGIR's Inspections Program

SIGIR established its Inspections Directorate in June 2005 to focus on the rapid assessment and reporting of U.S.-funded reconstruction work in Iraq. Over the next five years, SIGIR sent teams of experienced engineers and auditors to project sites throughout the country. SIGIR selected a cross section of projects to be inspected from each reconstruction sector, from large and small contractors, from different geographic areas, from each of the major U.S. agencies, and from different funding sources. Also considered in the selection of projects were the requests of military commanders and Department of State officials; the significance of the project; the likelihood of fraud or waste; and allegations about specific projects, sites, and contractors.

In assessing construction projects, SIGIR aimed to determine the following:

- Were projects properly designed?
- Were projects built in accordance with contract specifications?
- Were adequate contractor quality control and government quality assurance in place?
- Was Iraqi sustainability considered and planned for?
- Were projects likely to meet their stated objectives?



Construction official briefs the Inspector General on the status of construction at the Nassiriya Prison during an on-site inspection.

For sustainment project assessments, SIGIR inspected completed projects to determine if the projects were at full capability or capacity when accepted by the U.S. government, when transferred to the GOI, and when observed by SIGIR inspectors during site visits.

The work of SIGIR's Inspections Directorate ended in April 2010, just as major U.S. construction projects were winding down and as the sovereign Iraq was assuming greater control of the reconstruction program. In all, SIGIR issued 170 reports, providing snapshots of reconstruction activities valued at nearly \$2.1 billion. Of the 116 in-progress projects that SIGIR inspected, almost one-half did not meet the contract specifications and had major deficiencies. For the contract value of projects inspected, by reconstruction sector, see Figure 5.1. Of the 54 completed projects assessed, more than three-fourths had deficiencies, with 14 having major deficiencies that, if left unaddressed, would place those projects in jeopardy.

### Lessons Learned from Inspecting Projects in a Contingency Environment

During the course of its 170 project assessments, SIGIR's Inspections Directorate identified 13 essential lessons about project planning, execution,

and oversight in a stabilization and reconstruction operation:

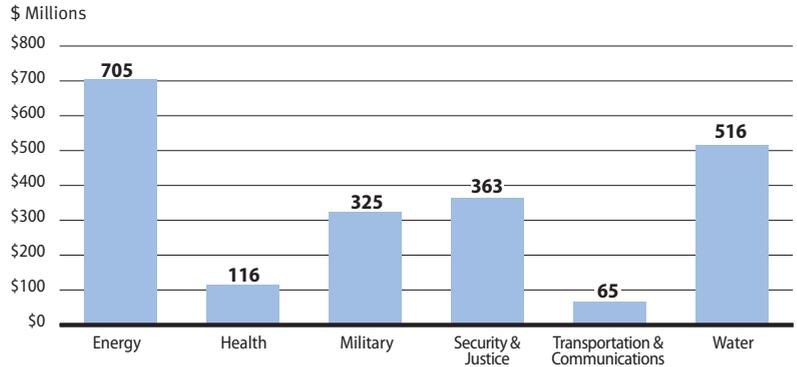
1. Achieve a secure environment before initiating major reconstruction activities.
2. Enforce contracts to reward good performance and hold poor performers accountable.
3. Design projects in accord with the host nation's capacity to maintain and sustain them.
4. If a project requires sophisticated equipment, encourage the host nation to contract for operations and maintenance with a qualified contractor until organic capacity is established.
5. Base project reporting on actual construction progress and not on the amount that the contractor has been paid to date.
6. Ensure that contractor invoices are reviewed by U.S. construction management before payment is made.
7. Do not allow construction activities to begin before detailed drawings have been prepared and approved.
8. Design projects that anticipate potential limitations of electrical power and potable water sources.
9. Require oversight managers to regularly visit sites as part of a project's quality assurance program.
10. When designing projects, work with host-nation users to create effective, usable, and culturally sensitive facilities.
11. Enhance coordination and decision making by consolidating all project data in a unified information management system.
12. Do not underestimate the importance of relatively small "last-mile" projects to the success of large-scale reconstruction projects.
13. Minimize use of "nested tiers" of subcontractors in stabilization and reconstruction operations.

## Best Practices of SIGIR's Inspections Program

The unpredictable and challenging environment in Iraq helped shape the approach used by SIGIR's Inspections Directorate in conducting

FIGURE 5.1

### CONTRACT VALUE OF PROJECTS SIGIR INSPECTED, BY RECONSTRUCTION SECTOR



Note: Data not audited. Numbers affected by rounding.

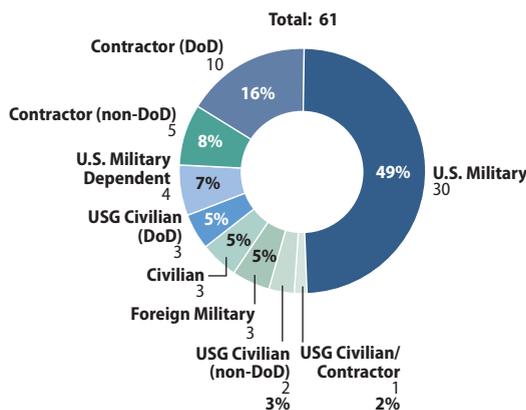
assessments of individual construction projects. This approach could serve as a template, or at least as a starting point, for project assessments in other contingency operations.

1. Provide reconstruction officials with near real-time reporting.
2. Team engineers with auditors.
3. Report on complex technical topics in accessible language.
4. Use graphics to explain complex engineering issues.
5. Prepare for rapid but effective inspections.
6. Whenever possible, visit project sites in person.
7. Visit as many projects as possible early in the construction phase.
8. Develop alternative approaches to executing inspections.
9. Support the host government's IG system.
10. Always consider sustainability in assessing reconstruction projects.
11. Engage with host-country end users and government officials when developing the reconstruction program.
12. Establish working relationships with all parties involved in the reconstruction effort.
13. Become an informational resource for reconstruction officials.
14. Perform assessments in all sectors throughout the country.
15. Complement and augment existing audit and investigative functions. ♦

## SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 90 active investigations as of January 30, 2012. During this reporting period, SIGIR had 1 investigator assigned in Baghdad; 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, and California; and 6 investigative personnel at SIGIR headquarters in Arlington, Virginia. Investigative accomplishments this quarter included 2 indictments, 3 convictions, and 6 sentencing. As of December 31, 2011, the work of SIGIR investigators had resulted in 70 indictments, 61 convictions, and more than \$175 million in fines, forfeitures, recoveries, restitution, and other monetary results. For SIGIR convictions, by affiliation of wrongdoer, see Figure 5.2. For the monetary results of SIGIR investigations, by affiliation of wrongdoer, see Figure 5.3. Investigative accomplishments this quarter also included 1 proposal for debarment and 7 debarments.

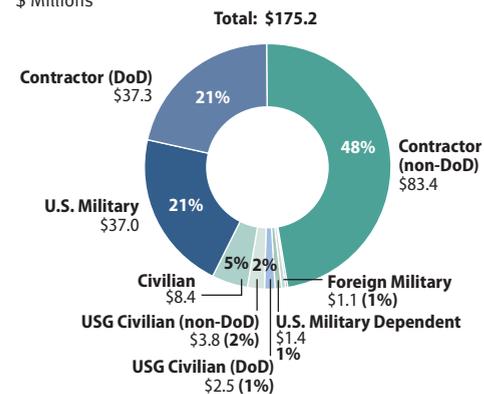
FIGURE 5.2  
SIGIR CONVICTIONS, BY AFFILIATION OF WRONGDOER, AS OF 12/31/2011



## SIGIR Investigative Activities This Quarter

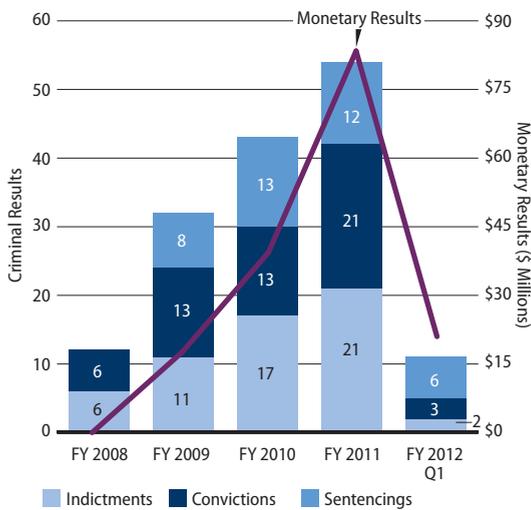
This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of SIGIR investigations, 7 defendants are awaiting trial, and an additional 16 defendants are awaiting sentencing. Figure 5.4 shows the increases in the number of judicial actions and monetary results achieved in each of the last four years based on SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.4 at the end of this subsection.

FIGURE 5.3  
SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 12/31/2011  
\$ Millions



Note: Numbers affected by rounding.

**FIGURE 5.4**  
**SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS**



SIGIR notes these investigative activities this quarter:

- A former U.S. Army major was sentenced to 12 years in prison for participating in a bribery and money-laundering scheme.
- A former Louis Berger Group, Inc., chief executive officer (CEO) was indicted for his alleged role in a multimillion-dollar billing fraud scheme for Iraq and Afghanistan reconstruction contracts.
- A Department of State (DoS) employee was sentenced to prison term for soliciting and accepting kickbacks.
- A former U.S. Army major was sentenced to two years in prison for money laundering.
- A DoS contractor was charged and pled guilty to conspiracy to steal DoS equipment in Iraq.
- A former U.S. Army Corps of Engineers (USACE) employee was sentenced for accepting bribes from Iraqi contractors.
- A contractor pled guilty and was sentenced for lying to federal agents.
- A former U.S. Army sergeant was placed in pretrial diversion for receiving stolen cash.

## Former U.S. Army Major Sentenced to Twelve Years in Prison in Bribery and Money-laundering Scheme

On January 5, 2012, Eddie Pressley, a former U.S. Army major and contracting official, was sentenced in U.S. District Court in Birmingham, Alabama, for his participation in a bribery and money-laundering scheme related to contracts awarded in support of the Iraq war. Pressley was sentenced to 12 years in prison and was ordered to serve 3 years of supervised release following the prison term. Pressley also was ordered to forfeit \$21 million as well as real estate and several automobiles.

Pressley and his wife, Eurica, were found guilty at trial on March 1, 2011, of one count of bribery, one count of conspiracy to commit bribery, eight counts of honest-services fraud, one count of money-laundering conspiracy, and 11 counts of engaging in monetary transactions with criminal proceeds. A sentencing date for Eurica Pressley has been scheduled for February 23, 2012.

The case against the Pressleys arose from a corruption probe focusing on Camp Arifjan, a U.S. military base in Kuwait. As a result of this investigation, 17 individuals, including the Pressleys, have pled guilty or been found guilty at trial for their roles in the scheme.

Evidence presented at trial showed that Eddie Pressley took various actions to benefit certain contractors who paid him bribes, including Terry Hall. Pressley served as a U.S. Army contracting official at Camp Arifjan during 2004–2005. From spring 2004 through fall 2007, Hall operated and had an interest in several companies, including Freedom Consulting and Catering Co. and Total Government Allegiance.

In February 2005, Pressley arranged for Hall to obtain a blanket purchase agreement (BPA) to deliver goods and services to the Department of Defense (DoD) and its components in Kuwait and elsewhere. Under the BPA, DoD would order supplies on an as-needed basis, and the contractor would then be obligated to deliver the supplies

ordered at the price agreed to in the BPA. The term for such an order by DoD is a “call.”

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

Hall’s testimony and other evidence at trial showed that soon after the \$50,000 bribe was paid, Pressley and another U.S. Army contracting official increased the bribe demand to \$1.6 million—\$800,000 for Pressley and \$800,000 for the other official. After Hall and others agreed to pay the money, Pressley and the other official took various official acts to benefit Hall, including, among other things, issuing calls for bottled water and fencing, arranging for Hall to receive a fence contract, and modifying Hall’s BPA to remove the upper limit of the money Hall could receive from DoD under the BPA for bottled water.

Evidence at trial also showed that Eddie Pressley enlisted the help of his wife to receive the bribes. Eurica Pressley traveled to Dubai in May 2005 and to the Cayman Islands in June 2005 to open bank accounts to receive the bribe money. She also took control of the U.S.-based account in the name of EGP Business Solutions Inc.

In addition, Eddie and Eurica Pressley, attempted to conceal the true nature of their corrupt scheme by having Eurica Pressley execute bogus “consulting agreements.” They also prepared false invoices that were designed to justify the bribe payments as payment for nonexistent “consulting services.”

Bank statements and wire transfer reports demonstrated that, in total, the Pressleys received approximately \$2.9 million in bribe payments, approximately \$1.6 million of which consisted of payments from other contractors that Hall facilitated for Eddie Pressley. Evidence presented at trial showed that the Pressleys used the money to purchase real estate, expensive automobiles, and home-decorating services, among other things.

This case is being jointly conducted by SIGIR, the U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), the Defense Criminal Investigative Service (DCIS), the Department of Homeland Security’s Bureau of Immigration and Customs Enforcement (ICE), the Internal Revenue Service-Criminal Investigation (IRS-CI), and the Federal Bureau of Investigation (FBI).

### **Former Louis Berger Group, Inc., CEO Indicted for Multimillion-dollar Billing Fraud Scheme**

On October 20, 2011, Derish Wolff, the former president and CEO of New Jersey-based international engineering consulting company Louis Berger Group, Inc. (LBG), surrendered to face a six-count indictment alleging he led a scheme to intentionally overbill the United States in connection with hundreds of millions of dollars in overseas reconstruction contracts over a nearly 20-year period. The indictment charges Wolff—who was president and CEO of LBG from 1982 to 2002 and more recently served as the chairman of LBG’s parent company, Berger Group Holdings, Inc.—with one count of conspiring to defraud the U.S. Agency for International Development (USAID) and five counts of making false claims in connection with those billings.

According to the indictment, as well as other documents filed and statements made in court in this and related cases, USAID awarded LBG hundreds of millions of dollars in reconstruction contracts in Iraq, Afghanistan, and other nations. The indictment alleges that, while at LBG, Wolff conspired to defraud USAID by billing the agency on cost-plus contracts—including hundreds of millions of dollars in contracts for reconstruction work in Iraq and Afghanistan—for LBG’s overhead and other indirect costs at falsely inflated rates. From at least 1990 through about July 2009, LBG, through Wolff and other former executives, intentionally overbilled USAID in connection with the contracts in a scheme carried out by a number of LBG employees at Wolff’s direction.

It is further alleged that, regardless of the actual numbers, Wolff targeted a particular overhead rate and ordered his subordinates to achieve that target rate through a variety of fraudulent means. From at least as early as 1990 through 2000, Wolff ordered LBG's assistant controller to pad time sheets with hours ostensibly devoted to federal government projects when that employee had not actually worked on such projects. Wolff ordered this subordinate to instruct the accounting division to do the same.

At an LBG annual meeting in September 2001, Salvatore Pepe—who was then the controller and eventually became the chief financial officer—presented a USAID overhead rate that was significantly below Wolff's target. In response, it is alleged that Wolff denounced Pepe, called him an “assassin” of the overhead rate, and ordered him to target a 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 supposedly incurred by LBG.

It is further alleged that in response to this instruction to target an overhead rate, Pepe and former Controller Precy Pellettieri, with Wolff's supervision, hatched a fraudulent scheme to systematically reclassify the work hours of LBG's corporate employees, such as those in the general accounting division, to make it appear as if those employees worked on federal projects when they did not. At Wolff's direction, Pepe and Pellettieri reclassified these hours from approximately 2003 through 2007 without the employees' knowledge and without investigating whether the employees had correctly accounted for their time; and at times they did so over an employee's objection. In addition to padding employees' work hours with fake hours supposedly devoted to USAID work, Wolff instructed his subordinates to charge all commonly shared overhead expenses for LBG's Washington office, such as rent, to an account created to capture USAID-related expenses, even though that office supported many projects unrelated to USAID or other federal government agencies.

The conspiracy charge carries a maximum potential penalty of 10 years in prison; each of the false-claims counts carries a maximum potential penalty of five years in prison. Each of the six counts also carries a maximum \$250,000 fine, or twice the loss from the offense.

On November 5, 2010, Pepe and Pellettieri each pled guilty to separate criminal informations charging them with conspiring to defraud the government with respect to claims. They await sentencing. Also on that date, LBG resolved criminal and civil fraud charges related to Wolff's and others' conduct. The components of the settlement included:

- a Deferred Prosecution Agreement (DPA), pursuant to which the U.S. Attorney's Office in New Jersey suspended prosecution of a criminal complaint charging LBG with a violation of the Major Fraud Statute. In exchange, LBG agreed, among other things, to 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 would evaluate and oversee the company's compliance with the DPA for a two-year period.
- a civil settlement that required the company to pay the government \$50.6 million to resolve allegations that LBG violated the False Claims Act by charging inflated overhead rates.
- an administrative agreement between LBG and USAID, which was the primary victim of the fraudulent scheme.

The settlement took into consideration LBG's cooperation with the investigation and the fact that those responsible for the wrongdoing are no longer associated with the company.

This case is being jointly conducted by USAID, DCIS, SIGIR, and the FBI.

### **Department of State Employee Sentenced to Prison Term for Soliciting and Accepting Kickbacks**

On January 19, 2012, Richard L. Razo was sentenced in U.S. District Court in San Antonio, Texas, to 33 months in prison followed by two years supervised release. Razo was also ordered to pay \$106,820 in restitution and a \$200 special assessment. The sentencing is the result of Razo's guilty plea on February 28, 2011, to a two-count criminal information charging wire-fraud conspiracy and wire fraud. From 2005 through May 2009, according to court documents, Razo entered into a scheme to enrich himself by fraudulently providing Iraqi contractors with confidential bidding information and otherwise helping those contractors obtain contracts on Iraqi reconstruction projects in exchange for a percentage of the face value of the fraudulently obtained contracts. He did so first as an employee of an international company doing business in Iraq under contracts with the U.S. government and then as a DoS employee. Razo collected more than \$106,000 in kickbacks and was promised a total of more than \$370,000 for his illegal conduct.

The case is being conducted by SIGIR, DCIS, ICE, and the DoS Office of Inspector General (DoS OIG) and prosecuted by a SIGIR Prosecutorial Initiative (SIGPRO) attorney.

### **Former U.S. Army Major Sentenced to Two Years in Prison for Money Laundering**

On December 13, 2011, Charles Joseph Bowie, Jr., a retired U.S. Army major, was sentenced to 24 months in prison followed by three years supervised release. Bowie was also ordered to pay \$400,000 in restitution and a \$100 special assessment. Bowie pled guilty to a criminal information filed on April 14, 2011, charging him with one count of engaging in monetary transactions improperly derived from specified unlawful activity. According to court documents, Bowie, while serving in Kuwait from April 2004 to April 2005,

became friends with former U.S. Army Major John Cockerham, who directed a government contractor to pay Bowie money in exchange for the award of a bottled-water contract. Bowie admitted that he received four wire transfers of approximately \$100,000 each from the contractor between July 2005 and February 2006. Bowie also admitted that he entered into a sham consulting agreement with the contractor to conceal the payments.

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

### **DoS Contractor Charged and Pleads Guilty to Conspiracy To Steal DoS Equipment in Iraq**

On November 10, 2011, John F. Hayes, a retired U.S. Army sergeant, pled guilty to conspiring to steal DoS equipment related to his work as an employee of a DoS contractor. Hayes pled guilty before a U.S. Magistrate Judge in the Middle District of Alabama in Montgomery, Alabama, to a criminal information charging him with one count of conspiracy to steal public property. According to the court document, Hayes was a civilian contractor in Iraq who managed air operations for a DoS contractor during reconstruction efforts. While working in Iraq, Hayes agreed with other co-conspirators to steal a truck and a generator. Once the truck and generator were stolen, a co-conspirator began to arrange for them to be sold in the black market in Iraq. The investigation into this conspiracy continues.

Hayes faces up to five years in prison, as well as a maximum fine of \$250,000 and up to three years of supervised release after serving any prison sentence he may receive. Additionally, Hayes has agreed to pay \$12,000 in restitution to the United States. A sentencing date has been scheduled for February 1, 2012.

This case is being investigated by SIGIR, the FBI, and DoS OIG, and it is being prosecuted by a SIGPRO attorney.

### **Former USACE Employee Sentenced for Accepting Bribes from Iraqi Contractors**

On December 9, 2011, Thomas Aram Manok, a former USACE employee stationed in Baghdad, was sentenced in U.S. District Court in the Eastern District of Virginia to 20 months in prison followed by 3 years of supervised release. The sentencing is the result of Manok's guilty plea on September 19, 2011, to conspiring to receive bribes from Iraqi contractors involved in U.S.-funded reconstruction efforts.

Manok admitted to using his official position to conspire with Iraqi contractors to accept cash bribes in exchange for recommending that USACE approve contracts and other requests for payment submitted by the contractors to the U.S. government. In March and April 2010, Manok agreed to receive a \$10,000 payment from one such contractor who had been involved in constructing a kindergarten and girls' school in the Abu Ghraib neighborhood of Baghdad and had sought Manok's influence in having requests for payment approved by USACE. According to court documents, Manok was to receive an additional bribe payment from the contractor once the contractor's claim had been approved. Manok also admitted that he intended to conceal the payments from authorities by transferring them, via associates, from Iraq to Armenia. At a forfeiture hearing on January 13, 2012, Manok was ordered to forfeit \$73,500 and pay a \$100 special assessment.

This case was investigated by the FBI, DCIS, Army CID-MPFU, and SIGIR as participants in the International Contract Corruption Task Force. The case is being prosecuted by the U.S. Attorney's Office for the Eastern District of Virginia and the Fraud Section of DoJ's Criminal Division. Initial prosecutorial work was handled by a SIGPRO attorney.

### **U.S. Contractor Pleads Guilty and Is Sentenced for Lying to Federal Agents**

On December 21, 2011, Brian Cornell, a U.S. contractor in Iraq, was sentenced in U.S. District

Court in Waco, Texas, to three months confinement followed by two years supervised release, and was ordered to pay a fine of \$1,000 and a special assessment of \$100. The sentencing was the result of Cornell's guilty plea on October 27, 2011, to a one-count indictment charging him with lying to federal agents during the course of an investigation. The agents were investigating a fraud scheme involving the theft and resale of generators in Iraq to various entities, including the U.S. government. Cornell admitted that when initially interviewed in Iraq, he denied any involvement in the fraud scheme, when in fact he had signed fraudulent U.S. documents, acted as an escort for a load of generators onto the secure civilian section of the Baghdad International Airport, and had received money on several occasions as part of the fraud scheme. This investigation continues.

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

### **Former U.S. Army Sergeant Placed into Pretrial Diversion for Receiving Stolen Cash from Iraq**

On October 21, 2011, a former U.S. Army sergeant was placed in a Pretrial Diversion (PTD) program by the U.S. District Court in Los Angeles, California. The PTD was the result of a one-count indictment charging the former U.S. Army sergeant with receiving more than \$12,000 in stolen cash from Iraq. According to court documents, the money had been stolen by another U.S. Army soldier who was deployed to Tallil, Iraq, in 2008, and mailed to the former U.S. Army sergeant. The funds were a cash payment for pickup by a local contractor who failed to appear for the payment. The cash was then stolen, concealed in a stuffed animal, and sent through the U.S. postal system to the former Army sergeant in California. The investigation into this case continues.

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

## SIGPRO Update

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

## Suspensions and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involved in Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official. The Army has suspended 116 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003; and 172 individuals and companies have been proposed for debarment, resulting in 127 finalized debarments that range in duration from 9 months to 10 years.

PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2012. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.5. For a complete list of suspensions and debarments, see Appendix F. ♦

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

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
John F. Hayes	Conspiracy	11/10/2011	Pending
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; \$1,000 fine; and \$100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	Four years probation with the first six months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of \$73,500; and \$100 special assessment
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	\$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	Pending
Francisco Mungia	Conspiracy	7/22/2011	Pending
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	One year probation with the first four months in home confinement; \$7,169 restitution; and \$100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, former USA major	Bribery	6/13/2011	Pending
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and \$24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	24 months in prison; 3 years supervised release; \$400,000 restitution; and \$100 special assessment
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	144 months in prison; 3 years supervised release; forfeiture of \$21 million, real estate, and several automobiles
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	Pending
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; \$106,820 restitution; and \$200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	Pending
Osama Ayes, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	36 months in prison; 3 years supervised release; forfeiture of \$57,030; and \$200 special assessment
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and \$4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of \$757,525

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison; 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	\$18.7 million in criminal penalties; civil settlement of \$50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	12 months and 1 day in prison; and restitution
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and 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; \$10,000 fine; \$25,500 restitution; and \$100 special assessment
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	12 months home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	39 months in prison; 2 years supervised release; and \$70,000 fine
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA contracting officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Maj. John Lee Cockerham, Jr., USA contracting officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR contracting officer	Conspiracy and bribery	6/10/2008	12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA contracting officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
Maj. John Rivard, USAR contracting officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, subcontractor administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD civilian, operational support planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution

*Continued on the next page*

# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's food service advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, contracting officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special assessment
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, subcontracts manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, regional vice president, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central comptroller and funding officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, subcontracts manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

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

TABLE 5.5  
DEBARMENT LIST

NAME	DEBARRED
Ehsan Hassan Al-Ameli	11/29/2011
Al AALI General Contracting Co.	11/28/2011
Mahmoud Shakier Mahmoud	10/14/2011
Ahmad Muhammed Hassan	10/13/2011
Al Ula Iraq	10/12/2011
Al Ula FZCO	10/12/2011
Al Ula Global Trading, LLC	10/12/2011
Chet M. Fazand	9/13/2011
Chad M. Fazand	9/13/2011
Fazand International Trading, LLC	9/13/2011
Al Dalla Co.	9/13/2011
Faustino L. Gonzales, CAPT, USA	9/7/2011
Chasib Khazal Mehadi Al Mosawi	9/7/2011
Quasay Shamran Mehdi Al-Mosawi	9/7/2011
The Economical Group	9/7/2011
Jenna International, Inc.	8/4/2011
Al-Methwad Company	7/21/2011
Tariq Zadan Dawood	7/21/2011
Tareq Zaidan Dawod	7/21/2011
Tariq Zaidan Dawod	7/21/2011
Tariq Zaidon Dawod	7/21/2011
Tarik Zaidon Dawood	7/21/2011
Abd Al Alim Abbod	7/21/2011
Frankie Joseph Hand	7/21/2011
Richard Joseph Harrington	7/21/2011
Janet L. Schmidt	6/22/2011
Mariam M. Steinbuch	6/6/2011
Mark Carnes	6/3/2011
Terence O. Walton	6/3/2011
Al Aali Future Mario Company	5/11/2011
Eric K. Schmidt	4/20/2011
Mark R. Fuller	4/1/2011
Ahmad Mustafa	1/25/2011
Mubarek Hamed	1/25/2011
Ali Mohammed Bagegni	1/25/2011
Abdel Azzim El-Saddig	1/25/2011

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NAME	DEBARRED
Mark Deli Siljander	1/25/2011
Precy Pellettieri	1/12/2011
Salvatore Pepe	1/12/2011
Ammar Tariq Al Jazrawi	1/10/2011
Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqoos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
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

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NAME	DEBARRED
Marko Rudi	5/26/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Tareh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
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

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NAME	DEBARRED
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
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

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NAME	DEBARRED
First AIM Trading and Contracting	9/17/2008
Vasantha Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007

*Continued on next column*

NAME	DEBARRED
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

## SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

### Fourth Quarter Reporting

As of December 31, 2011, the SIGIR Hotline had initiated 871 cases. Of these cases, 853 have been closed, and 18 cases remain open. For a summary of these cases, see Table 5.6.

TABLE 5.6  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 12/31/2011

OPEN CASES				
Investigations				17
Audits				1
<b>Total Open</b>				<b>18</b>
CLOSED CASES	2ND QTR 2011	3RD QTR 2011	4TH QTR 2011	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	0	47
Dismissed	1	1	2	144
Referred	8	2	8	392
Inspections	0	0	0	80
Investigations	0	18	9	155
Audits	0	12	0	29
<b>Total Closed</b>	<b>9</b>	<b>33</b>	<b>19</b>	<b>853</b>
<b>Cumulative* Open &amp; Closed</b>				<b>871</b>

\*Cumulative total covers the period since the SIGIR Hotline began operations—from 3/24/2004 to 12/31/2011.

### New Cases

During this reporting period, the SIGIR Hotline received 8 new complaints, bringing the cumulative total to 871 Hotline cases. The new complaints were classified in these categories:

- 5 involved contract fraud.
- 2 involved waste.
- 1 involved personnel issues.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and email. Of SIGIR's 8 new Hotline complaints, 5 were received through the SIGIR website and 3 were received through email.

### Closed Cases

During this quarter, SIGIR closed 19 Hotline cases:

- 9 were closed by the SIGIR Investigations Directorate.
- 8 were referred to other inspector general agencies.
- 2 were dismissed because they did not fall under SIGIR's purview.

### Referred Complaints

After a thorough review, SIGIR referred 8 complaints to outside agencies for proper resolution:

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

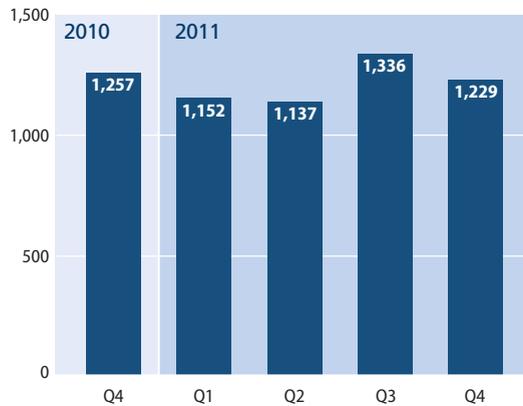
## SIGIR WEBSITE

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

- More than 113,131 users visited the SIGIR website—1,229 users per day.
- The Arabic-language section of the site received 3,004 visits.
- The most frequently downloaded documents were SIGIR’s most recent Quarterly Reports.
- The SIGIR website fed more than 38,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers’ computers and can be viewed by feed-reader programs.
- SIGIR’s custom Google Site Search has returned almost 12,000 results since inception. The most popular search terms have been “Anham,” “Wamar,” “Mosul,” “Missan Surgical Hospital,” and “Parsons.”

For an overview of daily visits to the SIGIR website, see Figure 5.5. ♦

FIGURE 5.5  
**AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 10/1/2010–12/31/2011**



Source: DoD, IMCEN, response to SIGIR data call, 1/6/2012.

## LEGISLATIVE UPDATE

### Consolidated Appropriations Act, 2012

On December 23, 2011, President Barack Obama signed into law the Consolidated Appropriations Act, 2012 (P.L. 112-74), which appropriates funds for the Department of State (DoS), U.S. Agency for International Development (USAID), and Department of Defense (DoD), among other agencies.<sup>375</sup>

The Senate Committee on Appropriations considered the DoS and USAID provisions on September 21 and issued a report, but the legislation was not considered on the Senate floor.<sup>376</sup> The relevant House Subcommittee met and approved a bill, sending it to the full House Appropriations Committee, but the full Committee did not vote on the report.<sup>377</sup> A conference was held on another bill (which became the Consolidated Appropriations Act), and the conference report was eventually considered and passed, becoming P.L. 112-74.

The DoD provisions were considered on the House floor on July 8, but in the Senate, they were considered only in Committee, on September 15. The House bill and Senate committee position were the subject of a conference held on the bill, which also became part of the Consolidated Appropriations Act.<sup>378</sup>

For details on the provisions of P.L. 112-74, see Section 2 of this Quarterly Report.

### National Defense Authorization Act for FY 2012

The National Defense Authorization Act for Fiscal Year 2011 (P.L. 112-181) (NDAA), was signed into law on December 31, 2011.<sup>379</sup>

### OSC-I and Arms Sales

Section 1215 provides detailed guidance for the activities of OSC-I. The statute provides that the Secretary of Defense may support transition activities in Iraq by providing funds for the operations and activities of OSC-I and security assistance teams in Iraq. Among the types of support permitted are “life support, transportation and personal security, and construction and renovation of facilities.” The act also requires reporting on the activities of OSC-I, including:

- any capability gaps in the security forces of Iraq, including capability gaps relating to intelligence matters, protection of Iraqi airspace, and logistics and maintenance
- the manner in which OSC-I programs, in conjunction with other U.S. programs—such as the FMF program, the Foreign Military Sales program, and joint training exercises—will address the capability gaps if the GOI requests assistance in addressing such gaps

The NDAA also requires that the President ensure “any letter of offer for the sale to Iraq of any defense articles or defense services issued after the date of the enactment of this Act includes ... charges sufficient to recover the costs of operations and activities of security assistance teams in Iraq in connection with such sale.”

### Procurement Matters

#### Contractor Support Requirements

Section 820 of the NDAA requires the inclusion of contractor support requirements in certain DoD planning documents, such as the Quadrennial Defense Review and Joint Chiefs of Staff contingency planning; in military advice on requirements, programs, and budget; and in the biennial review of national military strategy. The conferees noted

“that the Commission on Wartime Contracting found significant deficiencies in the Department’s requirements determination processes, [and its] management, oversight, and administration of operational contract support in recent contingency operations.” They urged the Secretary of Defense “to take aggressive steps to address shortfalls in education, training, information-sharing, pre-deployment exercises and experiments, and workforce planning related to the Department’s continued reliance on operational contract support.”

### **Voiding CENTCOM Contracts That Support an Insurgency**

Section 841 requires the Defense Supplement to the Federal Acquisition Regulation to be amended “to authorize the head of a contracting activity, pursuant to a request from the Commander of the United States Central Command [CENTCOM]”:

- to “restrict the award of Department of Defense contracts, grants, or cooperative agreements that the head of the contracting activity determines in writing would provide funding directly or indirectly to a person or entity ... actively supporting an insurgency or otherwise actively opposing United States or coalition forces in a contingency operation” in the CENTCOM area of operations
- “to terminate for default any Department contract, grant, or cooperative agreement” in the CENTCOM area of operations if the contractor or recipient “fails to exercise due diligence with respect to ensuring that no funds go to active supporters of an insurgency or which actively oppose U.S. forces,” or
- “to void in whole or part any contract, grant, or cooperative agreement if it provides funding to a person or entity supporting an insurgency” that actively opposes U.S. forces.

Section 841 also requires that any contract, grant, or cooperative agreement that has a value of more than \$100,000 and is to be performed in the CENTCOM area of operations must include

a clause requiring the contractor or grantee to exercise due diligence to ensure that none of the funds received under the contract are provided to a person or entity who is actively supporting an insurgency or otherwise actively opposing U.S. or Coalition forces. The clause must also notify the contractor that the head of the contracting activity has the authority to terminate or void the contract under the above conditions. In addition, to the maximum extent practicable, existing contracts shall be modified to include this clause.

CENTCOM is required to establish a program to review those receiving U.S. funds and identify persons or entities actively supporting an insurgency or otherwise actively opposing U.S. or Coalition forces. The authority to identify these persons or entities may not be delegated below the CENTCOM Commander. The authority to restrict, terminate, or void contracts may not be delegated below the head of the contracting activity. This section sunsets after three years.

### **Access to CENTCOM Contractor and Subcontractor Records**

Section 842 requires that the Defense Supplement to the Federal Acquisition Regulation be modified to require a clause authorizing the Secretary of Defense to examine any records of certain contracts that support contingency operations in CENTCOM—including records of subcontractors and subgrantees. The examination would be authorized to the extent necessary to ensure that funds available under the vehicle are not subject to extortion or corruption, and are not providing benefits to those actively supporting an insurgency or actively opposing U.S. or Coalition forces. The clause must also be included in subcontracts and subgrants with an estimated value of more than \$100,000. To the maximum extent practicable, existing contracts shall be modified to include this clause.

In order to examine those records, the contracting officer must determine, based on a finding by the CENTCOM Commander, that there is reason to believe that funds available under the contract

may have been subject to extortion or corruption or may have been provided to persons actively supporting an insurgency or otherwise actively opposing U.S. or Coalition forces. The provision requiring the clause expires after three years, but the terms of the clause in existing contracts would remain in effect.

### **LOGCAP and Competition in Contracting**

Under Section 844, a DoD competition advocate must review the Logistics Civil Augmentation Program (LOGCAP) contract each year that contract is in force in support of a contingency operation. DoS currently uses DoD's LOGCAP IV contract to provide for support and subsistence in Iraq.

The NDAA also requires the Secretary of Defense to establish goals for competition in contracts awarded for the provision of property or services outside the United States in support of a contingency operation. The Secretary must develop processes to measure and monitor such competition. The explanatory statement of the conferees notes that "separate goals would be established" under the section "for each contingency operation requiring significant contract support," requiring reports on levels of competition achieved. The conferees reported that they expect DoS to transition to sustainment contracting, with increasing levels of competition, "as rapidly as practicable."

### **Other Matters in the NDAA**

A House provision<sup>380</sup> that would have established new quality assurance surveillance requirements for private security contractors operating in all future contingency operations was not adopted by the conferees. Conferees also did not adopt a House provision<sup>381</sup> to establish a new Senate-confirmed position of Assistant Secretary of Defense for Contingency Contracting and a new Office of Contingency Contracting, as recommended by the Commission on Wartime Contracting.

Section 1214 of the NDAA prohibits the use of funds it authorizes from being obligated to establish any military installation or base for the

purpose of providing for the permanent stationing of U.S. Armed Forces in Iraq or Afghanistan.

## **SIGIR Congressional Testimony This Quarter**

### **Police Development Program**

On November 30, the Inspector General testified about the DoS Police Development Program (PDP) before the Subcommittee on the Middle East and South Asia of the House Committee on Foreign Affairs. He reviewed the history of U.S. government efforts to assist the Iraqi police forces, which began in 2003, and summarized SIGIR's six audits of U.S. government assistance to the Iraqi police, which found significant program and contract management problems. The most recent audit, released in October, found that the PDP effort continued to be hampered by a failure to assess the state of Iraq's police forces and the impact of prior U.S. assistance on their readiness, noting that a proper assessment is necessary to determine what is needed. In addition, the Inspector General testified that the PDP lacks a plan setting out, in detail, what it intends to accomplish, as well as a comprehensive set of intermediate and long-term milestones and sufficient measures of program outcomes. He stated that DoS's request for \$877 million for the PDP in FY 2012 was not in line with actual needs, citing DoS's estimate that it will require about \$500 million to carry out the PDP in its present structure. Moreover, SIGIR's audit identified an additional \$200 million–\$300 million unspent from prior-year PDP appropriations.

The Inspector General also reported on meetings with Iraq's Ministry of Interior, which called into question whether Iraq had "bought in" sufficiently to the PDP. The GOI had not, for example, made any financial commitment to the program, as required by law. Meetings in November with senior staff at U.S. Embassy-Baghdad gave the Inspector General reason to be encouraged by

progress made in putting SIGIR's recommendations to DoS into effect.

## **Oversight in Iraq Today: A Special Inspector General for Overseas Contingency Operations**

On December 7, the Inspector General testified before the Subcommittee on National Security, Homeland Defense, and Foreign Operations of the House Committee on Oversight and Government Reform. He shared SIGIR's views on the current state of oversight in Iraq and on ways to improve contingency oversight in the future. The Inspector General supported the idea of a standing, expandable Special Inspector General for Overseas Contingency Operations (SIGOCO) as recommended by the Commission on Wartime Contracting for

Iraq and Afghanistan. He noted that the advantages of such an entity would include:

- quick reaction and continuous oversight from the inception of stabilization and reconstruction operations
- cross-jurisdictional oversight
- flexibility
- experience
- a staff committed to deployment

Staffing for oversight in contingencies through SIGOCO would improve coordination and complement the work of agency inspectors general while reducing the burden of contingency operation oversight on their staffs, which have significant ongoing responsibilities. Ultimately, a SIGOCO would save taxpayers money and improve outcomes. ♦