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SECTION

4

SIGIR AUDITS

From April 30, 2009, to July 30, 2009, SIGIR completed seven new audit products, including one joint audit with the Department of State (DoS) Office of Inspector General. Since March 2004, SIGIR has issued 149 audit reports. This quarter, SIGIR addressed a range of issues, including the oversight of the operations of private security contractors (PSCs) in Iraq, the management of major reconstruction contracts, and CERP-funded projects:

- a joint report on the requirements, costs, performance, and oversight of the contract with Blackwater to provide private security services
- a report on the views of field commanders and other officials on the effectiveness of changes made to improve oversight and control the operations of private security contractors
- a report on the number, types, and actions taken to investigate and remediate incidents in which PSCs were involved in weapons discharges
- a report on the costs, outcomes, management oversight, transfer, and sustainment of a project funded by the Iraq Security Forces Fund (ISFF) to build a logistics support base near the city of Tikrit
- a report on the costs, outcomes, management oversight, transfer, and sustainment of a project funded by the Commander's Emergency Response Program (CERP) to build an electricity distribution facility in a Baghdad neighborhood
- a report on the costs, outcomes, management oversight, project justification, transfer, and sustainment of the second-largest CERP project in Iraq, which built a temporary hotel in the Baghdad Airport economic zone
- a report on the costs, outcomes, management oversight, transfer, and sustainment of a \$350 million project funded by ISFF to build the maintenance capability of a military depot in Taji to provide major overhauls of military equipment

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

SIGIR currently has 12 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR's reports have produced scores of recommendations designed to achieve management improvements and corrective actions needed in reconstruction and relief activities. The implementation of audit recommendations is crucial. SIGIR auditors regularly follow up on open recommendations, seeking to achieve their full implementation to the extent practical. Appendix F shows the total number of SIGIR's recommendations by fiscal year and the recommendations that remain open:

- For information on all SIGIR audit projects issued as of July 30, 2009, see Appendix F, Table F-1, and the SIGIR website: www.sigir.mil.
- For more detailed information on the status of implementation of SIGIR recommendations from its audit products and recommendations that remain open, see Appendix F, Table F-2.

SIGIR's work is well coordinated with other audit entities engaged in Iraq-related work. SIGIR hosts a quarterly meeting of the Iraq Inspectors General Council (IIGC) to discuss audit activities, prevent duplication of effort, and share

TABLE 4.1
SIGIR AUDIT PRODUCTS SINCE 4/30/2009

REPORT NUMBER	REPORT TITLE	DATE ISSUED
09-021 and AUD/IQO-09-16	Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq [This audit was conducted by SIGIR and the DoS Office of Inspector General.]	6/2009
09-022	Field Commanders See Improvements in Controlling and Coordinating Private Security Contractor Missions in Iraq	7/2009
09-023	Investigation and Remediation Records Concerning Incidents of Weapons Discharges by Private Security Contractors Can Be Improved	7/2009
09-024	Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices	7/2009
09-025	Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful	7/2009
09-026	Commander's Emergency Response Program: Hotel Construction Completed, but Project Management Issues Remain	7/2009
09-027	Developing Iraqi Military Depot Maintenance Capability at Taji Hampered by Numerous Problems	7/2009

information and experiences. The most recent meeting was held on May 27, 2009, at the SIGIR office in Arlington, Virginia. The following organizations attended the meeting: CENTCOM Inspector General, Department of the Army Inspector General, Department of Defense Office of Inspector General, Department of State Office of Inspector General, Government Accountability Office, SIGIR, U.S. Agency for International Development Office of Inspector General, U.S. Army Audit Agency, and the Wartime Contracting Commission.

Final SIGIR Audit Products for This Quarter

Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq

(SIGIR 09-021 and AUD/IQO-09-16, 6/2009)

Introduction

The joint audit addressed four objectives pertaining to the Blackwater task orders under the

Department of State (DoS) Worldwide Personal Protective Services II contract:

1. What was the contracting process?
2. What were the key requirements and provisions of the contract and task orders?
3. What are the costs and funding sources of the contract and task orders?
4. How did the Department of State administer the contract and task orders to provide proper oversight of Blackwater's cost and performance in Iraq?

Results

These were the audit's major findings:

- The contract and two of the three task orders related to personal protective service were competitively awarded to Blackwater. The noncompetitively awarded task order was justified in order to promote competition by awarding each contractor a task order for the geographic area where they already operated, save costs by not transitioning work in that area to a new contractor, and provide uninterrupted protective services in that geographic area.

- The total estimated cost for the Blackwater task orders was \$1.014 billion, as of May 29, 2008.
- DoS officials in Iraq did not confirm the accuracy of labor costs in Blackwater’s monthly invoices; the invoices were paid without adequate review of support documentation.
- Although the contract stipulated that penalties would be assessed when Blackwater did not provide all required personnel, those penalties were not assessed during 2006 and 2007. We estimate that \$55 million in penalties should have been assessed for those years.
- DoS was doing a commendable job of providing oversight of government-furnished weapons and vehicles, but oversight of other government-furnished equipment, such as handheld radios and body armor vests, was inadequate.
- Blackwater’s travel costs were not adequately reviewed. As a result, we found that DoS had paid \$127,364 in ineligible travel costs. The contracting officer has recovered \$56,457 of that amount.
- Contractor oversight files, required by the contracting officer’s representative, were not easily accessible and may not be complete.

Recommendations

The report makes four recommendations to the Department of State (DoS):

1. DoS should designate a full-time contracting officer’s representative on-site in Iraq to verify labor charges entered there and to monitor Blackwater’s control and accounting for government-furnished property.
2. DoS should determine whether deductions to the contract price should be made for inadequate staffing and, if so, the amount of these deductions.
3. DoS should recover excess travel costs of \$70,907 billed by Blackwater.

4. The contracting officer should instruct the contracting officer’s representatives to establish and maintain files that are easily accessible and complete in accordance with the *Foreign Affairs Handbook*.

Management Comments and Audit Response

In its response to a draft of this report, the DoS Bureau of Administration did not specifically concur with any of the seven recommendations. For six recommendations, it stated that it would “coordinate with,” “work with,” or was “currently in dialogue” with the Bureau of Diplomatic Security on actions to address the recommendations. We consider these unresolved, pending the Bureau’s concurrence. For the remaining recommendation pertaining to penalties for not providing required personnel, the Bureau said it would “consult with” the legal office on the recommendation. Consequently we consider that recommendation resolved. We will close these recommendations when we receive evidence that corrective actions have been implemented.

Field Commanders See Improvements in Controlling and Coordinating Private Security Contractor Missions in Iraq (SIGIR 09-022, 7/2009)

Introduction

Since April 2003, private security companies and individuals, commonly known as private security contractors (PSCs), have provided physical security services to protect U.S. personnel, facilities, and property, as well as U.S. government contractors, subcontractors, and other parties supporting the U.S. mission in Iraq. The use of contractors, however, has not been without problems, including

incidents between PSCs and Iraqis and between PSCs and U.S. forces. In late 2007, the Department of Defense (DoD) and Department of State (DoS) began making organizational and procedural changes to strengthen their oversight, coordination, and control of PSC activities, including PSC movements in areas of combat operations.

This audit was conducted to determine whether the changes have improved the oversight, coordination, and control of PSC missions in Iraq. It also addresses Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181), which states that audit agencies shall examine one or more of a number of issues relating to the control of PSCs, including:

- the extent to which field commanders were able to coordinate or direct the performance of contractors in an area of combat operations
- the nature and extent of any activity by contractor employees that was inconsistent with the objectives of operational field commanders

Results

To determine the effect of recent changes to improve the oversight of PSCs, SIGIR interviewed or received written responses to questions from DoD, DoS, and PSC company officials responsible for the oversight and coordination of PSC security missions. These personnel reported that the recent organizational and procedural changes have improved the control and coordination of PSC missions. For example:

- **Field Commanders:** Nineteen current and former field commanders described the new coordination procedures as effective in exerting their control and oversight over PSC missions. None of the field commanders identified any recent PSC activities that were inconsistent with their military operations, and none

identified problems with the current mission oversight process.

- **Contractor Operations Cell (CONOC) Officials:** Officials at all six Contractor Operations Cells, which were established to coordinate the movement of DoD and DoS PSCs with military units and to respond to incidents involving PSCs, also said that the organizational and procedural changes have effectively resolved the coordination and oversight problems that existed prior to their implementation.
- **DoS Regional Security Officers:** DoS Regional Security Office officials also said that coordination between DoD and DoS has improved. These officials provide a unique perspective on the oversight of PSCs because they are responsible for both ensuring the safety of U.S. Mission personnel and ensuring that their PSCs meet contract requirements and abide by all applicable laws and regulations.

Conclusions

Field commanders and CONOC officials generally believe that the new PSC control and coordination procedures have been effective in ensuring that such activities are not inconsistent with ongoing combat operations. In an earlier report on reporting, investigating, and remediating serious incidents involving PSCs, SIGIR similarly found that improved oversight and coordination of serious incidents could be achieved by establishing core standards, policies, and procedures early in a contingency. SIGIR identified this as a lesson learned, and this report provides further evidence of the importance of these activities.

Recommendations

This report contains no recommendations but reinforces previously identified lessons learned

that apply to other contingency operations, such as Afghanistan.

Management Comments and Audit Response

The responsible agencies were not required to provide comments to the draft of this report because there were no recommendations. Agencies chose not to provide comments.

Investigation and Remediation Records Concerning Incidents of Weapons Discharges by Private Security Contractors Can Be Improved (SIGIR 09-023, 7/2009)

Introduction

This report by the Special Inspector General for Iraq Reconstruction (SIGIR) responds to congressional requirements to conduct audits of serious incidents involving private security contractors (PSCs) in Iraq. It focuses on Department of Defense (DoD) oversight of incidents involving the firing—or discharge—of weapons reported from May 2008 through February 2009 by its PSCs. Specifically, the report examines:

- the number and types of serious incidents involving weapons discharges
- the extent to which actions that were taken to investigate and remediate these incidents can be verified

This report follows up on information on serious incidents provided in “Opportunities To Improve Processes for Reporting, Investigating, and Remediating Serious Incidents Involving Private Security Contractors in Iraq” (SIGIR 09-019, 4/30/2009).

DoD delegated its oversight responsibilities to Multi-National Force-Iraq (MNF-I), which established Contractor Operations Cells (CONOCs) to gather and distribute information on serious incidents involving PSCs. DoD also delegated to the Armed Contractor Oversight Division—now called the Armed Contractor Oversight Branch (ACOB)—the responsibility to manage the serious incidents.

Results

From May 2008 through February 2009, 109 incidents of weapons discharges were reported by 13 DoD PSCs and recorded in MNF-I’s CONOC database. Of these, five incidents resulted in injuries to six PSC employees and two deaths, including one employee of the U.S. Army Corps of Engineers caused by enemy action. No Iraqi civilians were injured or killed in these incidents. Almost twice as many of the incidents involved static guards (71) responsible for protecting fixed locations, than security details (38) responsible for protecting personnel and equipment convoys. All but one of the incidents, a suicide of a PSC employee, can be grouped in three primary categories—graduated force responses (a continuum of actions that can begin with nonlethal measures and end with lethal measures), negligent discharges, and responses to enemy attacks.

The ACOB database tracked 95% of the incidents involving weapons discharges from May 2008 through February 2009. This is significantly better than the 43% that SIGIR found in its previous review of all serious incidents (those involving attacks, death, serious injury, or property damage). However, SIGIR found that ACOB did not have the supporting documentation in its database to verify the actions taken on 56 of the 109 incidents

(51%) that CONOC recorded. Current ACOB officials could not explain why ACOB did not have these records on file, including 16 incidents that appear to have been investigated and remediated. This finding is consistent with a prior SIGIR audit that identified weaknesses in MNF-I's process for keeping records on serious incidents.

ACOB's lack of documentation for many of the weapons discharge incidents made it difficult, and in some cases impossible, to determine the total number of actions taken to investigate and remediate the incidents, including the actions that MNF-I may have taken against the PSCs in this timeframe. ACOB is responsible for ensuring that the commanders of the units that the PSCs support promptly and thoroughly review all serious incidents and, when necessary, investigate and remediate them. SIGIR's analysis further supports the need for ACOB and CONOC to establish a joint database for serious incidents that ACOB can use to capture the information it needs to fulfill its responsibilities to manage serious incidents involving PSCs.

Recommendations

SIGIR makes no additional recommendations to DoD in this report. However, the information presented in the report reinforces the need to implement SIGIR's previous recommendations to the Commanding General, Multi-National Force-Iraq, to take these actions:

- Require CONOC and ACOB to establish a joint database for serious incidents that both can use to capture the information they need to fulfill their responsibilities.
- Require ACOB to track all serious incidents, include data on all incidents in its analyses, perform more extensive analyses of serious incidents, and develop lessons learned from those analyses.

Management Comments and Audit Response

SIGIR received management comments from MNF-I, in which MNF-I concurred with the information provided in the draft report.

Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices

(SIGIR 09-024, 7/2009)

Introduction

SIGIR has a legislative requirement to prepare, prior to its termination, a final forensic audit on funds made available for Iraq relief and reconstruction prior to its termination. This review examines the Tikrit Location Command, a \$37.8 million project to construct a new area support base for the Iraqi Army. The project is a joint effort between the Multi-National Security Transition Command-Iraq (MNSTC-I) and the Iraq Training and Advisory Mission-Army (ITAM). The Joint Contracting Command-Iraq/Afghanistan awarded the contract and is responsible for contract oversight. The Gulf Region-North District (GRN) of the U.S. Army Corps of Engineers provides program management and engineering oversight. The project is funded by the Iraq Security Forces Fund (ISFF).

SIGIR's objectives were to examine contract costs, outcomes, management oversight, and issues related to the transfer and sustainment of the project, with an emphasis on vulnerabilities to fraud, waste, and abuse. This is the third SIGIR review of contracts funded by ISFF.

Results

Completing the Tikrit Location Command project has taken longer than originally planned; nevertheless, the project has not experienced cost

growth, the facilities are nearing completion, project management oversight controls are working well, and plans for transferring and sustaining the project are being developed.

As of May 2009, the contractor is meeting the requirements of the contract, and cost disbursements were commensurate with management's estimate of the construction status. The building exteriors are mostly complete, and the contractor is completing the interiors and other infrastructure and is adding the utilities. The GRN program manager estimates that overall construction is 78% complete, and both the GRN manager and the contractor believe that construction will be completed by the end of the current period of performance, which is September 26, 2009. About \$25.2 million of the \$37.8 million—nearly 67% of the modified contract price—has been disbursed to the contractor.

Strong program, project, and contract management controls were in place from the beginning of this contract, and they have improved over time. When construction deficiencies were identified, action was taken to resolve the issues. Additionally, lessons learned from prior construction projects were implemented. MNSTC-I officials said that a good security situation at Tikrit, among other factors, contributed to the positive outcome.

The project is approximately three months from its scheduled completion date; thus, it has not yet been transferred to the Government of Iraq (GOI). Nonetheless, MNSTC-I has an asset transfer plan in place and is working with the GOI to address several training and sustainment issues, including securing an adequate power supply for the facility and training Iraqis to operate the reverse-osmosis water treatment facility. To monitor the project after its transfer, a logistics military advisory team will be located at the

site to advise the location command's commander. A logistics training assistance team will also be formed to provide focused training, and ITAM officials will conduct capability assessments to track the GOI's progress in base services, water treatment, and other areas.

Recommendations

This report makes no new recommendations.

Lessons Learned

As SIGIR has previously identified in other reconstruction projects, involving GOI officials in the design and construction phases of projects that they will ultimately use contributes to GOI acceptance of and commitment to the project. Further, requiring project managers to implement lessons learned from other reconstruction projects helps to achieve overall better program management and outcomes. Iraq lessons should be shared with reconstruction project managers in Afghanistan.

Management Comments and Audit Response

SIGIR received written comments from the Multi-National Security Transition Command-Iraq and technical comments from the Iraq Training and Advisory Mission-Army, which we incorporated in the body of the report as appropriate.

Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful (SIGIR 09-025, 7/2009)

Introduction

Since October 2005, SIGIR has issued four reports on the management controls and accountability

of Commander's Emergency Response Program (CERP) funds. This report focuses on the outcome, cost, and oversight of one CERP project—the Electrical Distribution Grid in a Baghdad neighborhood known as Muhalla 312. Muhalla 312 is the most expensive project undertaken with CERP funding in Iraq: the project encompassed the entire Muhalla 312 (estimated to be 10 square blocks).

SIGIR's objectives were to examine:

- the project outcome in terms of final costs and completion time
- the effectiveness of the contracting process and oversight of the contract
- the coordination of the project with other reconstruction funds and programs
- the transfer to and sustainment efforts of the Government of Iraq (GOI)

Results

The Muhalla 312 distribution grid project was largely successful in meeting its intended outcome and was completed within cost. In November 2006, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) awarded a contract to Civilian Technologies Limited for nearly \$11.7 million to rehabilitate the electricity distribution facility at Muhalla 312. Over the next 26 months, JCC-I/A issued four contract modifications, including a design change that increased the contract amount to nearly \$11.8 million. The increase was minimal—less than 1%; however, the project took considerably longer than anticipated. Project delays were the result of challenges in obtaining approvals from the Iraqi Ministry of Electricity (MOE) and security problems.

Contract management and project oversight were generally effective. The Gulf Region Division-Central District (GRC) of the U.S. Army Corps of Engineers performed effective

quality assurance on the project. SIGIR reviewed the contract award and solicitation documentation, which showed that JCC-I/A found only one contractor to be technically acceptable. The statement of work for the contract was well defined. SIGIR reviewed contractor invoices and receiving documents and determined that invoices equaled the total contract price.

The project was coordinated effectively with the GOI; however, SIGIR was unable to confirm that Multi-National Corps-Iraq coordinated the project with any other U.S. reconstruction agencies. Lack of project coordination could reduce the overall impact of the intended results.

On January 13, 2009, GRC effectively transitioned the electrical distribution grid to the GOI. On May 20, 2009, SIGIR visited the project site and observed that the GOI was sustaining the project.

Although the project took longer to complete than anticipated because of GOI approval delays and security issues, this was a successful CERP project. This supports an earlier SIGIR lesson learned that early engagement of GOI officials on projects can lead to a more effective transition and a commitment to sustain the project. Contract management and project oversight were effective, and GOI is sustaining the electrical distribution grid even though Multi-National Division-Baghdad did not obtain a sustainment agreement up front.

Recommendations

This report makes no recommendations.

Lesson Learned

The Muhalla 312 electrical distribution grid project showed that obtaining host country buy-in of a project and its design can help achieve positive results in the project's transition and

sustainment phases. This lesson learned applies to CERP implementation in other contingency situations, such as Afghanistan.

Management Comments and Audit Response

The responsible agencies were not required to provide comments to the draft of this report because there were no recommendations. However, MNC-I provided technical comments that we considered in preparing the final report.

Commander's Emergency Response Program: Hotel Construction Completed, but Project Management Issues Remain *(SIGIR 09-026, 7/2009)*

Introduction

SIGIR has issued five reports on the management controls and accountability of Commander's Emergency Response Program (CERP) funds. This report focuses on the outcomes, cost, and oversight of the Baghdad International Airport Caravan Hotel, one of the larger CERP projects. A \$4.2 million contract was awarded to TAMA Design Consultancy and Construction, an Iraqi contractor, to provide international travelers and the public with hotel accommodations near the Baghdad Airport.

SIGIR's reporting objectives for this audit are to examine:

- contract outcome, cost, and schedule
- project justification and compliance with CERP guidelines
- contract oversight
- coordination of the project among U.S. government agencies and with the Government of Iraq (GOI)
- transfer of the project to the GOI

Results

Although the project's construction was consistent with the contract requirements, a number of weaknesses in the project's overall management raise questions about project selection, cost, oversight, hotel management contract, and plans for transfer to the GOI. These conditions appear to be caused largely by the new, improved general guidance for the CERP and a lack of management attention to properly documenting project decisions and plans. This situation is of particular concern to SIGIR because, at \$4.2 million, this is one of the highest dollar value CERP projects in Iraq; therefore, it warranted closer management attention.

Despite scheduling delays, the project met its construction and cost goals. The contract was awarded in October 2007, the contractor completed construction in August 2008, and the hotel has been open since September 2008. The project schedule slipped 6 months, taking a total of 10 months, but no cost increases occurred.

The Commanding General, Multi-National Corps-Iraq (MNC-I), approved the Caravan Hotel project using existing CERP guidance. SIGIR questions whether the project met all selection criteria, but notes the general nature of the guidance and believes the selection was reasonable. SIGIR also notes that subsequent congressional direction and related Department of Defense regulations have strengthened controls over the approval of large-scale CERP projects.

Documentation was missing to justify key project actions, such as increasing the contract price during the solicitation process from a planned \$2.7 million to \$4.2 million, not having TAMA manage the hotel even though the original justification stated it would, and changing the payment process from electronic fund

transfer to cash for about \$1.2 million and then back again to electronic.

Documentation of the Contracting Officer Representative's activities was missing, including verification of TAMA's contract performance, inspections, and correspondence with TAMA. Further, although MNC-I coordinated the project with other projects within the Baghdad International Airport Economic Zone, the Multi-National Division-Baghdad, and the Iraqi Civil Aviation Administration, MNC-I did not coordinate the project with other U.S. reconstruction agencies.

MNC-I has not developed a plan for transferring the hotel and has entered into a contract arrangement with a private joint venture to run the hotel. The contractor is paid from the hotel's profits. MNC-I has delayed transferring the hotel to the GOI because it is concerned that the Iraq Ministry of Transportation will close the hotel and remove all of the furniture and equipment from the property, as happened with other CERP projects at the airport. Although SIGIR shares MNC-I concerns about putting the investment at risk, MNC-I has not provided SIGIR the legal justification for the contract.

Recommendations

SIGIR recommends that the Commanding General, Multi-National Corps-Iraq (MNC-I), take actions to:

1. Update CERP guidelines to reflect new policies and procedures requiring electronic fund transfers.
2. Conduct a legal review of the hotel construction contract and the current hotel management contract to confirm that relevant legal authorities supporting major actions and decisions have been identified and fully documented. Specific issues to be addressed are identified in the body of the report.

3. Review the contract issues identified in this report, including contract award, payments, construction delays, and record-keeping processes.

4. Develop a plan for turning the project over to the GOI.

Management Comments

SIGIR received written comments from Multi-National Force-Iraq (MNF-I), which we considered in writing this report. SIGIR's recommendations were directed to MNC-I, a subordinate command of MNF-I. MNF-I concurred with the report's recommendations and provided additional comments. MNF-I stated that the contract issues identified in recommendation three would have to be reviewed through JCC-I/A, not MNC-I. MNF-I stated that MNC-I is developing a plan to turn the Caravan Hotel over to the GOI. A draft memorandum of agreement is being developed, and MNF-I expects signatures from MNC-I, the Iraq Minister of Transportation, and SIGMA Group within two weeks. MNF-I stated that the memorandum will result in the transfer of the hotel to the GOI.

Developing Iraqi Military Depot Maintenance Capability at Taji Hampered by Numerous Problems

(SIGIR 09-027, 7/2009)

Introduction

This report discusses a \$350 million Multi-National Security Transition Command-Iraq (MNSTC-I) contract, funded by the Iraq Security Forces Fund, to complete the Taji National Maintenance Depot (TNMD) in Iraq. Constructing the depot was a seven-phase project, and this contract supports the final four phases:

1. procuring and installing equipment

2. training Iraqi soldiers and civilians in depot maintenance and operations
3. initiating operations
4. transitioning the depot to Iraqi control

The contract was awarded by the Joint Contracting Command-Iraq/Afghanistan to AECOM Government Services.

SIGIR's objectives are to review the key requirements and provisions of the contract to determine cost, outcome, and management oversight, with an emphasis on the controls to prevent and detect fraud, waste, and abuse.

Results

Although the contract was valued at \$350 million, MNSTC-I elected to cancel two option periods, and final costs for the contract will be about \$220 million. However, the possibility that the Iraqi Army will be capable of successfully operating the depot by December 31, 2009—even at a low rate of production—seems unlikely. (A low rate production goal, as defined by MNSTC-I, refers to the number of times Iraqi personnel must independently demonstrate the capability to successfully complete certain maintenance actions. For example, a goal of 30 engines means that before transition the Iraqis should have successfully overhauled 30 engines.) Much of the equipment required under Phase IV of the contract still needs to be installed and commissioned. The training required under Phase V of the contract has not produced sufficient numbers of journeyman-level mechanics, and the low rate production requirements under Phase VI of the contract have been minimally achieved for only a few types of equipment. Until these objectives are met, the ability of the Iraqi Security Forces (ISF) to independently conduct depot-level maintenance will be limited.

Nonetheless, MNSTC-I reports that it intends to transfer the facility on December 31, 2009, in an “as is” condition, without regard to level of facility, equipment, or training development.

Although the outcome of this contract is less than successful to date, SIGIR found that MNSTC-I's management and oversight was generally effective. The MNSTC-I team responsible for this contract has managed two complex issues: the poor-quality renovation and construction work done under an earlier Phase III contract, specifically electrical work and the failure of the Iraqi Army to commit soldiers for training.

SIGIR's analysis of project management generally shows that despite the schedule extension, MNSTC-I managed these problems well. Most specifically, MNSTC-I kept the overall contract costs near the original estimate. SIGIR has previously recommended that continued U.S. investment in developing the ISF's maintenance capability be contingent on negotiating an agreement with the Iraqi Ministry of Defense for transitioning maintenance responsibility. SIGIR also identified a lesson learned that when agreements cannot be reached, assessing the risk of increased costs and the failure to achieve objectives should be an integral part of the management decision-making process. In this case, MNSTC-I has assessed that risk and made its decision.

Recommendations

SIGIR recommends that the Commanding General, MNSTC-I, direct that these actions be taken:

1. Due to the seriousness of the safety hazards and electrical problems uncovered within the depot facilities related to the Phase III construction, reevaluate the decision not to pursue action against these responsible contractors.
2. Develop a comprehensive plan to guide the activities of the future U.S. organization that

assumes responsibility for assisting the Iraqi Army to realize the goal of the TNMD. The plan should address at a minimum lessons learned, revised or modified objectives, the way ahead, and how best to sustain the TNMD once the Depot Integrator contract expires.

SIGIR also notes that MNSTC-I agreed with an April 2009 SIGIR recommendation (SIGIR 09-014) that the Commanding General, MNSTC-I, negotiate an agreement with the Ministry of Defense for transitioning maintenance responsibilities to the Iraqi Army to include identifying each party's role and responsibilities and a time line for achieving this goal. SIGIR has not yet been apprised of specific actions that have been taken.

Management Comments and Audit Response

SIGIR received written comments from MNSTC-I and GRD, which we considered in writing this report. MNSTC-I partially concurred that action should be taken against the Phase III contractors, stating that only the contracting office can hold the contractors accountable. GRD stated that Gulf Region Central Counsel is currently evaluating possible legal alternatives. However, SIGIR continues to believe that MNSTC-I, as the program manager and funding agency, has the authority and the responsibility to request that actions be taken to address this contracting issue. MNSTC-I concurred that it should develop a plan for guiding the activities of a follow-on organization.

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 allow SIGIR to respond to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction.

Ongoing Audits

SIGIR is currently working on these audits:

- Project 9002: Audit of Iraq Security Forces Fund Contracts with Environmental Chemical Corporation (ECC) for Iraq Reconstruction Projects
- Project 9007: Audit of the Cost, Outcome, and Oversight of Contracts with Wamar International, Inc., for Program Activities in Iraq
- Project 9011: Audit of Transaction Data for the Development Fund for Iraq
- Project 9018: Review of U.S. Government Management of the Government of Iraq Commander's Emergency Response Program (I-CERP)
- Project 9019: Audit of Efforts Under a Stanley Baker Hill Contract To Address Deficiencies in U.S.-funded Health Projects
- Project 9020: Audit of Department of Defense Obligations Supporting U.S. Efforts in Iraq
- Project 9022: Audit of Costs for the Global Maintenance and Supply Services Contract
- Project 9023: Audit of the Use of U.S. Iraq Security Forces Fund (ISFF) To Train, Equip, and Develop Iraqi Air Force, Navy, and Special Operations Forces

- Project 9024: Audit of DoS Management Practices Related to International Republican Institute and National Democratic Institute Grants for Democracy Building Projects in Iraq
- Project 9025: Audit of the DynCorp International Task Orders for the Iraqi Police Training Program
- Project 9026: Audit of the Commander's Emergency Response Program Projects within the Baghdad International Airport Economic Zone
- Project 9027: Audit of the U.S. Army Corps of Engineers Gulf Region Division Plans for Collection and Turnover of Government Furnished Equipment
- providing independent and objective leadership, and recommendations or policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

Ongoing Forensic Audits

- Project 9005: Examination of DoD Appropriation, Obligation, and Expenditure Data Related to Iraq Relief and Reconstruction for Fiscal Years 2003–2008
- Project 9012: Examination of DoS Appropriation, Obligation, and Expenditure Data Related to Iraq Relief and Reconstruction
- Project 9013: Examination of USAID Appropriation, Obligation, and Expenditure 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

SIGIR's strategic plan recognizes two specific legislative mandates affecting SIGIR audits. The first is the mandate for SIGIR to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction before SIGIR goes out of existence. As part of that effort, SIGIR has completed 12 focused contract audits dealing with outcome, cost, and oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing, as noted above, and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund.

SIGIR is also turning more of its resources to its forensic auditing initiatives. Last quarter, SIGIR broadened its forensic audit efforts through a review of DoD's automated data on appropriations, obligations, and expenditures for Iraq relief and reconstruction activities for fiscal years 2003–2008. That project is well under way, and the results on identifying potential criminal activities and other abuses are promising. SIGIR has since included similar reviews at DoS and USAID.

A forensic audit is a systematic evaluation of the effectiveness of internal controls over a program, process, and/or policies and procedures. Each of the three projects seeks to identify ineffective internal controls that leave the government vulnerable to fraud, waste, and abuse. They combine data-mining and investigative

techniques to expose these weaknesses to highlight the consequences of inadequate controls and to develop the necessary evidentiary information to make determinations regarding the feasibility for civil or criminal prosecutions.

The combined scope of the three projects will enable SIGIR to comprehensively examine total U.S. government expenditures associated with

more than \$52 billion appropriated for Iraq relief and reconstruction. This body of work, along with SIGIR's other audit activities, will also ensure that SIGIR meets its congressional mandate to "prepare a final forensic audit report on all funds deemed to be amounts appropriated or otherwise made available to the Iraq Relief and Reconstruction Fund." ♦

SIGIR INSPECTIONS

This quarter, SIGIR completed seven project assessments, which were issued in six reports:

- Basrah Children’s Hospital
- Roll-On/Roll-Off Berth at the Port of Umm Qasr
- 4th Brigade, 10th Infantry Division Iraqi Army Headquarters Barracks
- Missan Surgical Hospital, Phase 1 and 2
- Mujarrah Canal Bridge
- Ammana Market Renovation

To date, SIGIR has completed 154 project assessments covering 142 project sites. This quarter, SIGIR teams assessed relief and reconstruction projects funded by the Iraq Relief and Reconstruction Fund (IRRF), the Economic Support Fund (ESF), the Commander’s Emergency Response Program (CERP), and the Child Survivor and Health Programs Fund (CSF).

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

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

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?

- Were the contractor’s quality control and the U.S. government’s quality assurance programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

Since the Inspections program began four years ago, SIGIR has also completed 96 limited on-site inspections and 779 aerial assessments.

Although security has improved in Iraq, the risk of violence continues to impede SIGIR’s ability to conduct on-site assessments of reconstruction projects. This quarter, SIGIR assessment teams again had limited time on site to conduct inspections.

This quarter, SIGIR conducted three sustainment assessments and four in-progress construction assessments. The results were similar to SIGIR’s findings in previous assessments:

- Long-term operations and maintenance practices were not always being accomplished.
- Routine maintenance was not always being performed.

This quarter’s project assessment of the **Basrah Children’s Hospital (BCH) (PA-08-160)** documents the problems the Iraqis face in planning and budgeting to take control of projects turned over to them. The SIGIR assessment revealed that the project’s design and, for the most part, the construction were adequate. The contractor’s quality control (QC) plan was sufficiently detailed to guide the contractor’s quality management program, the government quality assurance (QA) program was effective

in monitoring the contractor’s QC program, and sustainability was addressed in the contract requirements. To date, the project results are partially consistent with the project objective; however, the project results are not consistent with a “state of the art” pediatric specialist hospital with respect to medical equipment and its operation.

As of June 2009, the Government of Iraq (GOI) has been unable to follow through on its obligations to the BCH project. For example, the GOI has not:

- provided qualified candidates for training courses, such as radiation therapy
- funded an annual operating budget
- funded, advertised, or awarded contracts for service, maintenance, a wastewater treatment plant, medical fluid waste treatment, or high-end medical equipment
- provided dedicated electrical power

As of May 2009, the U.S. government, Project HOPE, and the Government of Spain have contributed \$156.9 million of the \$165.7 million total funding for the BCH project (approximately 95%). Even though the GOI’s portion

is considerably smaller than the other BCH partners, not carrying out its essential obligations will have a significant negative impact on this project.

This quarter, SIGIR also inspected the **Roll-On/Roll-Off Berth at the Port of Umm Qasr (PA-08-162)**. The project objective was to increase the operational efficiency and capacity of the Port of Umm Qasr. The project will result in allowing additional vessels to dock at the Port of Umm Qasr, thereby increasing the amount of imports and exports flowing through the port while also reducing the time for loading and unloading freight. The project will also result in an increase in local employment. SIGIR identified only minor damage and concluded that the construction of the Roll-On/Roll-Off Berth facility was adequate. Aside from the minor damage noted, the project was operating at the capacity provided for in the contract. This project is an example of good design and quality construction that was turned over to the Iraqis and has made a positive impact and continues to do so.

For a list of the project assessments that SIGIR completed this quarter, see Table 4.2. For a

TABLE 4.2
SEVEN PROJECTS ASSESSED THIS QUARTER
\$ Thousands

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Basrah Children’s Hospital	Construction	Basrah	\$37,682	GRS	IRRF, CERP, & CSH	Bechtel & MID Contracting	South
Roll-On/Roll-Off Berth at the Port of Umm Qasr	Sustainment	Basrah	\$2,735	GRS	IRRF	Local	South
4th Brigade, 10th Infantry Division Iraqi Army HQ Barracks	Sustainment	Missan	\$1,253	GRS	IRRF	Local	South
Missan Surgical Hospital, Phase 1	Construction	Missan	\$5,900	GRS	ESF	Local	South
Missan Surgical Hospital, Phase 2	Construction	Missan	\$6,800	GRS	ESF	Local	South
Mujarrah Canal Bridge	Construction	Anbar	\$1,262	GRC	CERP	Local	Central
Ammana Market Renovation	Sustainment	Baghdad	\$596	GRC	CERP	Local	Central

complete list of project assessments from previous quarters, see Appendix G.

Figure 4.5 shows the approximate location of each project assessed this quarter and in previous quarters.

SIGIR Project Assessments

This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, www.sigir.mil.

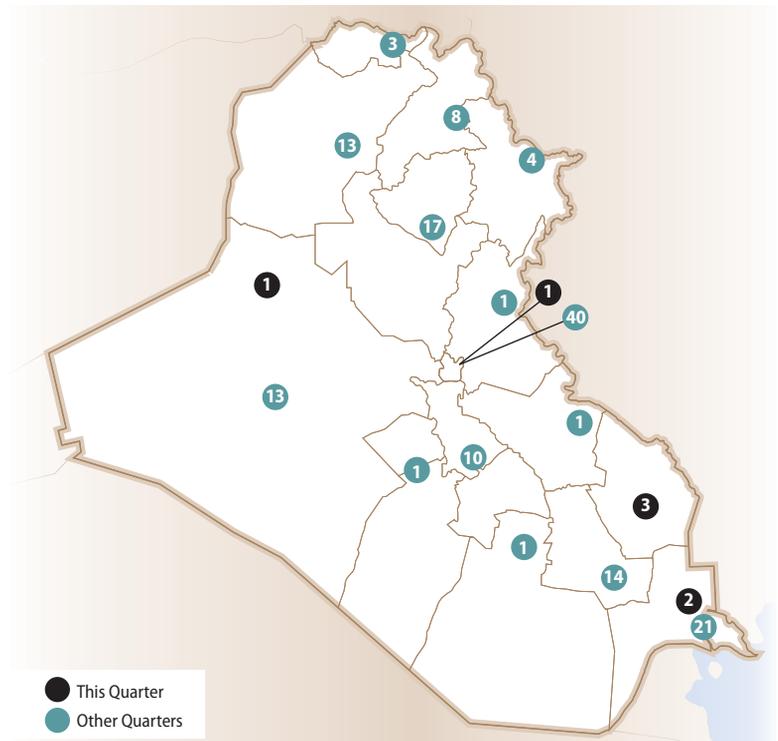
Basrah Children's Hospital, Basrah, Iraq SIGIR PA-08-160

Background

In the 1970s, large oil reserves and abundant natural and human resources enabled Iraq to attain the status of a middle-income country while enjoying perhaps the best health care system in the Middle East. However, over the past 35 years, Iraq's health care system deteriorated to that of a third-world developing country, primarily because of a lack of investment in health care for children and in modern training for health care providers. In addition, three wars and international economic sanctions have stifled economic growth and development, which has debilitated basic infrastructure and social services.

On June 27, 2006, the Louis Berger Group, Inc., issued a report (the Berger Report) on the Basrah Children's Hospital, which provided background information on the decline in health care in Iraq. The Berger Report found that child mortality rates and maternity mortality rates have doubled, and adult mortality has grown exponentially. In Iraq, childhood cancers are

FIGURE 4.5
PROJECT ASSESSMENTS



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

8-10 times more common than in the western world: the incidence rate in Iraq is 8%, compared to 0.5-1% in developed countries. The most common childhood cancers are leukemia, lymphomas, brain tumors, and other nervous system tumors. Since 1993, the Iraqi cancer registry has reported an increase in the number and proportion of cases of leukemia in the southern provinces. For example, in 1989, Basrah reported 5.5% of Iraq's leukemia cases. In 1993, that number grew to 8.5%; in 1995, to 9.1%. In 1998, Basrah reported 9.2% of all of Iraq's cases of leukemia. Today, children under the age of five account for approximately 56% of the registered cancer cases.

Of the five common forms of cancer that account for more than 50% of all cases, a large proportion of cancers are preventable, and half can be diagnosed early. If diagnosed in time, four are curable by standard therapies. However, because of the lack of adequate health care services, most cancer cases are detected in advanced stages; therefore, they are incurable even if the best therapies are accessible.

The Berger Report noted that currently 8% of Iraqi children with leukemia survive, compared to 80% in the United States. Late diagnosis and a lack of standard curative therapy are the main causes of death. Without palliative care, most of today's cancer patients in Iraq die in pain and suffering that can be avoided.

In 2003, the First Lady of The United States became increasingly concerned about the deteriorating Iraqi health care system, especially for the children suffering from cancer. Project HOPE (Health Opportunities for People

Everywhere) was asked to make a fact-finding mission to Iraq to identify the most appropriate opportunity to fund a children's hospital. Project HOPE—an international non-profit health, education, and humanitarian assistance organization—found “deplorable health care conditions plaguing Iraqi society.” Specifically, Project HOPE identified a very high child-mortality rate in southern Iraq, where 150 out of 1,000 children were dying before reaching the age of five; most died before their first birthday. In addition, cancer is almost five times higher in southern Iraq than the national average.

The U.S. government has contracted to construct many new primary health care centers and rehabilitate existing Iraqi hospitals and clinics, but this project was envisioned as a signature project to meet the urgent medical needs of the Iraqis, specifically the needs of critically ill children. The project eventually became known as the Basrah Children's Hospital (BCH), also referred to as the Laura Bush Children's Hospital.



Ongoing construction work at the Basrah Children's Hospital.

Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR addressed these questions:

1. Were the project components adequately designed prior to construction or installation?
2. Did the construction or rehabilitation comply with the standards of the design?
3. Were adequate quality management programs being utilized?
4. Was sustainability addressed in the contract or task order for the project?
5. Will the project results be consistent with their original objectives?

SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the Council of the Inspectors General on Integrity and Efficiency. The assessment team comprised two engineers/inspectors and two auditors/inspectors.

Project Objective

To combat the alarming rate of child mortality in southern Iraq, the U.S. Agency for International Development (USAID) and Project HOPE formed a public-private partnership to establish a “state of the art” pediatric specialist hospital in the southern city of Basrah, Iraq. Specifically, USAID was responsible for the construction of a two-story, 160,000 square foot, 94-bed acute and referral care center; Project HOPE was responsible for providing the medical equipment and training Iraqi doctors and nurses. The focus of the BCH would be pediatric oncology: early projections called for annual pediatric admissions of 360 cancer patients, 468 intensive care patients, 354 neonatal intensive care patients, and 2,230 acute care patients. In addition, this hospital is intended to lead the southern provinces in meeting the goal of the Ministry of Health (MOH) to reduce child mortality by 50% over the next five years. More than one million children live in the region.

Actions Taken

On January 5, 2004, USAID awarded an indefinite delivery/indefinite quantity, cost-plus-fixed-fee contract to Bechtel National, Inc. (Bechtel) for the “design, rehabilitation, reconstruction, and construction of infrastructure projects in support of U.S. assistance to Iraq in electric, water and sanitation services, telecommunications, and selected public buildings.” Job Order 04-511 of the Bechtel contract required the



Entry corridor in the main hospital building of the Basrah Children’s Hospital.

design and construction of a pediatric teaching hospital in Basrah, focusing on acute care and oncology services for children. The projected start date was July 1, 2004; the completion date was December 2005. By June 2006, the cost had grown significantly and the schedule was delayed repeatedly, primarily because of poor subcontractor performance and limited oversight by the prime contractor. USAID issued a stop-work notice to Bechtel on the project; on June 27, 2006, the U.S. Embassy Iraq issued a directive outlining the program transfer from USAID to the U.S. Army Corps of Engineers Gulf Region Division (GRD). In July 2006, SIGIR completed its audit of the BCH, which detailed these events. At the time of the transfer, the project was approximately 30% complete.

Since then, the U.S. government and the United Nations Development Program (UNDP) have awarded 24 separate contracts to complete the BCH facility and ancillary buildings. This project was originally projected to be completed by



Curb stones and grading work for parking at the Basrah Children's Hospital.

December 2005 for \$50 million. The SIGIR audit in July 2006 forecast that the project would cost \$165 million. At the time of the SIGIR site visit in January 2009, construction of the facility was still ongoing, and the total cost of the project had reached \$165.7 million (including construction, medical equipment, training, and consumables). This project has already entered its fifth year of construction, and the date of full operation of the facility is still unknown.

The BCH project cost more than \$100 million in U.S. funding alone. Including the main hospital building and associated supporting facilities, BCH is one of the largest projects undertaken by the U.S. government in Iraq. The U.S. government and the GOI have identified it as a priority project because it intends to reduce the child mortality rate in Iraq (specifically in the southern area). The BCH also will serve as an educational facility for improving and expanding the training of health professionals throughout Iraq.

Issues Affecting Costs and Scheduling Delays

Several factors have contributed to the escalation of the project's costs and drastically slipping schedule, including:

- unrealistic timeframes for designing and constructing a new hospital, including determining the scope/size of the facility, while integrating more than 8,000 pieces of equipment, furniture, and computers
- poor soil conditions at the project site
- drastically changing security situation in and around the project site, including the murder of 24 workers in the course of construction
- multiple BCH partners and funding sources
- the GOI's difficulty supporting the assigned tasks of construction and operation of the hospital

Because contracts funded by the UNDP and GOI are outside SIGIR's jurisdiction, this assessment is primarily focused on the MID Contracting (MIDCON) contract for the main hospital building. However, because the BCH will not be fully operational until all construction and services contracts are completely finished, medical equipment is delivered and installed, and training is received, this assessment will also discuss the status of the contracts funded by non-U.S. government sources and their implications on the opening and operation of the hospital.

Conclusions

The assessment determined that:

1. The contractor's design was sufficient to construct the two-story hospital facility and site utilities, which will comprise the BCH campus. The design submittals included architectural, electrical, mechanical, and plumbing drawings. With the exception of the seismic design for mechanical hangers

and block walls, the overall design drawings and specifications appeared to be complete and consistent with the requirements of the contract.

The contractor's seismic design for the mechanical hangers and block walls did not meet the International Building Code (IBC) standards required by the contract. Specifically, the contractor installed all hanging equipment with vertical supports, but no diagonal braces. During an earthquake, diagonal braces transfer the lateral load into the slab above. The Basrah Area Office (BAO) of Gulf Region South (GRS) determined that the IBC standards required diagonal bracings. In addition, BAO also determined that the interior masonry block walls cannot withstand the design earthquake force. Even though the block walls are non-load bearing, the IBC required that the walls must be able to maintain their structural integrity during an earthquake. BAO determined that under the design earthquake lateral loading, the walls would collapse. In February 2009, the contractor submitted design drawings to rectify Bechtel's previously deficient seismic design for the mechanical hangers and interior block walls, which BAO approved as sufficient to satisfy the requirements of the IBC.

The contractor designed the sewer system as a gravity conveyance system, with eight lift stations discharging at a single point to the municipal sewer system. The project incorporates 8 duplex lift stations using 16 electric pumps into the collection system design. According to BAO representatives, the water table in the area is very high, which limited the length of run of gravity flow pipe; consequently, the sewer system had to be designed

with a large number of lift stations. Although not a design deficiency, SIGIR is concerned about the significant amount of operation and maintenance costs associated with the operation of eight duplex lift stations. The facilities engineer will be responsible for maintaining the 16 pumps, which are spread out over the 85,000 square-meter (m²) medical campus. The failure of a single lift station will shut down the entire sewer system until it is repaired or replaced.

Overall, the contractor's designs provided enough information and detail to adequately construct the BCH campus.

2. At the time of the site visit, construction work on the hospital facility was still ongoing. In general, the construction appeared to meet the standards of the Statement of Work. SIGIR did not observe significant deficiencies or any noticeable defects associated with the quality of workmanship. At the time of the site visit, no furniture or equipment had been installed in the rooms; therefore, SIGIR could not test the wiring, bed-heads, and medical equipment. The observed construction work associated with the BCH facility appeared to meet the standards of the contract.

The project file documentation identified one instance in which construction did not meet the standard of the design, but it was not visible to SIGIR during the site visit. In southern Iraq, subterranean termite infestation is widely acknowledged to be chronic, regardless of building type; termite damage to concrete buildings has even been reported. To combat the termite problem, Bechtel planned to apply a termiticide, Chlorofet 48% TC, on all soils below the slabs, pile caps, and footings.

Nevertheless, in September 2005, the USAID instructed Bechtel to immediately stop using the termite treatment on the hospital site. According to project file documentation, USAID does not allow the use of pesticides on any of its projects. By the time USAID instructed Bechtel to stop using the termite treatment, Bechtel had already applied Chlorofet 48% TC to approximately 2,000m² of the site (the area of the building is approximately 15,000m²). Bechtel provided an extensive justification for the use of termiticide; USAID eventually approved the application of termiticide. However, by the time USAID approved the application of termiticide, the building slabs and foundations had been poured. Bechtel concluded that the BCH facility is not adequately protected against termite infestation.

Because USAID directed Bechtel to stop using the previously planned termite treatment, SIGIR does not consider the fact that the entire site was not treated as a deficiency by Bechtel. Rather, SIGIR is documenting this as an example of construction that did not meet the standards of the design.

3. The contractor's quality control (QC) plan was sufficiently detailed to effectively guide the contractor's quality management program. The contractor submitted a QC plan, which based on the SIGIR review, met the standards addressed in Engineering Regulation 1180-1-6 (Construction Quality Management). The QC representatives monitored field activities and completed daily reports, which were reviewed by the BAO project engineer. The QC daily reports presented a brief background on the work activities performed and major equipment on site.

The QC representatives supplemented the daily QC reports with detailed photographs that reinforce the information provided in the reports. In addition, the QC representatives kept a comprehensive deficiency log of identified deficiencies either by type (electrical, mechanical, and civil) or by location (zones 1-5).

The government quality assurance (QA) program was effective in monitoring the contractor's QC program. BAO had dedicated personnel on site. Local national QA representatives monitored field activities and completed daily QA reports, which the BAO project engineer reviewed; the daily reports documented the work performed for the day. In addition, the QA representatives supplemented the daily QA reports with detailed photographs that reinforced the information provided in the reports. SIGIR reviewed the daily QA reports and found that the QA representatives did an effective job in identifying and correcting construction deficiencies at the project site. Further, the QA representatives used a deficiency spreadsheet to document each identified construction deficiency, the date it was identified, the corrective action taken, the date the corrective action was taken, and the current status.

In addition, GRS assumed all jobsite activities for the UNDP contracts, which included design review and construction monitoring. Therefore, in addition to providing construction management, technical support, and QA reporting for the four contracts funded by the U.S. government (including the key contract to complete the main hospital building), BAO also provides QA reporting on all UNDP-awarded contracts. BAO's QA representatives became responsible for overseeing multiple

projects simultaneously throughout the entire complex. In addition, BAO staff became responsible for daily oversight of the activities of approximately 1,000 contractor personnel on site. Currently, BAO employs seven local national QA representatives working full time on site. GRS personnel generally visit the site weekly to determine contractor progress and monitor construction quality.

However, due to a partnership agreement between UNDP and DoS, GRS's standard Supervisory and Administration fees for project management and QA responsibilities were eliminated; consequently, from December 2007 to May 2009, UNDP did not reimburse GRS for performing project management and QA for its contracts. However, in May 2009, GRS terminated QA support for UNDP projects. In order to allow for a smooth transition, GRS will continue to provide a project manager position responsible for coordinating and reporting on the activities of Project HOPE, UNDP, the Ministry of Health, and U.S. government activities related to the BCH until July 31, 2009.

BAO's vigorous QA program is ensuring the successful completion of the hospital facility and ancillary buildings on the BCH campus.

4. Sustainability was addressed in the contract requirements. The Statement of Work included sustainability elements to assist the Ministry of Health (MOH), which is ultimately responsible for operating the BCH after turnover. The contract specifications require that the contractor provide a 12-month contractor-certified construction warranty for all building equipment, construction, and components. In addition, the



Exterior stone cladding installation at the Basrah Children's Hospital.

contractor must provide and certify warranties in the name of the MOH. Further, the contractor must provide all operation and maintenance (O&M) manuals for all facility equipment, and is responsible for testing/commissioning all mechanical and electrical systems. The contract also required catalog cuts and a list of spare parts for the facility, noting the required materials or equipment, cost, and the years of maintenance that are projected to be required. This list includes all requirements for the years of operation, ranging from the second year to the fifth. Finally, a MIDCON electrical engineer familiar with the installed electrical and mechanical equipment and systems will stay in Basrah for one year, beginning June 27, 2009. The engineer will provide full-time technical support to the BCH engineering staff to ensure that the engineering staff understands and can maintain the equipment and electrical systems.

5. To date, the BCH project results are partially consistent with the project objective to establish a “state of the art” pediatric specialist hospital in the southern city of Basrah. Specifically, the project results are consistent with respect to the design and construction of a pediatric specialist hospital. The newly constructed hospital facility will provide cancer-stricken children and their families a safe and peaceful environment to undergo advanced medical treatment.

However, the project results are not consistent with a “state of the art” pediatric specialist hospital with respect to medical equipment and its operation. “State of the art” refers to the latest and most sophisticated or advanced stage of a technology. When USAID and Project HOPE formed the public-private partnership in 2004 to establish the new hospital center, Project HOPE was responsible for providing \$20 million in specialty equipment, including 12 pieces of high-end (“state of the art”) medical equipment. With construction originally scheduled for completion by December 2005, Project HOPE planned to deliver and install 2005-model high-end medical equipment. However, when construction is complete and the equipment is installed, it will be years old.

In the January 2009 BCH Steering Group Meeting, the BCH Hospital Director stated that this hospital should no longer be considered or described as a state-of-the-art facility; instead, he recommended that it be referred to as a “modern” hospital. The Steering Group unanimously agreed, and in February 2009, representatives of the U.S. government, GOI, UNDP, and Project HOPE signed a Memorandum of Understanding that described the BCH as a “modern pediatric hospital in Basrah.”

The GOI’s Challenges in Supporting the BCH Project

Throughout the course of this project, the U.S. government and Project HOPE have continually provided the MOH with the status of the project in terms of construction and equipping/training. In addition, they outlined the MOH’s responsibilities for the success of this project:

- identifying and providing qualified candidates for training
- allocating an annual operating budget
- initiating service contracts (housekeeping, laundry, food service, cleaning)
- initiating maintenance contracts for high-end medical equipment
- budgeting for consumables
- budgeting for site security

In May 2008, GRD advised the MOH in writing that this project required additional features to complete for which no U.S. government funding was available. As a result, these additional construction and operations requirements would fall to the MOH. Specifically, the MOH needed to provide the project with a packaged wastewater treatment plant (WWTP), medical fluid waste treatment (a bio-waste water treatment plant), and dedicated electrical power.

As of June 2009, the GOI has had difficulty supporting the assigned tasks of construction and operation of the hospital. For example, the GOI has not:

- provided qualified candidates for critical training courses, such as radiation therapy
- allocated funding for an annual operating budget
- allocated funding, advertised, or awarded service contracts

- allocated funding, advertised, or awarded maintenance contracts for the high-end medical equipment
- advertised or awarded the WWTP contract
- developed, advertised, or awarded the medical fluid waste treatment contract
- provided dedicated electrical power

Each of these GOI items is essential for the completion of the project and successful operation of the facility.

Lessons Learned

This reconstruction project yields several key lessons learned for other contingency reconstruction operations that should be applied in the decision-making process for future reconstruction projects:

- Prior to construction, the U.S. government and contractors need to identify whether key utilities, such as water and power, are available. The lack of essential utilities can negatively affect both the ability of the contractor to construct the project and the ability of the ministry to properly operate the project after construction is completed.
- Realistic expectations should be established for the contractor in terms of costs and schedules.
- Effective program management and oversight is needed to avoid significantly increased costs and considerable schedule delays.
- Large reconstruction projects require detailed cost analysis to determine a realistic cost projection.
- Funding individual reconstruction projects through multiple sources can lead to delays; specifically, the inaction of one project partner can directly affect the ability of the other partners to complete their work.

- The budget execution processes of other countries may differ significantly from that of the U.S. government. Other countries may not have the funding in place to immediately open and operate a project.

As a result, the GOI faces many challenges in opening and operating the Basrah Children's Hospital. These challenges directly affect the work being completed by the U.S. government, Project HOPE, and UNDP. For example, until the MOH provides qualified candidates for radiation therapy training, Project HOPE will not allow the U.S. government's contractor to install six pieces of high-end medical equipment because of the danger of operating such equipment without proper training.

Recommendations

Contracts and grants funded by Project HOPE, UNDP, and the GOI are outside SIGIR's jurisdiction. This report does not contain any negative findings or recommendations for corrective action with respect to contracts funded by the U.S. government; therefore, management comments are not required.

Management Comments

SIGIR received comments on the draft of this report from the Multi-National Corps-Iraq and the Gulf Region Division of the U.S. Army Corps of Engineers. Multi-National Corps-Iraq advised that it had no issues with the report. Gulf Region Division indicated that it generally agreed with the facts presented in the report and provided technical comments for clarification. SIGIR reviewed the comments provided by the U.S. Army Corps of Engineers and revised the final report to address them.



Roll-On/Roll-Off Berth at Umm Qasr.



RORO Berth 22 sheared rubber fenders.

Evaluation of Management Comments

SIGIR appreciates the concurrences by Multi-National Corps-Iraq and the U.S. Army Corps of Engineers. No additional comments are required.

Roll-On/Roll-Off Berth, Port of Umm Qasr, Iraq SIGIR PA-08-162

Project Assessment Objective

The objective of this project assessment was to determine whether the project is operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the site inspection on January 6, 2009. SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the Council of the

Inspectors General on Integrity and Efficiency. The assessment team comprised one engineer/inspector and two auditors/inspectors.

Project Objective

The overall objective of the project was to construct a second Roll-On/Roll-Off Berth (RORO), known as RORO Berth 22, at the North Port of Umm Qasr, and to replace the jetty fenders that enhance energy absorption at Berth 5 of the South Port of Umm Qasr. Once completed, the project was to increase the operational efficiency and capacity of the Port of Umm Qasr in Iraq. Valued at approximately \$2.7 million, the project will result in allowing additional vessels to dock at the Port of Umm Qasr, which will facilitate an increase in the amount of imports and exports flowing through the port while also reducing the time for loading and unloading freight. The project will also increase local employment.



RORO Berth 22 deck hinges.



Cushion rollers with steel spacer plates at RORO Berth.

Conclusions

On September 13, 2007, a representative from the Gulf Region South (GRS) Basrah Resident Office inspected the completed RORO Berth 22 project. The GRS representative did not write a final inspection report or take any photographs to document the condition of the project when accepted from the contractor. According to project file documentation, GRS closeout documentation concluded:

All work required by this contract has been accomplished in a satisfactory manner and is accepted without any noted deficiencies ...The Contractor...has completed all assigned work. All parties acknowledge that the work performed under the contractor meets the standards set forth in the contract scope of work.

The GRS Basrah Resident Office representative signed the Memorandum for Closeout document on September 26, 2007, certifying that all work was completed and met the standards of the contract's Statement of Work.

On September 10, 2007, prior to inspection and certification of completion, the GRS Basrah

Resident Office officially turned over the RORO Berth to the Port General Manager. The contractor, a representative from the GRS Basrah Resident Office, and the Port General Manager signed a Memorandum for Record stating:

...this document certifies that all work has been inspected, and is accepted as being in accordance with the contract requirements. Construction at this facility is complete and no other work is to be performed as part of this contract unless noted below.

On January 6, 2009, SIGIR conducted an on-site assessment of the project. During the site visit, RORO Berth 22 was not occupied, and freight was not being loaded or unloaded.

Before the site visit, SIGIR reviewed the design submittals for this project. The Statement of Work required the contractor to provide submittals at the 60% and 90% design levels, and then to provide the final as-built design documents for RORO Berth 22 and Berth 5. SIGIR requested these submittals. GRS could not produce the 60% design

drawings, but produced the 90% and as-built designs. SIGIR determined that the RORO Berth 22 and the Berth 5 jetty fenders were adequately designed.

Because of security concerns at the site, SIGIR performed only an expedited 45-minute assessment. SIGIR could not inspect the underwater requirements for the RORO Berth 22 or the jetty fenders at Berth 5; instead, SIGIR inspected these areas of RORO Berth 22:

- adjacent parking and sidewalk area
- steel deck structure and abutment
- pontoon and pontoon decking
- guide rail/roller assemblies
- mooring and berthing dolphins
- steel walkway to dolphins

SIGIR's review of the design documentation provided by GRS determined that the initial construction of RORO Berth 22 appeared adequate. However, the inspection team identified damage to the pontoon guide rail/roller assemblies,

damage to the hinges that connect the steel structure decking and the pontoon decking, and two rubber fenders that need to be replaced on the berthing dolphins. The specific cause of the damage could not be determined; however, GRS personnel stated that the damage was caused by careless/rough operations by port personnel and lack of maintenance by the Government of Iraq.

SIGIR concluded that the construction of the RORO Berth facility was adequate; aside from the minor damages noted, the project was operating at the capacity provided for in the contract. At the time of the site visit, local port security documentation showed that RORO Berth 22 had been operational for approximately two years. Therefore, the construction of RORO Berth 22 had increased the efficiency and capacity of the Port of Umm Qasr.

Recommendations

To ensure the continued operation of Roll-On/Roll-Off Berth 22, SIGIR recommends that the U.S. Embassy Transportation Attaché communicate to the Iraqi Ministry of Transportation the need to repair or replace:

- the pontoon guide rail and roller assemblies
- the hinges that connect the steel structure decking and the pontoon decking
- two rubber fenders on the berthing dolphins

Management Comments

The U.S. Embassy Transportation Attaché verbally confirmed that the Iraqi Ministry of Transportation and Port of Umm Qasr officials had been informed of the needed repairs at Roll-On/Roll-Off Berth 22 and that his office would continue its ongoing coordination actions with the Iraqi Ministry of Transportation and Port of Umm Qasr officials to locate funding for the needed repairs.



Overhead view on approach to the 4th Brigade 10th Infantry Division site.

In addition, SIGIR received comments on the draft of this report from the Commanding General, Gulf Region Division (GRD), stating that “the report adequately addresses the Gulf Region South district office’s performance on the subject contract.”

Evaluation of Management Comments

SIGIR appreciates the prompt action taken by the U.S. Embassy Transportation Attaché to resolve the issues identified in this report, as well as the clarifying information provided by GRD. As a result, no additional comments are required.

4th Brigade, 10th Division Iraqi Army Headquarters Barracks, Missan Province, Iraq SIGIR PA-08-164

Project Assessment Objective

The objective of this project assessment was to determine whether the project is operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and when SIGIR inspected the site on January 8, 2009. SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the Council of the Inspectors General on Integrity and Efficiency. The assessment team comprised one engineer/inspector and two auditors/inspectors.

Project Objective

The objective of the project was to construct new buildings and renovate existing buildings for the Iraqi 4th Brigade 10th Infantry Division. The \$1.2 million contract required the contractor to

construct and renovate several buildings and facilities—including an office building, toilets and baths, and roadways—and to install a generator, fuel tanks, and other equipment.

Conclusions

The Statement of Work required the contractor to construct the new battalion headquarters building and four new toilet/baths, using the original plans and specifications provided by the U.S. government. SIGIR reviewed available government-furnished drawings and found that although they were adequate to outline the scope of the project for the contractor, they were not adequately detailed to properly construct the facility. SIGIR requested detailed construction drawings or design calculations for the project, but neither Gulf Region Division (GRD) nor Gulf Region South (GRS) could produce the design drawings or calculations. Without the design drawings and calculations, SIGIR was unable to determine if the project was adequately designed.



Equipment maintenance building at the 4th Brigade 10th Infantry Division facility.

According to GRS documentation, GRS Missan Resident Office personnel conducted a final inspection on February 9, 2008; however, no final inspection report was written, and no photographs were taken to document the condition of the project. GRS closeout documentation concluded the following:

All work required by this contract has been accomplished in a satisfactory manner and is accepted without any noted deficiencies ... The Contractor... has completed all assigned work. All parties acknowledge that the work performed under the contractor meets the standards set forth in the contract scope of work.

On March 2, 2008, the GRS Missan Resident Office Engineer signed this document certifying that all work was complete and that it met the standards of the contract's Statement of Work.

Project file documentation indicates that on January 8, 2008, the GRS Missan Resident Office officially turned the project over to the Ministry of Defense. The contractor, GRS Missan Resident Office, and Ministry of Defense signed a Memorandum for Record, which stated:

This document certifies that all work has been inspected, and is accepted as being in accordance with the contract requirements. Construction at this facility is complete and no other work is to be performed as part of this contract unless noted below.

The notes to the Memorandum for Record stated that the contractor was required to complete these items:

- connect cables with the existing grid
- repair ceramic tiles in the lavatories
- repair miscellaneous plumbing fixtures
- repaint steel doors
- repair electrical fixtures
- connect water pipes after connecting to grid

The Memorandum for Record stated that all corrections would be completed in approximately 14 days.

On January 8, 2009, SIGIR conducted an on-site assessment and found that the buildings were occupied and the facilities were being used. Because of security conditions, SIGIR performed only an expedited 45-minute on-site assessment.



SIGIR Inspectors at the 4th Brigade 10th Infantry Division site.



Damaged kitchen wall and tiles in the 4th Brigade 10th Infantry Division kitchen.

SIGIR confirmed that the contractor had corrected the outstanding deficiencies. SIGIR did not observe any signs of structural failure or distress; the floors appeared even and level, with no apparent signs of settlement or displacement. However, the flooring tile in the entrance room of the battalion headquarters building had significantly settled and showed signs of cracking; this appeared to be the only major defect in the building. Although the electrical system appeared to be well-constructed, the fixtures were of poor quality and unsafe connections had been made to electrical wiring after installation. Also, the ceramic tiles in the kitchen and lavatories showed evidence of damage, and some of the faucets were missing.

SIGIR found that personnel from the 4th Brigade 10th Infantry Division were taking initiative to maintain the facility by performing routine maintenance and cleaning.

SIGIR concluded that, aside from minor construction defects, safety concerns, and damage from improper use, the construction was adequate and was turned over to the Government of Iraq in a sustainable condition. At the time of the site visit, GRS documentation showed that the project had been operational for approximately 18 months.

Recommendation

SIGIR recommends that GRD locate the detailed construction drawings and design calculations for the new battalion headquarters building and four new toilets and baths and maintain them in the project file records.

Management Comments

SIGIR received comments on the draft of this report from the Gulf Region Division of the U.S. Army Corps of Engineers concurring with

the recommendation and explaining that GRS had documentation confirming that as-built drawings had been provided to the Government of Iraq at turnover of the project on January 8, 2008. Subsequent discussions with GRD disclosed that in September 2008, 227 boxes of records from GRS were delivered to the Transatlantic Program Center of the U.S. Army Corps of Engineers in Winchester, Virginia. The 227 boxes included 19 boxes of oversized drawings. The Transatlantic Program Center is checking those boxes for drawings.

Evaluation of Management Comments

SIGIR appreciates the concurrence by the U.S. Army Corps of Engineers with the draft report's recommendations. Their comments addressed the recommendations and provided additional clarifying information for this final report. As a result, no additional comments are required.

Missan Surgical Hospital, Missan Province, Iraq

SIGIR PA-08-165 and 08-167

Project Assessment Objective

The objective of this project assessment was to provide real-time information on relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR addressed these questions:

1. Were the project components adequately designed prior to construction or installation?
2. Did the construction or rehabilitation comply with the standards of the design?
3. Were adequate quality management programs being utilized?
4. Was sustainability addressed in the contract or task order for the project?



Ongoing construction at the Missan Surgical Hospital.

5. Will the project results be consistent with their original objectives?

SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the Council of the Inspectors General on Integrity and Efficiency. The assessment team comprised two engineers/inspectors and two auditors/inspectors.

Project Objective

The overall objective of the project was to provide the residents of Al Amarah with the only state-of-the-art surgical hospital in the Missan province, as well as a medical training facility for medical students from Missan University Medical College. Specifically, the Missan Surgical Hospital (MSH) will be the new health care campus constructed in the town of Al Amarah to provide health care services to the people of Missan province.

Costing \$12.7 million, the Missan Surgical Hospital is the largest health project funded by

the U.S. government for this province. The Iraqi Minister of Health views it as the single most important development in Missan province.

Request for Additional Information

In late 2008, the U.S. Ambassador became increasingly frustrated and concerned about the lack of progress with the construction of the MSH. His concerns focused on the original need for the project, the decision to locate the hospital in a remote area with no road access, the contractor's commitment to complete the project in a timely manner, and the ability of the Government of Iraq (GOI) to properly equip, operate, and maintain the facility after it was transferred to its control. With these concerns in mind, the U.S. Ambassador asked SIGIR to perform an assessment of the MSH project.

Answers to the U.S. Ambassador's Questions

Health facilities in Missan province do not meet the needs of the population, and only limited outreach services are available for rural areas. The health care facilities in the province are generally dilapidated and have a poor standard of hygiene. In an attempt to improve the quality of health care for the province, the Missan Provincial Reconstruction Team (PRT) discussed the idea of a 100-bed hospital with the Missan Provincial Council and Ministry of Health (MOH). The original justification for this project stated that the MSH would directly benefit more than 100,000 Iraqi citizens. The GOI decided to locate the hospital in the city of Al Kahla because the city had no hospital and only one clinic to serve its citizens. Without this project, the "mortality rate in the Al Kahla district will continue to rise and be a trouble spot for the Government," according to project file documentation.



Example of constructed column section at the Missan Surgical Hospital.



Example of concrete honeycombing in constructed columns at the Missan Surgical Hospital.

After the U.S. government approved the funding for the MSH in Al Kahla, the Governor of Missan and the MOH changed the location of the hospital, from Al Kahla to a remote area in the capital city of Al Amarah. The project file lacked a detailed explanation as to why the Missan Governor changed the site location, especially considering that the district of Al Kahla does not have a hospital, and Al Amarah has two. Possibly as a compromise for moving the hospital from Al Kahla to Al Amarah, the MOH agreed to fund the construction of a hospital in the Al Kahla district; however, the MOH gave no time frame for the construction of this hospital. Until the MOH funds and constructs a new hospital, the citizens of Al Kahla will continue to have no access to adequate medical treatment.

According to Gulf Region South (GRS) Adder Area Office (AAO), Iraq Transition Assistance Office (ITAO), and project file documentation, there were two reasons why the GOI decided to locate the hospital in a desolate area away from

the city instead of in Al Amarah, which is congested with houses, apartment complexes, and multiple-story buildings. First, constructing this hospital complex in the city would require significant demolition of homes, apartments, and commercial buildings. This could potentially uproot and relocate thousands of Missan residents and present a monumental logistics challenge for the contractor to bring all the construction materials to the site (and through the heart of the city). Second, the cost of the project would have increased to include tearing down existing structures. In addition, an Al Amarah city development plan wanted the city to expand into this area to build a new housing community around the hospital.

When the U.S. Ambassador visited the project site in December 2008, he noticed approximately 10 workers on site and questioned the contractor's commitment to completing the facility in a timely manner. The contractor agreed to provide additional workers and resources to expedite completion. SIGIR's site

visit, which occurred approximately one month after the U.S. Ambassador's visit, documented roughly 25 workers on site. Even though the number of workers on site had more than doubled, the workforce was still not large enough to construct the project in a timely manner.

At the time of SIGIR's site visit, the project was significantly behind schedule. According to the contract, Phase I was to be complete on March 24, 2009; Phase II, on September 7, 2009. According to the GRS documentation, as of January 2009, Phases I and II of the project were each listed as 26% complete. Based on the site visit on January 8, 2009, SIGIR concluded that neither phase of the project was close to 26% complete. SIGIR estimated that each phase of the project was approximately 10-15% complete.

The project, as agreed to by the Missan PRT and MOH, required the U.S. government to fund only the construction of the facility and ancillary structures; the GOI was responsible for providing all equipment (including furniture) and operating the hospital after accepting the project. The awarding of the project was "contingent upon written approval of the Iraq Ministry of Health indicating that they will equip, accept, and operate the hospital upon completion." On August 21, 2007, the MOH provided a letter that stated the following:

We would like to inform you and to confirm that our health minister office is ready to provide this hospital with professionally trained staff and all medicine, medical equipment and furniture. Also, we are ready to train service staff for maintenance, operation, and the use of medical equipment as well as provide an annual operating budget.

The recent fluctuation in oil prices has resulted in budget uncertainty for the GOI, including the funding of projects for the MOH. This project will require a significant up-front financial investment to procure the extensive medical equipment

and furniture required to open the facility to the public. It will also require a large annual investment to provide the necessary resources to operate and sustain the facility, such as:

- fuel to run the generators
- cleaning and maintenance staff
- trained doctors and nurses
- salaries for doctors, nurses, and guards
- the necessary pharmaceuticals for hospital patients

In addition, the GOI will need to construct paved roads to the hospital to allow for easier access by the citizens of Al Amarah.

To determine the GOI's ability to equip, operate, and maintain this facility after turnover, SIGIR contacted the U.S. government agencies that are directly involved with the construction and turnover of the facility (GRS and ITAO) and the U.S. government agencies that interface with the GOI on health and governance issues (Health Attaché and Missan PRT). The contractor's construction quality and the ability of the GOI to equip, operate, and maintain this facility after transfer are addressed throughout this report.

Conclusions

The assessment determined that:

1. The U.S. government provided the preliminary design (80% for Phase I and 15% for Phase II) to the contractor. The contract's Statement of Work required the contractor to develop the preliminary package into a complete design package. Specifically, the Statement of Work required the contractor to review the preliminary designs and "correct any conflict or deficiency, also provide any missing or required details or drawings."

SIGIR reviewed the contractor-generated drawings, which contained specific

information on the site utilities, site drainage, sewage collection system, and other project features. SIGIR determined that with the exception of two project features, there was adequate information to complete the final design and construct the facility. However, SIGIR did identify several deficiencies, omissions, and areas of concern in the contractor-generated drawings. To deliver a fully functioning and sustainable hospital, the design deficiencies, omissions, and areas of concern need to either be corrected or clarified.

Currently, this project lacks complete design drawings that show how water will be provided to the hospital and how wastewater from the hospital will be disposed of. SIGIR is concerned about the lack of planning associated with this project, especially for the water supply. According to GRS, the current plan is to place the river intake near the intersection of the Tigris and Al Kahla Rivers and then run the water lines to the hospital site. However, this would require the contractor to excavate and lay two pipelines a total of 3.1 kilometers through a significant portion of the city of Al Amarah. SIGIR believes that excavating through the city will be very intrusive to the city's residents and will be slow and dangerous work for the contractor. In addition, the design plan sheet for the river intake pump station lacked significant detail to ensure proper construction of the facility.

Similar to the design for the water supply, the design for the wastewater system lacked significant details, such as the alignment and outfall of the sewage leaving the hospital site. The overall schematic drawing of the wastewater treatment plant indicates that the sewage leaving the hospital will be deposited directly into the "main



Ongoing construction of the physician's residence at the Missan Surgical Hospital.

city network nearest manhole," without identifying:

- the exact location and distance to the nearest manhole
- the size, elevation, and condition of the main city network sewer pipe
- whether or not an analysis has been performed to determine if the existing city network system can accommodate the significant additional flow from the hospital

To ensure that sewage does not back up into the hospital, local homes, and streets of Al Amarah, it is important that the network have the capacity to handle the additional flow.

Currently, this project lacks complete design drawings that show how water will be provided to the hospital and how wastewater from the hospital will be disposed of.

2. During the site visit on January 8, 2009, SIGIR observed ongoing construction

work, such as concrete formwork and preparation for concrete placement. Because of security concerns, the on-site visit was only 60 minutes, and access to the security wall was restricted because of unexploded ordnance in the area. SIGIR observed construction deficiencies, such as a poorly constructed security wall, areas of reinforcing steel with a coating of cement residue, reinforcing configuration used in the construction of the reinforced concrete columns that varied from the configuration specified in the design drawings, and several examples of varying degrees of concrete honeycombing—ranging from slight to moderate to severe.

SIGIR discussed these deficiencies identified with the GRS Adder Area Office—specifically, the concrete honeycombing and the contractor’s inadequate attempts to correct it. The GRS AAO took immediate action by making multiple visits to the project site to determine the extent and severity of the honeycombing. The GRS AAO Resident Engineer concluded that five columns and the wall required demolition. However, the contractor hired the University of Technology to investigate the concrete issue. The University of Technology’s report recommended the removal of defective concrete and replacement with a suitable repair material (“Portland cement mortars, proprietary cementitious materials, or polymer-grouts”). SIGIR reviewed the University of Technology’s findings and recommendations and concluded that the recommended strategy is typical for the repair of honeycombed concrete and should be within the capabilities of a competent contractor.

3. The contractor’s quality control (QC) plan was sufficiently detailed to effectively guide the contractor’s quality management program. The contractor submitted a QC plan, which GRS AAO accepted as meeting the standards addressed in Engineering Regulation 1180-1-6 (Construction Quality Management). The QC representatives monitored field activities and completed daily QC reports, which presented a brief background on the number of workers on site, the work activities performed, and major equipment on site. However, the daily QC reports did not have a section for construction deficiencies identified; consequently, the QC reports failed to document the obvious concrete honeycombing issues that SIGIR identified during the site visit. In addition, the daily QC reports did not mention safety issues at the project site, such as protruding reinforcement bars and nails from broken-down formwork boards, which SIGIR observed in numerous locations. Further, SIGIR noticed that the project site was cluttered with building materials, which posed tripping hazards to the contractor’s crew and visitors to the site. The protruding reinforcement bars and nails, combined with multiple tripping hazards, increase the likelihood of injury or death. Finally, the GRS AAO questioned the accuracy of the daily QC reports. Specifically, in a letter of concern to the contractor, GRS AAO stated the following:

In the visits to the project site by U.S. personnel we have noted that the number of Contractor personnel reported on both the Phase I and Phase II Quality Control Report to be working at the site is higher than the actual Contractor personnel observed at the site.

Hampered by local security issues and the project site’s remote location, the U.S.

government quality assurance (QA) program has not been effective in monitoring the contractor's QC program. GRS AAO employed local Iraqi national QA representatives to monitor field activities and complete daily QA reports, which were reviewed by the GRS AAO project engineer. The daily reports documented the number of workers on site and the daily work performed. However, the daily reports did not document the obvious concrete honeycombing issues SIGIR identified during the site visit. It appeared that someone must have brought the concrete honeycombing issue to the attention of the contractor because the contractor attempted to correct the issue at least once; however, the daily QA reports are silent on this matter. In addition, in some instances, the QA representatives did not enforce proper safety procedures. SIGIR observed numerous protruding reinforcement bars and nails, which posed a significant safety hazard to the contractor's workforce and visitors to the project site.

After SIGIR's site visit, GRS AAO representatives developed a new QA format and emphasized the importance of documenting construction deficiencies. GRS AAO provided a sample of QA reports written after the site visit, which SIGIR found to be more detailed, especially at identifying and documenting construction deficiencies.

4. Sustainability was addressed in the contract requirements. The Statement of Work included sustainability elements to assist the Iraqi ministry ultimately responsible for operating this project after turnover. The contract specifications require the contractor to provide and certify warranties in the name



Foundation at Missan Surgical Hospital showing multiple holes surrounding epoxy-anchored dowel.

of the appropriate ministry for all materials and equipment. In addition, the contractor is required to perform operations and maintenance training appropriate to the facilities and equipment installed, constructed, or rehabilitated in the scope of this project, along with providing operations and maintenance manuals. Further, the contract required the contractor to provide individual price lists of spare parts and consumable items considered to be essential during the first two years of operation of the new equipment. Upon completion of each facility, the contractor must prepare and furnish as-built drawings, which will be a record of the construction as installed and completed.

Finally, although not required by the contract, the U.S. government provided the GOI with a comprehensive list of all equipment (by department) necessary to fully furnish and operate the hospital, including the department name, room name, room number,

room quantity, item quantity, description of each item, manufacturer, and specific model.

5. To date, the MSH project results are consistent with the original project objectives to construct a surgical hospital and associated ancillary facilities for the residents of Al Amarah. However, the lack of detailed design drawings for the water supply and wastewater system threaten the ability of the facility to receive water and dispose of wastewater—essential components of an operational surgical hospital.

The original project objective of the U.S. government was only to provide the citizens of Al Amarah with a surgical hospital building and associated ancillary facilities; the GOI is responsible for providing all the medical equipment, furniture, and personnel (doctors and nurses) necessary to open, operate, and maintain the project. As of May 2009, the GOI has not procured any equipment, and it has not identified the specialized doctors and nurses needed to staff the MSH. Further, in August 2007, the GOI pledged that in addition to identifying a professionally trained staff, it would “provide an annual operating budget”; however, almost two years later, the GOI has yet to allocate any funding for this project. Specifically, the local Director General for Health’s 2009 budget is “thoroughly committed,” with no funding for this project. Any funding for this project would have to be provided from the 2010 budget. The Director General for Health requested that the U.S. Embassy engage the MOH to increase its focus on the need to better plan now to meet its commitment to this project. Therefore, until the GOI provides these valuable assets, the hospital will serve no beneficial purpose:

it will not be open to treat the sick and injured citizens of Al Amarah.

Finally, the contractor’s slow progress and construction deficiencies further delay the opening of this hospital.

Recommendations

SIGIR recommends that the Commanding General, Gulf Region Division of the U.S. Army Corps of Engineers, take these actions:

1. Resolve the design deficiencies, omissions, and areas of concern with the contractor to guarantee that the project is adequately designed.
2. Follow up with the contractor to ensure that the complete design drawings include water distribution lines from the river intake to the hospital site and wastewater distribution lines from the hospital site to the appropriate sewer line connection.
3. Require the contractor to remove all defective concrete and replace it with a suitable repair material.
4. Require the local national on-site quality assurance representatives to closely monitor and ensure that the contractor removes and replaces deficient concrete.

To protect the U.S. government’s investment of approximately \$12.7 million, SIGIR recommends that ITAO continue its efforts to coordinate with the Missan PRT, Health Attaché, and GOI to ensure that the Missan Surgical Hospital will be fully equipped, have trained staff available, and have sufficient funding to maintain the operation of the facility after construction has been completed.

Management Comments

SIGIR received comments on the draft of this report from the Gulf Region Division of the U.S.

Army Corps of Engineers and the Iraq Transition Assistance Office of the U.S. Embassy-Iraq, concurring with the recommendations in the report. The U.S. Army Corps of Engineers also provided technical comments for clarification. SIGIR reviewed the comments provided by the U.S. Army Corps of Engineers and revised the final report as appropriate.

Evaluation of Management Comments

SIGIR appreciates the concurrences by the U.S. Army Corps of Engineers and U.S. Embassy-Iraq with the draft report's recommendations. Their comments addressed the recommendations and provided additional clarifying information for this final report. As a result, no additional comments are required.

Mujarrah Canal Bridge, Ramadi, Iraq

SIGIR PA-09-170

Project Assessment Objectives

SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the Council of the Inspectors General on Integrity and Efficiency. The assessment team comprised two engineers/inspectors and two auditors/inspectors. Specifically, SIGIR addressed these questions:

1. Were the project components adequately designed prior to construction or installation?
2. Did the construction or rehabilitation comply with the standards of the design?
3. Were adequate quality management programs being utilized?
4. Was sustainability addressed in the contract or task order for the project?
5. Are the project results consistent with original objectives?



Inspectors at the Mujarrah Canal Bridge.



Concrete deck reinforcing (prior to placing top mat, foreground).

Project Objective

The objective of the project was to design, construct, and repair the Mujarrah Canal Bridge to increase commercial traffic between Ramadi and Falluja. The bridge had previously sustained devastating damage caused by a vehicle-borne improvised explosive device.

In December 2007, Gulf Region Central (GRC) awarded a \$1,261,000 contract to restore the bridge to its original condition and be fully functional when the project is completed. The project is funded by the Commander's Emergency Response Program.

Conclusions

The assessment determined that:

1. The Statement of Work required incorporating the design requirements of the original structures into the contractor's repair design. The contractor was required to coordinate with the appropriate ministry to obtain the original structure design documentation;

however, if the original data was not available, the contractor could use similar bridge design data instead. The Statement of Work also required the contractor to submit 50% and 100% design packages to the GRC Falluja Resident Office for review and approval. SIGIR reviewed the contractor's generated design package, which contained specific information about the damage to the existing bridge, the temporary jacking and support of the existing structure, construction of the post-tensioned concrete beams and reinforced-concrete deck, and other project features. After reviewing the entire design package—including the drawings and technical specifications— and other applicable codes and standards, SIGIR determined that there was adequate information to complete the final design and to repair and construct the Mujarrah Canal Bridge.

2. During the site visit on March 6, 2009, SIGIR observed that the contractor had completed a significant portion of the bridge construction, including reconstruction of the reinforced-concrete bent cap, abutment repair, fabrication and placement of the post-tensioned concrete girders, and construction of false work for the reinforced-concrete bridge deck. SIGIR noted areas of concern about the placement of the reinforcing for the concrete deck, such as areas of severe reinforcing steel congestion near the ends of the girders. SIGIR also identified the apparent vertical offsets between the individual precast-concrete deck pans. In several areas, the pans were offset from each other and from the post-tensioned concrete beams. SIGIR also determined that some areas of the wearing surface of the existing bridge deck are poor, specifically noting



Falsework for forming concrete deck overhang for the Mujarrah Bridge.

holes that extended through the wearing surface to the top of the concrete deck. The Statement of Work required the contractor to “install bituminous hot mix wearing course on full width of the new span and existing span as needed.” In SIGIR’s opinion, the entire structure requires a bituminous overlay. Also, SIGIR identified hairline cracking on the girders. Because the site visit was limited to only 60 minutes, SIGIR could not map the cracking or determine whether the quantity and depth of the cracks are indicators of significant issues with the beams.

Aside from these construction issues, SIGIR concluded that most of the construction work met the standards of the contractor’s designs.

3. The contractor’s quality control (QC) plan was sufficiently detailed to effectively guide the contractor’s quality management program. The contractor submitted a QC plan, which the GRC Falluja Resident Office accepted as meeting the standards addressed in Engineering Regulation 1180-1-6 (*Construction Quality Management*). The QC representatives monitored field activities and completed daily QC reports, which presented a brief background on the number of workers on site and the work activities performed. In addition, the QC representatives supplemented the daily QC reports with photographs reinforcing the information provided in the daily reports. Although the project file contained multiple test results—cube tests, steel rebar tests, and so on—the QC reports did not mention that any testing had been performed. In addition, the daily QC reports did not have a section for construction deficiencies identified; consequently, the QC reports



Bent cap at Pier No. 1 of the Mugarrah Canal Bridge.

failed to document the construction deficiencies that SIGIR identified, such as missing wire ties, hairline cracks on the girders, and misaligned interior diaphragms.

The U.S. government quality assurance (QA) program has not been completely effective in monitoring the contractor’s QC program. The GRC Falluja Resident Office, which is responsible for the construction of the Mugarrah Canal Bridge project, employs local national Iraqi engineers to serve as QA representatives to visit the project site daily and write daily QA reports for the project engineer’s review. The reports documented the number of workers on site and the work performed for the day. Also, the QA representatives supplemented the daily QA reports with detailed photographs that reinforced the information provided in the reports. Like the QC representatives, the QA representatives did not document the construction deficiencies that SIGIR identified, such as missing

wire ties, hairline cracks on the girders, and misaligned interior diaphragms.

4. Sustainability was addressed in the contract requirements. The Statement of Work included sustainability elements to assist the Iraqi Ministry of Transportation in operating this project after turnover, such as requiring the contractor to:
 - provide and certify warranties in the name of the appropriate ministry for all materials and equipment
 - provide operations and maintenance support for all facilities and equipment installed, constructed, or rehabilitated in the scope of the project
 - on completion of each facility, prepare and furnish as-built drawings, which will be a record of the construction as installed and completed
5. To date, the project results are consistent with the original project objectives to design, construct, and repair the Mujarrah Canal Bridge. However, the project results are not consistent with the contract requirement to complete the project within 240 days of the notice to proceed. The GRC issued the notice to proceed on February 12, 2008, which required the contractor to complete the project by October 9, 2008. During the site visit, representatives of the GRC Falluja Resident Office estimated the construction completion as March 2009; the bridge opened on June 8, 2009.

Recommendations

SIGIR recommended that the Commanding General of the Gulf Region Division of the U.S. Army Corps of Engineers investigate the hairline cracks on the girders and determine if the

quantity and depth of the cracks are indicators of significant issues with the beams and take necessary corrective actions.

Management Comments

SIGIR received comments on the draft of this report from the Commanding General, GRD, concurring with the recommendation and providing the results of an investigation by the Falluja Resident Office team conducted on site on May 20, 2009. Their investigation revealed no structural cracking—only minor surface shrinkage cracks and cracks caused by form irregularities.

GRD did not concur with a second recommendation in the draft report to investigate the need to provide bituminous overlay over the entire structure. GRD noted that in March 2008 the contractor conducted a contract-required assessment of the need to resurface the entire bridge. The contractor's assessment did not recommend resurfacing the entire bridge surface, and the project manager agreed with the contractor's assessment.

GRD also provided additional information for clarity and accuracy of the final report.

Evaluation of Management Comments

SIGIR appreciates the prompt action taken by GRD to resolve Recommendation 1. Although SIGIR continues to believe that the entire structure requires a bituminous overlay, SIGIR's review of the contractor-required assessment made in March 2008 notes that bituminous overlay of the entire structure was not addressed. Because a fixed-price contract is involved, it is not possible to require the contractor to provide bituminous overlay of the entire structure at this point. As a result, SIGIR eliminated the second recommendation.

SIGIR also revised the draft report as appropriate to include the additional clarifying information provided by GRD.

Ammana Market Renovation, Majjasim, Iraq *SIGIR PA-09-171*

Project Assessment Objective

The objective of this project assessment was to determine whether the project is operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the site inspection on May 31, 2009. SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the Council of the Inspectors General on Integrity and Efficiency. The assessment team comprised two engineers/inspectors and two auditors/inspectors.

Project Objective

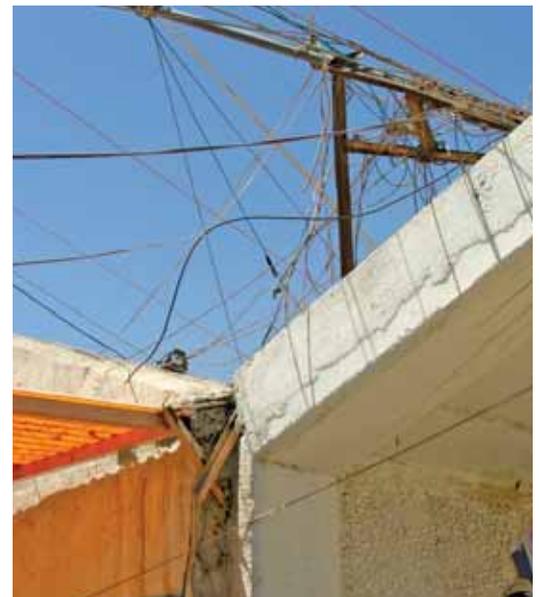
The overall objective of this \$0.6 million project was to construct and renovate the Ammana Market to allow for more efficient use of space and time for people buying and selling goods, thereby improving the local economy in Majjasim.

Conclusions

Before the site visit, SIGIR reviewed the project's Statement of Work (SOW) and the project's design documentation, which were provided by Multi-National Corps-Iraq (MNC-I). Before starting construction, the contractor was required to provide shop drawings, a work breakdown structure or timeline, and samples of each material to be used. MNC-I provided a detailed SOW for the project, and the contractor provided the project timeline with the contractor's proposal, which included a general site plan. However, MNC-I advised SIGIR that its project file did not contain the contractor's shop drawings, design calculations, or material lists.



Slab along existing shops at the Ammana Market.



Electrical wiring connecting to system.

After reviewing the available project file documentation, SIGIR determined that adequate information was provided in the specifications for the contractor to complete the final design and construct the Ammana Market.

According to the MNC-I project file documentation, the U.S. government accepted this project from the contractor on December 1, 2008. The contractor's performance evaluation stated the following:

The [local contractor] completed the project satisfactorily. They responded quickly to any guidance or requests made by coalition forces.

On May 31, 2009, SIGIR conducted an on-site assessment of the Ammana Market renovation project, accompanied by the Civil Capacity Cell Chief of Multi-National Division-Baghdad and representatives of the embedded Provincial Reconstruction Team and MNC-I.

Because of security concerns, the total time available on site was approximately 30 minutes. Consequently, SIGIR performed only an

expedited assessment of the areas available; a complete review of all work completed was not possible.

SIGIR identified several areas of concern about the contractor's performance, specifically noting these construction deficiencies:

- The contractor did not install the required brackets and four strands of barbed wire along the top of the security wall.
- The contractor did not install the required four strands of barbed wire on the pedestrian and vehicle gates.
- Electrical wiring was strung along the roof without conduit, and the electrical wiring appeared to be connected to a poorly constructed existing system.
- Construction of the internal electrical system was poor and did not conform to any known code.
- Steel awnings over individual shops appeared to be of weak construction, which may prove problematic under even a limited load.



Bollards and pedestrian gate.



Shopping at the Ammana Market.

- There were no SOW-required backflow preventers on the water supply to the restrooms.

In addition, at the time of SIGIR's site visit, the restrooms had no water service. The contractor connected the restrooms to the existing municipal water supply line, according to the market manager. However, the contractor later disconnected the municipal water supply line to the restrooms. The market manager claimed that the contractor was trying to extort money from the shop owners to restore water service to the restrooms. SIGIR performed the inspections that it could in the time available and could not validate the assertion that the contractor had disconnected the municipal water supply line to the restrooms. The municipal water line was underground, and SIGIR observed no apparent disturbance of the ground around the Ammana Market.

Despite the construction deficiencies noted above, at the time of the site visit, the market was open for business; merchants were selling goods to the local populace. A section of the interior stalls was enclosed to form a game room in which young local residents could play while their parents shopped. According to the market manager, aside from the water issue, the local merchants are generally pleased with the work performed by the contractor.

Recommendations

SIGIR recommends that the Multi-National Corps-Iraq coordinate with the Multi-National Division-Baghdad to take these actions:

1. Require the contractor to complete all items specified in the SOW, specifically:
 - a. Install the required brackets and four strands of barbed wire along the top of the security wall.



Modified interior stalls made into a game room for the local children.

- b. Install the required four strands of barbed wire on the pedestrian and vehicle gates.
 - c. Enclose the electrical wiring along the roof in conduit.
 - d. Correct the internal electrical system to comply with the United States National Electric Safety Code, International Electric Code, or British Standard (BS 7671).
 - e. Ensure that the steel awnings over individual shops are able to withstand wind, rain, and weather loads typical of the Baghdad area.
 - f. Install the SOW-required backflow preventers on the water supply to the restrooms.
2. Determine why there was no water service to the restrooms. If the contractor disconnected the municipal water supply line to the restrooms, require that the contractor reconnect it. If the contractor did not disconnect the municipal water supply line to the restrooms, alert the appropriate

This quarter, SIGIR conducted imagery analysis of 48 images and created 33 imagery products, using satellite imagery and limited contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. This quarter, the SIGIR imagery analyst assessed and reviewed projects funded by IRRF, ISFF, CERP, and the Bureau of International Narcotics and Law Enforcement Affairs (INL). For an overview of the imagery products produced this quarter, see Table 4.3.

Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. This quarter, 33 imagery products were produced to assist inspectors with their project assessments of the 6 sites assessed this quarter and to provide analyses of potential future sites, as well as assisting the Audit directorate on a future audit report.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 779 cumulative satellite imagery assessments and products. For an overview of the approximate locations of these assessments, see Figure 4.6. ♦

TABLE 4.3
IMAGERY ASSESSED SUPPORTING
PROJECT ASSESSMENTS

PROJECT TYPE	NUMBER OF PRODUCTS
Chamchamal Correctional Facility	4
Al Kasik Location Command	4
Rabaaa Point of Entry Screening Facility	2
Hamman Al Alil Division Training Center	2
ADDITIONAL PRODUCTS	
Hai Al Mustafa PHC	6
Al Hadi PHC	3
Al Atheem PHC	3
Mosul Dam and Lake—Drought	3
Al Mansooriya PHC	2
Al Faw, Iraq	2
GRN Mosul Area Office	1
Al Nahrawan PHC	1



Aerial imagery of the Rabeaa Point of Entry (PA-09-173) to be assessed in a future project assessment, taken on June 12, 2008.



Aerial imagery of the Basrah Children's Hospital (PA-08-160), taken on October 27, 2008.



Imagery of the Mujarrah Canal Bridge (PA-09-170), taken on July 4, 2008.



Imagery of the Mujarrah Canal Bridge (PA-09-170), taken on July 4, 2008.



DigitalGlobe 2008 ©

Aerial imagery of the Roll-On/Roll-Off Berth in Umm Qasr (PA-08-162), taken on November 19, 2008.

SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 86 open investigations. SIGIR has 7 investigative personnel assigned to Baghdad; 13 at SIGIR headquarters in Arlington, Virginia; and 14 in offices in Pennsylvania, Maryland, North Carolina, Florida, Texas, Ohio, Michigan, and a new office in California. To date, the work of SIGIR investigators has resulted in 23 arrests, 29 indictments, 21 convictions, and more than \$35 million in fines, forfeitures, recoveries, and restitution.

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, and Coalition partner investigators. As a result of SIGIR investigations, 5 defendants are awaiting trial, and an additional 10 defendants are awaiting sentencing in a number of cases. For a comprehensive list of convictions compiled by the Department of Justice, see Table 4.4 at the end of this section.

SIGIR notes these investigative activities this quarter:

- A civilian contractor, U.S. Army major, and the major's wife were indicted in the Cockerham bribery case.
- A Department of Defense civilian employee pled guilty to tax charges stemming from his activities as a contracting officer in Kuwait.
- An employee of a defense contractor in Balad, Iraq, was sentenced for bulk cash smuggling.
- An Army lieutenant colonel was sentenced for participating in a wire fraud scheme in Hilla, Iraq, in the continuing developments of the Bloom-Stein conspiracy to steal Coalition Provisional Authority (CPA) funds. Also, a superseding indictment brought new charges against the husband of the lieutenant colonel.
- An American pled guilty in \$8.5 million fraud involving a British contractor.
- SIGIR announced an audit to follow up on the investigative recovery of more than \$13 million from the Development Fund for Iraq.
- A defense contractor pled guilty to wire fraud in connection with the procurement of bullet-proof vests for the Iraqi Security Forces.
- Under the Uniform Code of Military Justice (UCMJ), a Marine master sergeant waived an Article 32 Hearing and will face a court martial in August 2009 for alleged bribery.

New Indictments in the Cockerham Bribery Case

On May 6, 2009, a 23-count indictment was unsealed, alleging that a civilian contractor paid more than \$2.8 million in bribes to a U.S. Army major—who was working as a contracting official at Camp Arifjan, Kuwait—and his wife. The indictment also alleged that the three individuals committed honest services fraud and money-laundering offenses in connection with the same conduct.

The civilian contractor was originally indicted on November 20, 2007, and charged with one count of bribery of a U.S. Army contracting official at Camp Arifjan. On September 4, 2008, a superseding indictment charged him with one count of conspiracy to commit bribery, two substantive bribery counts, and two honest services counts of wire fraud.

The current indictment alleges that from 2004–2006, the contractor bribed two U.S. Army majors who were serving as Army contracting officials at Camp Arifjan. According to the indictment, from January 2004 to November 2007, the contractor operated several companies that had contracts with the U.S. military in Kuwait—including **Freedom Consulting and Catering Co. (FCC)** and **Total Government Allegiance (TGA)**. As a result of the bribes, FCC and TGA allegedly received approximately \$21 million in DoD contracts in Iraq and Kuwait.

According to the current indictment, the U.S. Army major allegedly arranged for a blanket purchase agreement (BPA) to be awarded to FCC; thereafter, he arranged for calls under that BPA. As a result, DoD paid FCC approximately \$9.3 million. BPAs are contracts in which DoD agrees to pay a contractor a specified price for supplies and orders them on an as-needed basis. An order under the contract is known as a “call.” The major also allegedly arranged for DoD to award a contract to FCC to construct a security fence at Camp Arifjan, for which DoD paid FCC approximately \$750,000.

In exchange for these and other official acts, the major and his wife are alleged to have received more than \$2.8 million in money and other valuable items from the contractor. To receive the bribe payments, the major’s wife, at the behest of her husband, arranged for an entity named **EGP Business Solutions Inc. (EGP)** to be incorporated, opened a bank account in the name of EGP, and opened bank accounts in her name in Dubai, United Arab Emirates, and the Cayman Islands. The three individuals also allegedly prepared and executed purported consulting agreements to create the appearance that the major’s wife had legitimately earned consulting fees from the

contractor. The contractor then allegedly funneled bribe payments into the bank accounts controlled by the major’s wife.

The indictment also alleges that a second contracting official, former U.S. Army Major **James Momon**, arranged for calls to TGA under the same BPA, as a result of which DoD paid the contractor approximately \$6.4 million. The contractor allegedly paid Momon at least \$200,000 in exchange for these and other official acts. On August 13, 2008, Momon pled guilty to receiving bribes from various contracting officers at Camp Arifjan.

To date, this task force investigation has led to 7 convictions, and 3 defendants are awaiting trial. For a complete account of the Cockerham case, see SIGIR’s July 30, 2007, *Quarterly Report and Semiannual Report to Congress* and subsequent Reports.

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

Contracting Officer in Kuwait Pleads Guilty

On June 25, 2009, **Tijani Ahmed Saani**, a former civilian employee of the U.S. Department of Defense, pled guilty to filing false tax returns for tax years 2003 through 2007. A former resident of Kuwait City, Kuwait, Saani worked as a contracting officer in Kuwait from 1994 until his arrest in May 2008. According to the five-count indictment, he worked on detail from 2002 to 2007 at Camp Arifjan, Kuwait. Saani pled guilty to

the indictment, admitting that he filed false tax returns for tax years 2003 through 2007.

He also admitted that during that time he maintained overseas bank accounts in the United States and Jersey Island in the Channel Islands that he failed to properly report on his income tax returns. The indictment, filed on September 19, 2008, charged that the tax returns that Saani filed were false because he:

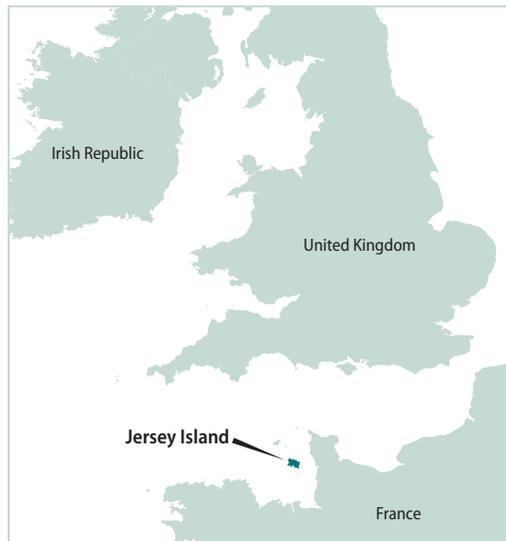
- failed to disclose his interest in or authority over multiple foreign bank accounts
- failed to report interest earned from those bank accounts
- failed to report other additional income on his tax returns for tax years 2003 through 2007

Saani faces up to three years in prison and a fine of \$100,000 for each of the five charged counts to which he pled guilty. His sentencing is scheduled for October 8, 2009.

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

Cockerham Relative Charged with Conspiracy To Obstruct Justice

On July 8, 2009, a criminal information was filed charging a relative of **Major John Cockerham** with one count of conspiracy to obstruct justice. On or about December 20, 2006, criminal investigators searched Cockerham's house and uncovered evidence that money paid as bribes to John Cockerham was received by his wife (**Melissa Cockerham**), his sister (**Carolyn Blake**), and others, and was kept in safe deposit boxes in Kuwait and elsewhere. This criminal information alleges a number of illegal activities to support the conspiracy, including relaying messages,



Saani deposited money in accounts in the Jersey Channel Islands, which he failed to report on his income tax returns.

passing documents, and delivering \$3 million in cash from safe deposit boxes in Kuwait to Cockerham. On or about November 17, 2007, the defendant made false statements and representations to investigators when questioned.

Next quarter, SIGIR will continue to follow developments in the Cockerham case. For a complete account of the Cockerham case, see SIGIR's July 2007, *Quarterly and Semiannual Report to the Congress*.

Defense Contractor Employee at Balad, Iraq, Is Sentenced for Bulk Cash Smuggling

On July 17, 2009, **David Ricardo Ramirez**, a DoD contract employee, was sentenced in U.S. District Court, San Antonio, Texas, to 50 months in prison, followed by 3 years of supervised release. The sentencing was based on Ramirez's guilty plea on October 9, 2008, to cash smuggling and structuring charges. As a result



Motorcycle and car seized from David Ramirez.

of the plea, in addition to the sentence, Ramirez agreed to forfeit a \$95,000 condominium, a \$25,000 lot, a 2007 Ducati motorcycle valued at \$33,000, and a 1989 Lamborghini valued at \$80,000. The total amount of cash involved was more than \$155,000.

The funds in question were sent from Balad to Texas, where they were deposited into his account between January and October 2007. Ramirez worked for a DoD contractor at Balad Air Base, Iraq, between November 2006 to November 2007, where he helped plan construction of base facilities.

This case was investigated by SIGIR, CID-MPFU, U.S. Air Force Office of Special Investigations, ICE, and FBI.

Two Developments in the Bloom-Stein Conspiracy

SIGIR continued to support the prosecutive developments in the Bloom-Stein Conspiracy to commit contract fraud in Iraq under the CPA. This case has resulted in the conviction of seven defendants, and five have been sentenced to terms ranging from one to nine years. Court-ordered fines and restitution have amounted to more than \$4 million. This quarter, a conspirator was sentenced to 30 months in prison, and the last defendant in the Bloom-Stein conspiracy, an accountant, was charged in a superseding indictment with 4 counts of money laundering.

Deborah Harrison Sentenced to 30 Months in Prison

On June 4, 2009, **Deborah Harrison**, a former lieutenant colonel in the U.S. Army Reserves, was sentenced to 30 months in prison for her participation in a scheme to defraud the U.S. government, the Republic of Iraq, and the CPA South Central Region (CPA-SC) in Hilla, Iraq. Harrison was also ordered to serve two years of supervised release following her incarceration and to pay \$366,640 in restitution.

This sentencing is the result of Harrison's guilty plea to one count of honest services wire fraud on July 28, 2008. At the plea hearing, Harrison admitted that in August 2004 she received a Cadillac Escalade from Philip Bloom, a contractor at the CPA-SC. The Escalade was financed through a series of wire transfer payments, which form the basis of the wire fraud charge. Harrison also admitted that she took more than \$300,000 from the CPA-SC while deployed there and that she used some of the stolen money to make improvements at her home. Harrison also admitted that in July 2004 she helped to move unregistered

firearms from a hotel in North Carolina to the home of Robert Stein, a co-conspirator who worked with Harrison at the CPA-SC.

Also related to this investigation, former U.S. Army Col. **Curtis Whiteford** will be sentenced on November 17, 2009, and Lt. Col. **Michael Wheeler** will be sentenced on November 18, 2009, based on their November 7, 2008, convictions.

The Last Defendant in Bloom-Stein Conspiracy, an Accountant, Is Charged

On July 2, 2009, a federal grand jury returned a superseding indictment in Trenton, New Jersey, charging an accountant with four counts of money laundering. The funds in question were stolen from the CPA-SC Region; Hilla, Iraq; from February 2003 until about July 2004. The indictment also included a criminal forfeiture count. Convictions on all four money-laundering counts would result in:

- the forfeiture to the United States of all property—real and personal—involved in each of the money-laundering counts
- the forfeiture of a sum of money equal to the total amount of money involved in each of the four money-laundering counts

The trial is scheduled to begin on November 9, 2009, in Trenton, New Jersey.

This investigation is being conducted jointly by SIGIR, IRS, and ICE.

For a complete account of this investigation, see SIGIR's January 2006 *Semiannual and Quarterly Report to Congress* and subsequent Reports.

American Pleads Guilty to Failing To Report an \$8.5 Million Fraud Involving British Contractor

On May 18, 2009, the president of a U.S. company in Sharon, Massachusetts, pled guilty to a criminal information charging him with misprision of a felony. This ongoing investigation involves an \$8.5 million contract between a British company and the CPA in Iraq on behalf of the developing Iraqi civilian government.

The contract called for the production and delivery of **53 armored and unarmored vehicles** to be built in Russia and delivered to Baghdad for use by the Iraqi civilian police. The British company was paid \$8.5 million for the vehicles via a letter of credit drawn on the Trade Bank of Iraq, based on a bill of lading that indicated that the U.S. company in Massachusetts had received the vehicles and that the vehicles were in transit to Iraq. At the direction of the contractor, money from the Development Fund for Iraq (DFI) was transferred by the redeeming bank to accounts in the United Kingdom and Russia. The investigation revealed, however, that the bill of lading was false: the vehicles were never delivered.

The president of the U.S. company admitted in his plea agreement that he became aware that the Russian shipping company was unwilling to ship vehicles to Iraq and would not issue a bill of lading. He then allowed the British contractor to create the false bill of lading indicating the receipt and shipment of the vehicles on a bill of lading form, which was issued by a nonexistent company with a similar name to the defendant's company that used his company's address.

The defendant did not receive any money from the fraud. The international investigation into the activities of the British contractor

is continuing with the assistance of foreign law enforcement authorities.

This investigation was initiated by SIGIR and subsequently joined by DCIS.

Defense Contractor Sentenced to Six Months for Wire Fraud in the Procurement of Contract for Bullet-proof Vests

Diana Demilta, a defense contractor, pled guilty to wire fraud and has admitted to engaging in other bribery-related conduct in connection with contracts in Iraq, according to the plea agreement filed in the U.S. District Court in the District of Columbia on December 18, 2007, and unsealed on May 27, 2009. Demilta, a U.S. citizen and president of **Global-Link Distribution LLC**—a defense contracting company operating in the International Zone—subverted the competitive bidding process used by the Department of Defense and the Multi-National Security Transition Command-Iraq for a bullet-proof vest contract for Iraqi Security Forces.

From about September 2004 to March 2005, Demilta submitted multiple sham bids. She admitted that she paid at least \$60,000 to an unnamed public official to induce that person to influence the award of contracts and to induce expedited payments for contracts awarded to Demilta's company. According to the court documents, Demilta devised a scheme and instructed a co-conspirator to submit sham bids from dormant and/or related companies for the bullet-proof vest contract. The sham bids were submitted with intentionally increased prices so that one company, a Kuwaiti general trading firm, would win the contract at a lower price. The owner of the Kuwaiti general trading firm then

authorized Demilta to negotiate and receive all funds related to the contract.

On June 25, 2009, Demilta was sentenced to 6 months detention, 12 months home arrest, and 24 months supervised probation. She was also ordered to pay \$70,000 in restitution and a \$25,000 fine.

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

U.S. Marine Corps Bribery Scheme Moves Toward Trial

This quarter, a U.S. Marine master sergeant—who had been charged on March 26, 2009, under the Uniform Code of Military Justice with four charges of bribery and graft for wrongfully accepting money and gifts from contractors in Iraq—waived his June 29, 2009, UCMJ Article 32 Hearing and elected to go straight to trial. The trial is anticipated to start in August 2009.

This investigation is being conducted jointly by NCIS, SIGIR, and DCIS.

For a complete account of this task force investigation, see SIGIR's April 2009 *Quarterly Report to Congress*.

Audit Will Follow Up on Investigative Recovery of More Than \$13 Million in DFI Funds

In March 2009, a joint SIGIR-DoD investigation led to the return of more than \$13 million in Iraqi funds to the Iraqi people. This money was part of the DFI, which comprised Iraqi oil proceeds used for development projects in 2003 and 2004. As a result of this investigation, SIGIR has announced

the Audit of Transaction Data for the Development Fund for Iraq (Project No. 9011) in U.S. government agency accounts. The overall objective of this audit is to determine if U.S. government agencies properly accounted for the DFI funds they received or held.

For a complete account of this investigation, see SIGIR's April 2009 *Quarterly Report to the Congress*.

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

Audit-Investigation Proactive Efforts

In December 2008, SIGIR announced a new audit initiative to review DoD Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction (Project No. 9005). This special forensic project is designed to review data related to the Iraq Relief and Reconstruction Fund for FY 2003 through FY 2008. In March 2009, SIGIR expanded that initiative to include expenditures by DoS (Project No. 9012) and USAID (Project No. 9013). The objective of the project is to examine options for combining automated transaction data and forensic auditing techniques to review the appropriateness of expenditures for Iraq relief and reconstruction. The forensic audit project is expected to lead to further SIGIR efforts, including investigations when criminal activity is indicated.

Working in concert with SIGIR's Audit directorate, SIGIR Investigations opened a proactive investigation. SIGIR special agents and auditors have coordinated this effort and are working with various contract administration, financial management, audit, and investigative

components in DoD, DoS, USAID, the U.S. Postal Service, the IRS, and other Department of the Treasury components. To date, SIGIR has identified 11 possible avenues of specific investigative interest and inquiry.

This effort has successfully identified examples of questionable payments and other contractor anomalies that may indicate fraud. SIGIR and the other cooperating investigative agencies are currently reviewing preliminary results to determine if full investigations are warranted in specific instances.

Defense Finance and Accounting Service—Rome, New York

This quarter, SIGIR continued to support the ongoing invoice review project of the Defense Finance and Accounting Service (DFAS) in Rome, New York. DCIS initiated this proactive project to analyze several billion dollars in payments related to U.S. Army purchases that have supported the war effort in Iraq. To aid in the efficient processing and retrieval of contingency vouchers, DFAS deployed scanners to Iraq and Kuwait to scan new vouchers into a DFAS database.

In addition to the daily scanning of new contingency vouchers and supporting documents, DFAS began to scan into the same database all of the historical vouchers related to contingency payments stored at DFAS-Rome.

The historical contingency documents comprise about 800,000 vouchers, with a value of approximately \$13 billion to \$14 billion. The scanning of these documents was delayed; it is expected to commence in summer 2009 and continue until at least December 2010. SIGIR will temporarily assign one Senior Criminal Investigator to DFAS-Rome to coordinate the review of



DFAS Rome warehouse with more than 800,000 vouchers.

the historical contingency documents in support of ongoing investigations, as well as to develop new criminal investigations.

DFAS has provided SIGIR and its partner investigative agencies full access to its electronic databases. Data-mining techniques are being used to analyze the documents in the DFAS database. The DFAS Rome Project is actively providing support to ongoing investigations and has forwarded several investigative leads to SIGIR and its partner investigative agencies for further action.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with the Department of Justice, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government

personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq and Afghanistan. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

This quarter marks the first time that PFB has specifically identified suspension and debarment actions related to reconstruction and Army support contract fraud in Afghanistan and reported them to the **Special Inspector General for Afghanistan Reconstruction (SIGAR)**. Cases originating in Afghanistan were previously listed with cases originating in Iraq, Kuwait, and other locations in Southwest Asia. Beginning with this Quarterly Report, those cases have been removed from PFB's submission to SIGIR and may be found in the Quarterly Report produced by SIGAR.

Since SIGIR's April 2009 Quarterly Report, the PFB has taken these actions:

- suspended two individuals based on allegations of theft from DoD facilities in Iraq
- proposed six individuals and companies for debarment based on allegations of bribery, wire fraud, theft, and money laundering found in materials provided to the Army by criminal investigators and the Department of Justice
- debarred 15 companies and individuals for terms ranging from 3 to 10 years based on criminal convictions and fact-based inquiries provided by PFB to the Army Suspension and Debarment Official

To date, the Army has suspended 84 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait. A total of

77 individuals and companies have been proposed for debarment, resulting in 57 finalized debarments, ranging 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 2009.

This quarter, these individuals and companies were debarred:

- **Lee Dynamics International, George H. Lee, Justin W. Lee, and Oai Lee** were debarred for ten years each. The Army Suspension and Debarment Official determined that they had participated in a scheme to provide payments to Army contracting personnel in exchange for the award of multiple warehouse management contracts supporting the Iraqi police and armed forces.
- Lieutenant Colonel **Levonda J. Selph**, USA (Retired), a former contracting officer with the Multi-National Security Transition Command-Iraq, was debarred for nine years based on her acceptance of payments from George H. Lee in exchange for the award of the contracts.
- Two companies affiliated with the Lees were debarred: **Lee Defense Services Corporation** for 10 years, and **Starcon Ltd. LLC** for 9 years.
- In a separate case, **Diaa Ahmen Abdul Latif Salem** and his companies—**Jasmine International Trading Company** and **D & J Trading Company**—were debarred for 10 years. The Army Suspension and Debarment Official found that they participated in a scheme to provide payments to Major John L. Cockerham, Jr., USA, a former contracting officer at Camp Arifjan, Kuwait, in exchange for the award of calls placed against blanket purchase agreements for bottled water and other items.
- During this quarter the U.S. Air Force has proposed two individuals and one company for debarment.

For a list of convictions, see Table 4.4. For a list of debarments, see Table 4.5. For a complete list of suspensions and debarments, see Appendix H. ♦

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

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Tijani Saani	Filing false tax returns	6/25/2009	Pending
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
Elbert George	Theft of government property; conspiracy	5/18/2009	Pending
Roy Greene Jr.	Theft of government property; conspiracy	5/18/2009	Pending
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	Pending
Jeff Alex Mazon, Contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	Pending
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	Pending
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	Pending
Harith al-Jabawi, Contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	Pending
Maj. Theresa Baker, USA Contracting Officer	Conspiracy and bribery	12/22/2008	Pending
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	Pending
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	Pending
David Ramirez, Contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; \$200 special assessment
Lee Dubois, Contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	Pending
Jacquelin Fankhouser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Robert Bennett Contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	Pending
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison; 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	Pending
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	Pending
Lt. Col. Levonda Selph, USA Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	Pending
Maj. John Rivard, USA 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

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SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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 Lane, USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti, 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. 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
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 in restitution; \$200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; 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 of 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

TABLE 4.5
DEBARMENT LIST

NAME	DEBARRED
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Debra M. Harrison, LTC, USAR	6/17/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd. LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, L.L.C.	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private) Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasanthan Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007

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NAME	DEBARRED
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	09/26/2006
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 Iraq, the United States, and throughout the world.

Second Quarter Reporting

As of June 30, 2009, the SIGIR Hotline had initiated 729 cases. Of these, 638 have been closed, and 91 remain open. For a summary of these cases, see Table 4.6.

New Cases

This quarter, the SIGIR Hotline received 13 new complaints, bringing the cumulative total to 729 Hotline cases. The new complaints were classified in these categories:

- 4 involved miscellaneous issues.
- 3 involved personnel issues.
- 3 involved waste.
- 2 involved contract fraud.
- 1 involved mismanagement.

TABLE 4.6

SUMMARY OF SIGIR HOTLINE CASES, AS OF 6/30/2009

OPEN CASES			
Investigations			81
Audits			9
Inspections			1
Total Open			91
CLOSED CASES			
	1 st Qtr 2009	2 nd Qtr 2009	Cumulative*
FOIA	0	0	4
OSC Review	0	0	2
Assists	0	0	46
Dismissed	3	1	126
Referred	10	8	289
Inspections	0	0	79
Investigations	1	3	79
Audit	4	0	13
Total Closed	18	12	638
Cumulative* Open & Closed			729

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 6/30/2009.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and by electronic mail. SIGIR's 13 new Hotline complaints were received by these means:

- 7 by SIGIR website
- 3 by electronic mail
- 2 by telephone
- 1 by walk-in

Closed Cases

During this quarter, SIGIR closed 12 Hotline cases:

- 8 were referred to other inspector general agencies.
- 3 were closed by SIGIR Investigations.
- 1 was dismissed for lack of information.

Referred Complaints

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

- 3 were sent to the Multi-National Force-Iraq Office of Inspector General.
- 2 were sent to the Special Inspector General for Afghanistan Reconstruction.
- 1 was sent to the Joint Contracting Command-Iraq/Afghanistan.
- 1 was sent to the Department of State Office of Inspector General.
- 1 was sent to the U.S. Army Office of Inspector General. ♦

SIGIR WEBSITE

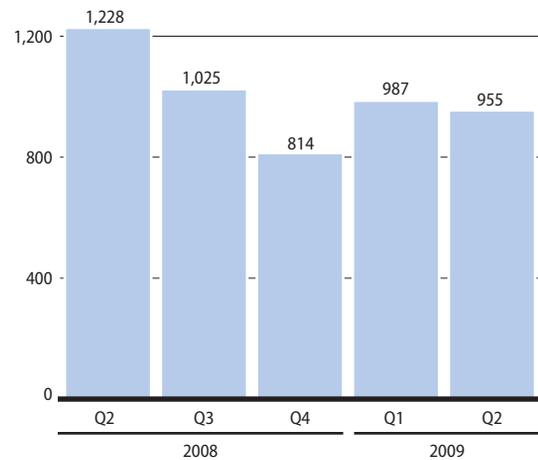
During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- This quarter, more than 87,000 users visited the SIGIR website—almost 1,000 users per day.
- This quarter, the Arabic language section of the site received 1,228 visits.
- The most frequently downloaded documents were SIGIR’s most recent Quarterly Reports.

For an overview of daily visits to the SIGIR website, see Figure 4.7. ♦

FIGURE 4.7

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, AS OF 6/30/2009



Source: DoD, IMCEN, response to SIGIR data call, 7/13/2009.

LEGISLATIVE UPDATE

On June 24, 2009, the President signed Public Law 111-32, the Supplemental Appropriations Act, 2009. This law included provisions related to the Special Inspector General for Iraq Reconstruction (SIGIR) and to the reconstruction of Iraq.

Title XI of the act provides for the transfer of \$7 million to SIGIR for reconstruction oversight, to be available until September 30, 2010. These funds were requested by SIGIR so that in a transition between funding mechanisms—from the former practice of funding SIGIR entirely through supplemental appropriations, to the new practice of funding SIGIR in the regular appropriations cycle—SIGIR would have sufficient funds if the regular appropriations act passed late in FY 2009 or after the beginning of FY 2010. The act also directs that SIGIR and certain other inspectors general coordinate and integrate the programming of funds made available in FY 2009 for oversight of programs in Afghanistan, Pakistan, and Iraq.

In connection with allocation of funds provided for “Operations and Maintenance, Army,” under Title III of the act, the explanatory statement of the conferees provides \$453 million for the Commander’s Emergency Response Program for Iraq and Afghanistan for FY 2009. The statement does not specify how much of that money that U.S. forces may use with respect to each country.

Section 306(a)(1) of the act rescinded \$1 billion of funds appropriated for the Iraq Security Forces Fund in the Supplemental Appropriations Act, 2008, which otherwise would have been unavailable for obligation after September 30, 2009. Section 306(a)(1) appropriated \$1 billion

for the same purpose, to remain available until September 30, 2010.

Section 314 of the act provides that “none of the funds appropriated or otherwise made available by this or any other Act shall be obligated or expended by the United States Government . . . to establish any military installation or base for the permanent stationing of United States Armed Forces in Iraq” or “[t]o exercise United States control over any oil resource of Iraq.”

Section 316 of the act provides for reports by the Secretary of Defense on, among other things, the status of the drawdown of U.S. forces and contractors from Iraq, how the Government of Iraq is assuming responsibility for “reconciliation initiatives,” the relation of the drawdown of military forces to the withdrawal of combat brigades, and the roles and responsibilities of remaining contractors in Iraq.

In connection with allocations for Iraq under the Economic Support Fund, the explanatory statement of the conferees on the act said that they expected \$439 million to be allocated for Iraq—\$50 million for the Community Action Program, \$118 million for democracy and civil society programs (with a sub-allocation of \$7 million for the United States Institute of Peace), \$2 million for Iraq cultural antiquities, \$10 million for the Marla Ruzicka Iraqi war victim’s fund, \$15 million for the Targeted Stability Program (see the discussion of section 1106 below), and \$5 million for “widows assistance.” A total of \$239 million remained unallocated. The conferees stated that they “are concerned about the treatment of women in Iraq, and urge the Department of

State and USAID to continue efforts to encourage the incorporation of women in stabilizing Iraq and creating its government institutions. The conferees are also concerned about the plight of women and religious minorities, including Iraqi Christians, amongst displaced and refugee populations and urges that programs of support for displaced and refugee populations take into account the needs of these minority groups.”

The explanatory statement of the conferees on the act said that, in connection with allocations of the International Narcotics Control and Law Enforcement fund, \$20 million should be allocated for Iraq.

Section 1106 of the act specifies that funds available for civilian assistance to Iraq (under Title XI of the act) (a) shall be made available in a manner that to the maximum extent practicable uses Iraqi entities; (b) shall be available according to matching-fund guidelines issued by the Department of State dated April 9, 2009; and also (c) that not less than \$15 million shall be made available from the Economic Support Fund for “targeted development programs and activities” under the direction of the United States Chief of Mission in Iraq.

The act made \$2 million available for International Military Education and Training Programs for Iraq. ♦

