

SIGIR OVERSIGHT

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SIGIR’S FORENSIC AUDITS OF AGENCY EXPENDITURES AND THE PROACTIVE AUDITS/INVESTIGATIONS INITIATIVE

SIGIR’s Audits and Investigations Directorates are engaged in a number of forensic audits and a joint audit investigation initiative designed to identify fraud, waste, and abuse. The analytic process is portrayed in Figure 3.1.

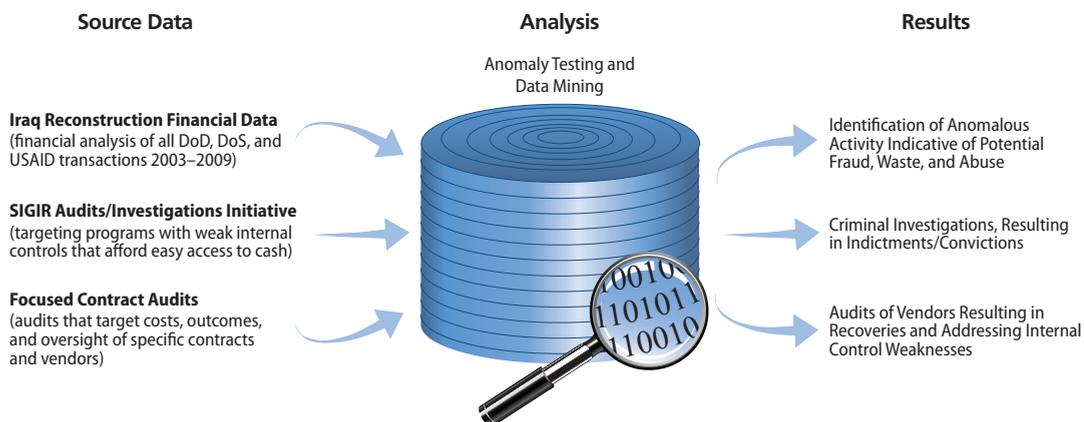
Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than \$53 billion. Over the past three years, SIGIR has conducted a series of 18 audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR used the results of these audits to develop targeted forensic auditing approaches to identify potential instances of wrongdoing.

A forensic audit is a systematic examination of the internal controls over a program’s expenditures or other financial data to identify anomalies in individual transactions that may be indicative of fraud, waste, or abuse. SIGIR’s Forensics Group, comprising staff from SIGIR’s Audits Directorate, is currently engaged in projects involving DoD (Project 9005, begun in December 2008), DoS

(Project 9012, begun in March 2009), and USAID (Project 9013, begun in March 2009). The objective of these projects is to examine the appropriateness of Iraq relief and reconstruction expenditures. Four interim reports have been issued to date that summarize the number of transactions reviewed as well as funds recovered and resultant audits and investigations. The Forensics Group also provides information collected during the course of forensic data mining in support of ongoing SIGIR audits and investigations.

This quarter, the SIGIR Forensics Group completed its review of possible duplicate payments involving DoD and USAID transactions related to Iraq relief and reconstruction. As a result of this effort, DoD recovered \$142,000 in overpaid amounts. Concerning possible duplicate payments involving USAID transactions, the Forensics Group confirmed \$48.6 million in duplicate or overpayments, and payment and accounting adjustments. This review also determined that USAID had identified the erroneous transactions and had either recovered the funds or made ledger adjustments for all of the amounts. The Forensics Group continues its audit of possible duplicate payments involving

FIGURE 3.1
FORENSIC AUDIT PROCESS



DoS transactions related to IRRF- and ESF-funded programs. Seventy-seven transactions, totaling approximately \$53.5 million, have been identified for in-depth review and analysis.

SIGIR's approach combines automated data mining with standard audit and investigative techniques to detect problematic transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. Matters most appropriately addressed by administrative resolution, such as cost disallowance and

recovery, will be referred through audit reports to agency contracting officials for appropriate action.

The SIGIR Audits/Investigations Initiative continues to expand the proactive joint effort that was established in January 2009. This effort focuses on Iraq relief and reconstruction programs that afford easy access to cash associated with weak controls over expenditures. To date, SIGIR has opened 49 criminal investigations as a result of this effort. This project has also provided support to ongoing criminal investigations. ♦

SIGIR AUDITS

From May 1, 2010, to July 30, 2010, SIGIR issued five audits addressing a wide range of reconstruction issues. They included:

- a report describing the status of Economic Support Fund appropriations
- a report describing the extent to which Department of Defense organizations accounted for funds they received from the Development Fund for Iraq
- a report on the Department of State management of democracy grants to the International Republican Institute
- a report updating SIGIR’s forensic audit efforts
- a report on the status of U.S. agency plans to preserve reconstruction program and contract files

For a list of these audit products, see Table 3.1.

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

Final SIGIR Audits for This Quarter

Most Iraq Economic Support Funds Have Been Obligated and Liquidated (SIGIR 10-018, 7/2010)

Introduction

Since 2006, the Department of State (DoS), the U.S. Agency for International Development (USAID), the Department of Treasury, and the Department of Justice, among others, have received \$4,527 million in Economic Support Fund (ESF) specifically for programs in Iraq. The ESF is a bilateral economic assistance account for use by U.S. allies and countries in democratic transition to promote U.S. foreign policy objectives. ESF appropriations

TABLE 3.1
SIGIR AUDIT PRODUCTS SINCE 4/30/2010

REPORT NUMBER	REPORT TITLE	DATE ISSUED
10-018	Most Iraq Economic Support Fund Appropriations Have Been Obligated and Liquidated	7/2010
10-019	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #4	7/2010
10-020	Development Fund for Iraq: Department of Defense Needs To Improve Financial and Management Controls	7/2010
10-021	Plans To Preserve Iraq Reconstruction Program and Contract Records Need To Be Improved	7/2010
10-022	Improved Oversight Needed for State Department Grants to the International Republican Institute	7/2010

are two-year appropriations under the authority of the Foreign Assistance Act of 1961. However, the funds remain available for de-obligation and subsequent re-obligation for a period of four years after the appropriation expires. Specific ESF dollar amounts are requested within the President’s Budget to Congress and approved by Congress under DoS’s International Affairs-Foreign Operations, Export Financing and Related Program (Foreign Operations) budgetary account.

Since mid-2006, DoS, through the Director of Foreign Assistance, has been responsible for ESF programming decisions. USAID and several DoS offices submit spend plans for proposed activities in Iraq; after review, the Director of Foreign Assistance allocates the funds.

SIGIR’s review looked specifically at the \$1,397 million allocated to DoS’s Iraq Transition Assistance Office (ITAO) and \$2,337 million allocated to USAID.

Results

ITAO

Between fiscal years 2006 and 2008, ITAO received approximately \$1,397 million in ESF funding, of which approximately \$1,378 million (nearly 99%) has been obligated.

Of the \$1,378 million obligated as of March 31, 2010, about \$1,030 million (nearly 75%) has been liquidated. About \$347 million (more than 25%) in obligations remain to be liquidated.

About \$20 million (approximately 1%) of the funds appropriated were not obligated during the period in which they were authorized and thus have expired. These expired funds cannot be used for new obligations but can be used to cover adjustments to prior obligations. If the funds are not needed to cover potential adjustments, the expired funds for each fiscal year will remain in ITAO's accounts for four years.

The Iraq Strategic Partnership Office replaced ITAO on May 7, 2010. According to U.S. Embassy-Baghdad officials, in preparing for ITAO's closure, U.S. Embassy-Baghdad officials reviewed all open projects and canceled some. Funds for the canceled projects were then de-obligated. According to the same officials, these funds are now being reprogrammed for other assistance programs in Iraq. ISPO will not fund any new projects and will solely monitor the remaining 114 projects.

USAID

Between fiscal years 2006 and 2009, USAID received approximately \$2,332 million in ESF funding for its programs in Iraq, of which about \$2,213 million (95%) has been obligated. About \$12 million from the 2006 and 2007 appropriations remains available for new obligations because those funds were de-obligated from their respective years. The Office of the Chief Financial Officer for USAID is currently working with the Office of Management and Budget on making these funds available for reprogramming. About \$108 million from the FY 2009 appropriation remains available for new obligation through September 30, 2010.

Of the \$2,213 million obligated as of March 31, 2010, \$1,841 million (approximately 83%) has been liquidated. About \$371 million (approximately 17%) in outstanding obligations remain to be liquidated.

Recommendations

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

Management Comments

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

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #4

(SIGIR 10-019, 7/2010)

Introduction

Public Law 108-106, as amended, requires SIGIR to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than \$53 billion. This interim report presents the results of SIGIR's ongoing forensic auditing program, including an update on efforts to identify questionable financial activity and an update on SIGIR's review of agency expenditures. The report also presents information on SIGIR's data-mining methodology. SIGIR is reporting results periodically, and a final cumulative report will eventually address all reconstruction funds.

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

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

evidence for use in administrative actions or civil or criminal fraud prosecutions.

SIGIR continues its review of Iraq reconstruction program areas known to have weaknesses in internal controls. Identified as the SIGIR Audits/Investigations Initiative, this effort focuses on programs that afford easy access to cash with weak controls over expenditures.

Results

A major aspect of SIGIR's forensic audit effort involves a joint audit and investigative initiative that was established in January 2009. This effort, staffed by SIGIR Audits and Investigations personnel, focuses on programs that afford easy access to cash with weak controls over expenditures. This initiative continues to identify instances of questionable activity. Since SIGIR's last report in April 2010 (SIGIR 10-017), four additional criminal investigations were opened, bringing the total number of investigations resulting from the initiative to 49.

Another major aspect of SIGIR's effort is the congressionally mandated forensic audit of DoD, DoS, and USAID expenditures. Since SIGIR's last report, an additional 25,000 transactions valued at \$3.8 billion have been reviewed, bringing the total transactions reviewed to 108,000 valued at \$35.8 billion.

SIGIR has completed its review of possible duplicate payments involving DoD-related Iraq Relief and Reconstruction Fund (IRRF) and Iraq Security Forces Fund (ISFF) program transactions that occurred during the FY 2003–FY 2008 time period. As indicated in SIGIR Forensic Audit Interim Report #3 (SIGIR 10-017), it was anticipated that many of the questionable transactions selected for review would prove to be valid once supporting documentation was reviewed. This proved to be the case. In SIGIR 10-017, it was reported that, of the approximately 1,000 transactions selected for review, 20 transactions, with a value of approximately \$300,000, remained under investigation as possible duplicate payments. SIGIR's investigation of the 20 transactions found that 12 transactions, with a value of about \$142,000, were duplicate payments.

As a result of this work, DoD requested reimbursement from the contractors and has recovered all of the overpaid amounts.

SIGIR also completed its review of possible duplicate payments involving USAID transactions related to the IRRF and Economic Support Fund (ESF). SIGIR reviewed 54 possible duplicate payments, totaling approximately \$64 million, and found that duplicate or overpayments, and payment and accounting adjustments, were made in 36 of these transactions. The review found that USAID had already identified these erroneous transactions and had either recovered the funds or made ledger adjustments for all of the amounts.

SIGIR continues its forensic audit of possible duplicate payments involving DoS transactions related to IRRF- and ESF-funded programs. SIGIR has selected 77 transactions, totaling approximately \$53.5 million, for review and has requested pertinent information from DoS.

SIGIR is continuing its review of possible fictitious contractors associated with DoD's IRRF- and ISFF-funded programs as well as DoS and USAID IRRF- and ESF-funded programs. A SIGIR forensic audit team is currently focusing on 124 possible fictitious contractors. As with the duplicate payment work, detailed research is being performed to determine whether these contractors were legitimate or were engaged in a scheme to defraud the U.S. government. It is anticipated that many of these contractors will prove to be legitimate following the review. An examination of key documentation, such as contracts, invoices, receiving reports, state business licenses, and other pertinent payment information will be used to support conclusions concerning the validity of the questionable vendors.

Recommendations

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

Management Comments

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

Development Fund for Iraq: Department of Defense Needs To Improve Financial and Management Controls

(SIGIR 10-020, 7/2010)

Introduction

The Development Fund for Iraq (DFI) was established in May 2003 by the Administrator of the Coalition Provisional Authority (CPA) and recognized by United Nations Security Council Resolution 1483. DFI funds were to be used in a transparent manner for the benefit of the people of Iraq. After the CPA was dissolved in June 2004, the U.S. government was authorized by the Government of Iraq (GOI) to administer DFI funds made available for reconstruction projects. The Department of Defense (DoD) managed DFI funds on behalf of the U.S. government. That authority was withdrawn effective December 31, 2007.

SIGIR's reporting objective is to determine whether DoD organizations adequately accounted for the funds they received from the DFI. To help accomplish this objective SIGIR selectively reviewed records from eight DoD organizations that received DFI funds.

Results

Weaknesses in DoD's financial and management controls left it unable to properly account for \$8.7 billion of the \$9.1 billion in DFI funds it received for reconstruction activities in Iraq. This situation occurred because most DoD organizations receiving DFI funds did not establish the required Department of the Treasury accounts, and no DoD organization was designated as the executive agent for managing the use of DFI funds. The breakdown in controls left the funds vulnerable to inappropriate uses and undetected loss.

The Department of the Treasury established guidance for accounting for non-U.S. government funds when U.S. agencies act as a custodian of those funds, but DoD did not implement the guidance in a timely manner. More importantly, most DoD organizations that received DFI funds did not follow the guidance. Only one of these organizations established the required account and, as a result, accounts were not established for \$8.7 billion (96%) of the DFI funds made available to DoD.

DoD's guidance also directed organizations that received DFI funds to reconcile all transactions prior to the time the guidance was issued. However, the reconciliations were not done. Due to the lack of records and personnel knowledgeable about financial and management decisions, SIGIR could not determine why the guidance was not followed. Because the accounts were not reconciled, DoD must rely on its organizations' accounting records to determine the status of DFI funds. SIGIR's selective review shows the records were not always complete. For example, DoD could not provide documentation to substantiate how it spent \$2.6 billion.

The SIGIR audit team also found differences in DoD contracting practices that affected the return of DFI funds to the GOI. The Joint Contracting Command-Iraq/Afghanistan contracted on behalf of the GOI, while the U.S. Army Corps of Engineers (USACE) and the U.S. Air Force Center for Engineering and the Environment (AFCEE) contracted on behalf of the U.S. government, making those agencies potentially liable for payment. As a result, USACE and AFCEE could not terminate their contracts and return remaining DFI funds when the GOI directed DoD to do so at the end of 2007.

The lack of oversight and guidance has contributed to DoD organizations continuing to hold DFI funds. SIGIR found organizations with open contracts that were holding funds, and also spending funds in some cases. USACE and one of its contractors and the U.S. Army Central Command (ARCENT) are holding about \$5.4 million and \$28.9 million, respectively. In October 2009, SIGIR recommended that DoD provide guidance

to USACE on the use and ultimate disposition of funds it was still holding. However, DoD has still not issued the guidance, and the funds that USACE and ARCENT are holding are at risk of being expended. While DoD has taken steps to provide guidance for future contingency operations, the guidance does not cover the accounting and reporting of funds such as occurred with the DFI in Iraq.

Recommendations

SIGIR recommends the Secretary of Defense direct the:

1. Under Secretary of Defense (Comptroller) to update the DoD Financial Management Regulation to specify procedures for the accounting and reporting of all non-U.S. government funds made available to DoD organizations for use in future contingency operations. This guidance should also include the designation of an executive agent within DoD to be responsible for establishing and overseeing policy on the use of these funds.
2. Under Secretary of Defense (Comptroller) to establish specific milestones for issuing guidance consistent with our recommendation in October 2009.
3. Service Secretaries and the Commander, U.S. Central Command, to determine the amount of DFI funds their respective organizations received and whether they are still holding any of those funds.

Management Comments

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

Plans To Preserve Iraq Reconstruction Program and Contract Records Need To Be Improved

(SIGIR 10-021, 7/2010)

Introduction

SIGIR's legislative authority states, in part, that it is to perform audits of the programs, operations, and contracts utilizing reconstruction funds to include the maintenance of records on the use of such funds to facilitate future audits and investigations. This report is being issued to address that requirement. Since 2003, the Congress has appropriated \$53.31 billion for Iraq relief and reconstruction activities. The Department of Defense (DoD), the Department of State (DoS), and the Administrator of the U.S. Agency for International Development (USAID) manage these activities and created records related to their programs. They have the responsibility for preserving the records for Iraq reconstruction activities against loss or premature destruction. DoD's records exceed 100,000 program and contract records. DoS and USAID have an estimated 2,650 program management, grant, and contract records.

The objective for this report is to determine the extent to which principal U.S. agencies responsible for managing Iraq reconstruction activities have plans to preserve reconstruction records.

Results

DoD, DoS, and USAID have records management policies and procedures, but have not fully implemented those procedures for preserving their Iraq reconstruction records. This situation leaves the U.S. government vulnerable to waste and theft as it may not have the necessary information to pursue potential cases of fraud and/or to perform audits of reconstruction activities. Additionally, the records have not been reviewed for historical significance, and important documents could be lost if action is not taken.

SIGIR's review showed a range of progress in preserving the records. Some organizations had

already shipped many of their records to storage facilities, while others had not. Other organizations were missing records and did not know the status of records that had been shipped to storage. Lastly, some organizations did not have the appropriate-sized storage facilities, adequate plans for preserving records, or the ability to retrieve records in a timely manner. SIGIR's review also showed that, in some cases, records for joint reconstruction projects were dispersed among several government organizations, and storage of the records had not been coordinated to ensure completeness and availability. This records preservation vulnerability further illustrates SIGIR's long-standing concerns about the ad hoc nature of the management of Iraq reconstruction.

A recent DoD Joint Staff study identified significant problems with all phases of DoD's records management in Iraq, and SIGIR's current work confirmed these problems, but also found progress in resolving the issues. The Joint Staff study was conducted in April 2010. The study noted such problems as an undefined universe of records, lack of adequate guidance and standard operating procedures, and unclear lines of records management responsibility.

SIGIR's current work found that the U.S. Army Corps of Engineers, which maintains a large percentage of the DoD records, is well on its way to preserving its records, but other DoD organizations are still focusing on developing plans, assembling and reviewing records for completeness, increasing storage facility capacity, and ensuring record retrieval capabilities. SIGIR is particularly concerned about the lack of progress in preserving Iraq Security Forces Fund (ISFF) records and Commander's Emergency Response Program (CERP) records. At this time, little progress has been made in preserving the ISFF program management records, and prior and ongoing SIGIR work has shown that many CERP records are incomplete or cannot be located.

DoS and USAID are organizing their records but have not taken steps to return the records to the United States for storage. The organizations appear

to have control over their reconstruction records, but are lacking guidance on how to proceed with preservation planning.

Recommendations

1. SIGIR recommends that the U.S. Secretaries of Defense and State and the Administrator of USAID assign an office the responsibility for ensuring the preservation of the Iraq reconstruction records to provide transparency and accountability at the Department level. At a minimum, these offices should coordinate the development of a master list of records to (1) ensure record completeness, (2) link program, associated contracts, and funding, and (3) develop uniform retention policies that are consistent with the needs of investigative and audit organizations. The office should also consult with agency historians to determine which records may require permanent archiving.
2. SIGIR recommends that the Commander, U.S. Central Command, in implementing the Joint Staff recommendations, include in the new guidance specific direction related to the transfer and preservation of reconstruction records that incorporates methods for tracking records, identification of program and associated funding, and final storage location.
3. SIGIR recommends that the Commander, U.S. Central Command, direct the CENTCOM Contracting Command to review the efforts by the former Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) to identify remaining issues that need to be addressed in the preservation planning process, such as completeness of contracting records, missing records, tracking records, and the adequacy of storage facilities.
4. SIGIR recommends the Commanding General, USF-I, direct that plans be developed for preserving the ISFF and CERP records. These plans could take the form of standard operating procedures to help ensure that existing records are complete and missing records have been identified.

5. SIGIR recommends that the Commanding General, ARCENT, review the processes being used to store and locate CERP records.
6. SIGIR also recommends that the Secretary of State provide U.S. Embassy-Baghdad with detailed guidance to be used for the final storage of reconstruction records; and U.S. Embassy-Baghdad develop plans for the preservation of reconstruction records in accordance with this guidance.
7. SIGIR recommends that the Administrator, USAID, provide guidance to its Iraq Mission on the preservation of reconstruction records; and the Mission Director, USAID Iraq, develop plans for the preservation of reconstruction records in accordance with this guidance.

Lessons Learned

Planning and guidance for the transition and preservation of records created during a contingency operation should be in effect at the beginning of the contingency operation, not left to chance at the end. Overall policies with clear lines of authority need to be developed and disseminated by Joint Staff for all combatant commands. In contingency reconstruction actions, it is critical that all agencies plan for the end of the operation by establishing comprehensive record keeping procedures from the start. This lesson learned should be implemented immediately for all other ongoing contingency operations, such as Afghanistan.

Management Comments

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

Improved Oversight Needed for State Department Grants to the International Republican Institute

(SIGIR 10-022, 7/2010)

Introduction

This report addresses Department of State (DoS) management of a \$50 million grant to the International Republican Institute (IRI) for democracy-building activities in Iraq. This is the largest grant awarded to IRI by the Bureau of Acquisitions Management (AQM) on behalf of the Bureau of Democracy, Human Rights, and Labor (DRL) and is intended to support democracy, rule-of-law, and governance programs in Iraq. DRL's mission is to lead U.S. efforts to promote democracy, protect human rights and international religious freedom, and advance labor rights globally. Because DRL does not have dedicated grants officers, it relies on AQM to award and amend its grants. However DRL does provide a grants officer representative who assists the grants officer in overseeing the grant. In a prior audit, SIGIR found that grantee security costs were significant, and DRL did not have documentation on whether IRI's grant was meeting its goals and whether the grant money was being used in the most effective and efficient manner (SIGIR 10-012). Under Public Law 108-106, SIGIR has responsibility to, among other things, review the expenditure of reconstruction funds in Iraq, including program oversight and fund accounting.

In this follow-up audit, SIGIR's objectives are to examine for IRI's \$50 million DRL grant, the reasonableness, allocability, and allowability of IRI's claimed security costs, and the extent to which the grantee documented its success in achieving governance, political participation, and civil society goals and objectives.

Results

Weaknesses in DoS oversight and IRI compliance with federal and DoS grant requirements leave DoS vulnerable to paying excessive charges and having insufficient information on exactly what was

achieved. Existing DoS monitoring mechanisms did not detect questionable charges and allocations associated with certain security and indirect costs against the grant. DoS grants officers were not actively involved in overseeing the grant or grantee decision making, and required annual audits and progress reports provided only limited insight into grantee practices. Grant officers were not consulted on the appropriateness of grantee practices, though they are the only officials in the Department authorized to make such rulings. Grantee officials stated that they were operating in good faith and sought to ensure the appropriateness of their approach by maintaining regular communications with DRL grants officer representatives about how they were spending the money. But DRL officials are not authorized to approve such actions and did not consult the grants officers on these issues. This combination of lax oversight, incomplete knowledge of regulations, and confusion regarding the authority, roles, and responsibilities of DoS officials permitted a number of potentially erroneous decisions to continue unchecked. Specifically, SIGIR's examination raises a number of questions about the reasonableness, allocability, and allowability of some security and indirect costs. SIGIR found certain IRI charges and allocations lacked:

- adequate procurement documentation, which prevents us from determining the reasonableness of the security costs
- a methodology for allocating security costs that assures reasonable distribution of the costs among its various grants



Example of IRI election-related training.

- an appropriate accounting methodology to determine some indirect cost amounts
- prior approval from the grants officer to purchase approximately \$690,000 in vehicles

The grantee can readily document activities it sponsored to foster democratic goals and objectives in Iraq, but has not uniformly assessed the extent to which it has succeeded in meeting the grant's goals and objectives, as required by the grant agreement. To illustrate, the grantee surveyed candidates who attended training and found that trainees were twice as likely to be elected as those who had not participated. On the other hand, the grantee did not assess the extent to which its efforts helped promote a grant objective to help women become more integrated into political party organizations as officers, candidates, and volunteers. The grant's evaluation plan did not always include benchmarks and measurable indicators of progress, which are essential criteria to measure impact. The grants officer representative stated that IRI has not provided comprehensive impact assessments, but she has sufficient information from other sources to conclude that the grantee is meeting grant goals. DRL also noted it has recently taken steps to improve monitoring and evaluation of future grants. Without comprehensive assessments, it is difficult for decision makers to determine what changes are necessary to best ensure that activities are designed and implemented to achieve program objectives.

Recommendations

To improve the management of grants for Iraq reconstruction, SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to take the following actions:

1. Assess the adequacy of the number of grants officers assigned to manage DRL grants in Iraq.
2. Require the grants officers to conduct in-depth assessments of the IRI cost charges accounting allocation methods highlighted in this report. The assessments should determine the level of

questionable costs and whether funds should be recovered.

3. Require the grants officers to instruct IRI to follow OMB guidelines on reasonableness, allocability, and allowability of costs and non-competitive contracts.
 4. Require the grants officers to instruct IRI to incorporate in its next A-133 audit a comprehensive audit of indirect costs and a compliance audit for at least one major DRL grant.
 5. Require that grants officer representatives are trained on OMB Circulars A-110, A-122, and A-133, as well as DoS grant policy directives to ensure they are fully aware of their responsibilities and limitations.
 6. Require the grants officer representatives to enforce the grant requirements that IRI provide measurable indicators of its success in meeting grant goals and objectives.
- Project 1015: Audit of the Controls over the Quick Response Fund
 - Project 1014: Audit of the Status of Funds Appropriated for the Iraq Relief and Reconstruction Fund
 - Project 1013: Audit of Cooperative Agreements Awarded to Cooperative Housing Foundation International
 - Project 1012: Audit of the Status of Funds Appropriated for the Commander's Emergency Response Program for Iraq
 - Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
 - Project 1008: Audit of the Status of DoD's Theater-wide Internal Security Services (TWISS) Contracts
 - Project 1004: Audit of the Sons of Iraq Program
 - Project 9028: Audit of the Program Management Practices for the Iraqi Police Training Program
 - Project 9023-B: Final Report on MNSTC-I Project To Develop the Iraq Special Operations Forces
 - Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

Management Comments

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

Ongoing and Planned Audits

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

Ongoing Audits

SIGIR is currently working on these audits:

- Project 1016: Audit of the U.S. Government Agency Procedures To Account for Seized & Vested Assets and Other Funds

Planned Audits

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

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

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 18 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund.

SIGIR continues to dedicate resources to its forensic auditing initiative and has published its fourth report on its efforts. Moreover, to continue to provide leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq, SIGIR will address issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities to DoS.

SIGIR Audits: 2003–2010

Since 2003 SIGIR has published 171 audits addressing a wide range of topics, such as oversight of contracts and specific reconstruction programs, as well as the cost and oversight of private security contractors. Throughout its tenure, SIGIR audits have identified serious deficiencies in the management of contracts and reconstruction activities; made recommendations to improve economy and efficiency of U.S. operations and make activities less vulnerable to fraud, waste, and abuse; and provided lessons learned for use in other major reconstruction endeavors.

Much of SIGIR's audit results can be attributed to the organization's significant and permanent presence in Iraq. This presence has enabled SIGIR to provide real-time audits—often starting and completing within six months—that address critical reconstruction issues. SIGIR's in-country audit activities also enable face-to-face communications

and relationship building with DoD, DoS, and Iraqi officials, and provide in-depth and historical knowledge of the reconstruction program in the country.

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

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

In the course of its work, SIGIR has identified broad recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audits, and lessons learned that could be applicable to reconstruction in other contingency operations. Moreover, SIGIR has made 428 recommendations to improve reconstruction activities in Iraq that encompass a wide array of management issues. Management has already agreed to and implemented 263 of these recommendations, and 31 recommendations have been closed because changing conditions rendered them no longer applicable. SIGIR continues to monitor the remaining 134 open recommendations for timely implementation of corrective actions by the agencies. When taken together, this information provides an important starting point for managing reconstruction activities in a contingency environment.

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

- The need to better understand the problems associated with implementing reconstruction programs in an unstable security environment. For example, security issues and their costs were

often not adequately taken into consideration in designing and implementing reconstruction activities and estimating costs.

- The impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects. The lack of such unity of command led to situations where the U.S. government could not determine the full extent of all agencies' activities on a single issue such as anticorruption or capacity development.
- The importance of anticipating staffing needs and reducing staff turnover.
- Recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects.

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

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

- more than 150 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover.
- more than 70 recommendations to improve interagency coordination and cooperation, as well as to better share information.
- more than 170 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse.
- more than 160 recommendations to improve accountability and internal control weaknesses such as inadequate review of contractor invoices, inadequate contractor oversight, missing or

incomplete documentation of contract actions, and inadequate staffing.

- more than 30 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that U.S. efforts will not be wasted.

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

- SIGIR has issued 9 reports and made 24 recommendations addressing the need to improve the management of the Commander's Emergency Response Program (CERP). This \$3.82 billion program authorizes U.S. field commanders to use these funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. This quarter, SIGIR identified the need to better plan for preserving the reconstruction program and contract records.
- SIGIR has issued, to varying degrees, more than 25 reports on U.S. efforts to develop functioning Iraqi Security Forces (ISF). This effort takes on increasing importance as the U.S. military footprint decreases, and now that the principal agency created to implement this goal—the Multi-National Security Transition Command-Iraq (MNSTC-I)—has been subsumed into the U.S. Forces-Iraq (USF-I). To date, SIGIR has made 54 recommendations regarding ministerial capacity development, oversight of weapons provided the ISF, asset transfer, use of I-CERP funds, anticorruption efforts, and other topics, including logistics, maintenance responsibilities, and security forces personnel training. This quarter, as with CERP, SIGIR recommended that the USF-I take necessary steps to develop plans for preserving Iraq Security Forces Fund (ISFF) records.

With the implementation of SIGIR’s audit recommendations, agencies have made progress in improving their operations. For example, since SIGIR’s last semiannual report, DoD has taken a number of corrective actions to implement nine of our recommendations to improve the management of CERP. These included varied actions such as changing policy to require greater coordination of CERP projects and to better train CERP Army personnel. In addition, to save costs, DoS has agreed with SIGIR’s recommendation to cancel a contract to upgrade a computer database system that SIGIR identified would not be used.

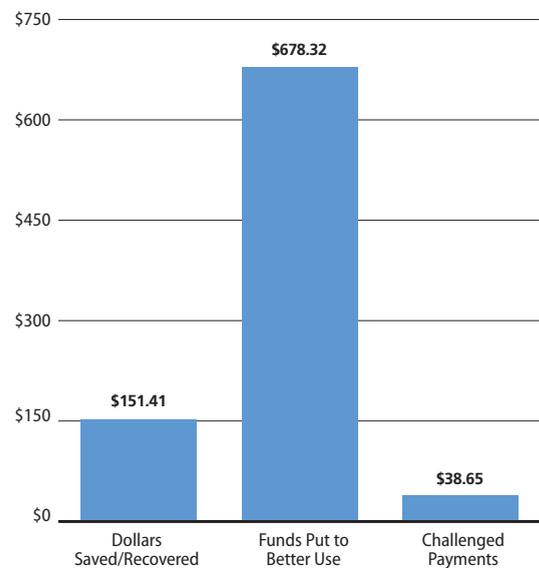
Nevertheless, agencies have yet to implement a number of SIGIR recommendations addressing important issues. For example, DoD has yet to implement a number of recommendations to improve the management of ISFF to develop the ISF. As early as October 2006, SIGIR noted deficiencies in the planning and implementation of Iraqi police and military training programs and recommended that DoD identify Iraqi local and national police forces logistics personnel and Iraqi Army logistics personnel requirements and formulate a plan for training these personnel.

All SIGIR audit reports can be found on the SIGIR audit site at www.sigir.mil.

SIGIR Audits Have Had Major Impacts

SIGIR’s audits have had major financial and non-financial impacts in improving the management of reconstruction programs in Iraq. Through July 30, 2010, SIGIR audits saved and recovered funds of about \$151.41 million and improved the

FIGURE 3.2
IMPACT OF SIGIR AUDITS
 \$ Millions



use of \$678.32 million of funds (See Figure 3.2). SIGIR also challenged payments of \$38.65 million, including possible duplicative payments, overpayments or for work that was not completed. Two-thirds of the funds saved emanated from recommendations regarding the equipment purchased for primary healthcare centers, and the need for invoice review of the Iraqi police training program. SIGIR also determined that nearly \$200 million in funding for the police training program could be put to better use elsewhere. SIGIR continues to document ways to save additional funds. ♦

SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 112 open investigations. During this reporting period, SIGIR had 4 investigative personnel assigned to Baghdad; 12 at SIGIR headquarters in Arlington, Virginia; and 16 in offices in Pennsylvania, North Carolina, Florida, Texas, Arizona, Ohio, Michigan, New York, and California. To date, the work of SIGIR investigators has resulted in 29 arrests, 43 indictments, 34 convictions, and more than \$70.7 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law enforcement personnel from other countries. As a result of SIGIR investigations, 2 defendants are pending indictment based on arrest complaints, 8 defendants are awaiting trial, and an additional 11 defendants are awaiting sentencing. For a comprehensive list of convictions compiled by the Department of Justice, see Table 3.2 at the end of this section.

SIGIR notes these investigative activities this quarter:

- A former DoS employee was arrested and charged in \$147,000 fraud scheme.
- A U.S. Army captain was sentenced to 30 months in federal prison after admitting theft of government property related to Department of Defense (DoD) contracts in support of Operation Iraqi Freedom.
- A criminal information was filed alleging an Iraq reconstruction kickback conspiracy.
- A U.S. Army captain was indicted and pled guilty to receiving kickbacks for awarding contracts in Iraq.

- A U.S. Marine Corps master sergeant was convicted of bribery and graft involving awarding and managing contracts in Iraq.
- A U.S. Marine Corps major was indicted on financial crimes.
- A U. S. Marine Corps captain pled guilty to skimming \$1.7 million from military contracts.

Former DoS Employee Arrested and Charged in Fraud Scheme

On July 21, 2010, a former DoS employee was charged in a five-count indictment in the Southern District of Texas with wire fraud and conversion stemming from a scheme to defraud the United States and Iraq. The former DoS employee was arrested on July 22, 2010, in Temple, Texas. According to the indictment, from April 2005 to September 2006, the former DoS employee for the Iraq Reconstruction Management Office (IRMO) was responsible for providing advice and consultation to the director of the port at Umm Qasr, in Basrah, Iraq. The port director was an official with the Iraqi Ministry of Transportation.

The indictment alleges that, in late 2005 and early 2006, he orchestrated the transfer of approximately 60 accommodations caravans and other equipment from the site of a U.S.-funded power plant project in al-Zubair, Iraq, to the port, purportedly on behalf of IRMO. These caravans served as living and office accommodations for government and private personnel, but since construction of the power plant was winding down, the caravans were no longer needed at that location.

According to the indictment, the former DoS employee had no authority or authorization to negotiate the transfer of any equipment or to sign paperwork on behalf of IRMO to accept such



Aerial view of “Bob’s Camp” at the port of Umm Qasr, Basrah, Iraq, with Berths 2 and 3 of the port in the background.



Accommodation caravans at “Bob’s Camp” at the port of Umm Qasr, Basrah, Iraq.

equipment, which he allegedly did on December 11, 2005. When U.S. officials notified him that IRMO did not have the necessary property-management structure and therefore could not take control of the equipment, the indictment alleges that he directed an Iraqi employee of the Ministry of Transportation to sign for and accept the equipment on behalf of the Iraqi government.

According to the indictment, the individual who signed for the equipment also was employed by Bawabet Al Amer Company (BAC), a private Iraqi company operating at the port. BAC provided security, through subcontractors, as well as lodging, office space, and dining services for government and private personnel. The indictment alleges that from the summer of 2005 to the fall of 2006, the former DoS employee controlled the day-to-day operations of BAC and, on behalf of BAC and a silent investor, negotiated business contracts, provided input in BAC’s hiring decisions, and directed the work of BAC employees.

According to the indictment, the former DoS employee signed a three-year lease agreement on January 1, 2006, on behalf of IRMO, permitting BAC to use a portion of the port, which during his tenure became known as “Bob’s Camp.” He allegedly had no authority to enter into this agreement in his official capacity with IRMO and did not discuss it with his supervisors. A portion of the transferred accommodations caravans was installed by BAC employees in “Bob’s Camp.”

On September 14, 2006, the day before the former DoS employee was scheduled to be reassigned to IRMO’s Baghdad office, he allegedly negotiated a rental agreement on behalf of BAC involving several of the transferred accommodations caravans. According to the indictment, he directed that rental payments be wired to a bank account in Conroe, Texas, which he controlled. In this manner, he allegedly received \$147,000 from the lessee business, which he used for personal and business expenses.

The indictment alleges the former DoS employee’s planned reassignment was based in part on his failure to carry out his function of advising the port director. He eventually resigned from DoS.

This investigation is being conducted by SIGIR, the Defense Criminal Investigative Service (DCIS), and the Federal Bureau of Investigation (FBI).

Army Officer Sentenced to 30 Months in Federal Prison for Theft of CERP Funds

On May 3, 2010, Capt. Michael Dung Nguyen, U.S. Army, a West Point graduate stationed at Ft. Lewis, Washington, was sentenced to 30 months in prison following his guilty pleas to the crimes of theft of government property and structuring financial transactions. Nguyen was ordered to surrender to the Bureau of Prisons on September 1, 2010. In addition to imprisonment, Nguyen was ordered to



A 1994 BMW seized as part of the investigation and conviction of former Master Sergeant Terence Walton.



Three other vehicles seized in the Walton case.

serve three years of supervised release, pay restitution in the amount of \$200,000, and forfeit his interest in all personal property he bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest.

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

Nguyen transported the stolen CERP funds back to the United States by mailing them to himself at his family's Oregon residence before his return from Iraq. Shortly after his return from Iraq, Nguyen opened new bank accounts at Bank of America, Washington Mutual Bank, America's Credit Union, and Heritage Bank and proceeded to deposit \$387,550 of the stolen CERP money into those accounts in Oregon and elsewhere. Between June 9, 2008, and September 26, 2008, Nguyen

made repeated deposits of the stolen CERP funds in a manner that was intended to evade federal reporting requirements for the deposit of large amounts of currency.

After depositing the money in the accounts, Nguyen purchased a 2008 BMW and a 2009 Hummer H3T, in addition to purchasing computers, firearms, electronics, and furniture. During the execution of a search warrant, investigators discovered more than \$300,000 in stolen CERP funds hidden in the attic of Nguyen's Portland family home.

This case is being investigated jointly by SIGIR, the Internal Revenue Service, Criminal Investigation (IRS-CI); FBI; U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU); and DCIS.

Criminal Information Filed Alleging Iraq Reconstruction Kickback Conspiracy

On May 14, 2010, a criminal information was filed in federal court, Albuquerque, New Mexico, charging a former employee of a U.S.-based construction company with conspiracy to defraud the United States by accepting kickbacks from subcontractors

whom he helped to get contracts on government building projects in Iraq between April 2005 and March 2008.

The criminal information alleges that, between 2004 and 2008, the Air Force Center for Engineering and the Environment awarded a series of construction contracts to be performed in Iraq. The former construction company employee is accused of arranging for subcontracts awarded by the construction company and paid by the U.S. government to be inflated by the kickback amounts the former employee was to receive. The former construction company employee is accused of unlawfully accepting kickbacks in the amount of \$384,000.

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

U.S. Marine Corps Master Sergeant Convicted of Bribery and Graft Involving Awarding and Managing Contracts in Iraq—Four Vehicles Seized

On May 17, 2010, Master Sergeant Terence Walton was convicted by a General Court Martial of bribery, graft, and failure to obey a direct order. Walton was a contract specialist in Falluja, Iraq, for the U.S. Marine Corps' 2nd Supply Battalion, from February 2005 to January 2006. He was responsible for awarding and managing contracts for the wars in Iraq and Afghanistan. Walton was sentenced the same day to a reprimand, reduction in rank from E-8 to E-3, a \$65,000 fine, and 62 days confinement.

In March 2009, Walton was charged with bribery and graft under the Uniform Code of Military Justice for wrongfully accepting money and other gifts from contractors in Iraq. It was alleged as a result of information developed during the investigation that Walton extorted money in exchange for awarding contracts for paving and construction services. It was further alleged that one vendor gave Walton a Visa card loaded with

\$50,000 for not penalizing his firm for repeatedly missing deadlines on a contract, according to an affidavit filed in federal court. It was also alleged that contracts Walton awarded exceeded government cost estimates by up to 479%.

As a result of the conviction, a seizure warrant was executed on June 3, 2010, in Richlands and Jacksonville, North Carolina. Federal agents seized four vehicles: a 1998 Mercedes CLK320 valued at \$5,610, a 2003 Ford Excursion valued at \$12,105, a 2004 BMW 325i valued at \$15,645, and a 2008 Mitsubishi Eclipse GS valued at \$15,275.

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

Marine Major Indicted on Financial Crimes

On May 24, 2010, a U.S. Marine Corps major turned himself in to federal authorities in Phoenix, Arizona, pursuant to an arrest warrant on charges he illegally deposited more than \$440,000 into U.S. bank accounts following a six-month deployment in Iraq in 2005 as a contracting officer. Charges facing the major are detailed in a 22-count indictment returned by a federal grand jury in Phoenix. They include structuring financial transactions through a domestic financial institution.

The indictment alleges that the Marine major was deployed to Iraq from February 15, 2005, to September 27, 2005, where he served as a project purchasing officer for the CERP, and he was assigned to the 5th Civil Affairs Group, Camp Fallujah, in Iraq. In this capacity, the major identified and selected reconstruction projects, awarded reconstruction projects to Iraqi contractors, negotiated contract terms, and verified the completion of projects. CERP funds were distributed to the Iraqi contractors in the form of brand new \$100 U.S. currency notes. According to the indictment, soon after returning from his deployment in Iraq, the major began making cash deposits with brand-new

\$100 U.S. currency notes. Between October 2005 and April 2006, the major made 91 cash deposits totaling more than \$440,000 into bank accounts with Bank of America, Chase Bank, and the Navy Federal Credit Union. The indictment alleges that the major made multiple cash deposits under \$10,000 into various bank accounts for the purpose of evading the reporting requirements under federal law.

A conviction for structuring financial transactions could carry the maximum penalty of five years in prison, a \$250,000 fine, or both.

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

U.S. Army Captain Indicted, Pleads Guilty to Receiving Kickbacks for Awarding Contracts in Iraq

On May 10, 2010, Captain Faustino L. Gonzales, U.S. Army, of Killeen, Texas, was charged in a one-count indictment of a gratuity received by a public official. Gonzales was a U.S. Army project purchasing officer in Iraq. Gonzales admitted that in September 2006, he conspired with Chasib Mahdi (doing business as the General Contracting Company) to receive cash bribes for awarding contracts under the CERP for Iraq reconstruction. Gonzales further admitted that the contracts he awarded to Mahdi, designated for projects near Forward Operating Base, Rustimayyah, Iraq, were based on inflated prices. Gonzales also admitted that portions of the bribe money were deposited into banks accounts located in Killeen and San Antonio, Texas, and that he used some of the bribe money to purchase a vehicle in Killeen.

On June 24, 2010, Gonzales appeared before U.S. District Judge Walter S. Smith, Jr., in Waco, Texas, and pled guilty to receiving a gratuity by a public official. Sentencing is scheduled for September 8, 2010. Gonzales faces up to two years in federal prison and a maximum \$250,000 fine.

This case is being conducted jointly by SIGIR, CID-MPFU, DCIS, and the U.S. Postal Inspection Service.

Marine Corps Captain Pleads Guilty to Skimming \$1.7 Million from Military Contracts

On May 17, 2010, Captain Eric Schmidt, U.S. Marine Corps, pled guilty in federal court to conspiracy to commit wire fraud and filing a false federal tax form. Schmidt and his wife, Janet Schmidt, were charged on March 4, 2010, with conspiring to skim approximately \$1.75 million from government contracts awarded under the Iraqi First Program while he was acting as a Marine Corps contracting officer's representative in Iraq. Eric Schmidt, of Murrieta, California, who is assigned to the First Marine Division at Camp Pendleton, California, was charged with conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the IRS. Janet Schmidt also was charged with the same two felony counts.

According to the criminal information, Captain Schmidt used his position in the contracting process to steer contracts to his favored Iraqi contractor, the Al-Methwad Company. The contracts were often awarded under the Iraqi First Program, which was designed to award certain contracts to Iraqi vendors to assist with Iraqi economic expansion and entrepreneurship. Once Al-Methwad had been awarded the contract, Janet Schmidt found U.S.-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the terms of the contract. Janet Schmidt purchased the goods using money provided by Al-Methwad, often purchasing far fewer or inferior products than those required by the contract. She then arranged for the goods to be delivered to the U.S. Marines in Iraq. Once the shipment arrived in Iraq, Captain Schmidt falsely certified that both the number and type of goods required by the contract had been provided by Al-Methwad Company to the

Marines. Armed with the false certification, representatives from Al-Methwad Company sought and received payment from the United States.

Investigators have determined that the Schmidts collected a total of approximately \$1.75 million in illegal payments during Captain Schmidt's one-year deployment to Iraq in 2008. Because they failed to report any of these illegal payments on their tax return for 2008, they substantially understated their income to the IRS. During the course of this investigation, government agents seized from the Schmidts two California real properties—one in Big Bear and one in Marietta—two motor vehicles, and approximately \$40,000 in cash. Janet Schmidt pled guilty on March 18, 2010, to a federal felony charge of filing a false income tax return in connection with her role in the Iraq contracting scheme.

Upon sentencing, Captain Schmidt and his wife each face a statutory maximum penalty of 23 years in federal prison.

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

U.S. Army Major Pleads Guilty to Shipping Currency to the United States from Iraq

On July 7, 2010, U.S. Army Major Charles E. Sublett pled guilty in federal court in Memphis, Tennessee, to making false statements to a federal agency. Sublett was charged in an indictment, returned by a federal grand jury on January 5, 2010, following his arrest in Huntsville, Alabama. According to the indictment, Sublett smuggled more than \$100,000 in currency, concealed in a shipping package, into the United States from Iraq in January 2005.

According to the indictment, Sublett was deployed to Balad Regional Contracting Center on Logistical Support Area (LSA) Anaconda in Iraq from August 2004 through February 2005. LSA Anaconda is a U.S. military installation that was established in 2003 to support U.S. military

operations in Iraq. Sublett served as a contracting officer, responsible for, among other things, evaluating and supervising contracts with companies that provide goods and services to the U.S. Army.

Sublett admitted that, on January 11, 2005, he sent a package from Balad, Iraq, to Killeen, Texas, which was seized by U.S. Customs and Border Protection officers in Memphis. Sublett admitted that, on the international air waybill, he falsely described the contents of the package as books, papers, a jewelry box, and clothes with a total declared customs value of \$140 when, in fact, Sublett knew the package contained \$107,900 in U.S. currency and 17,120,000 Iraqi dinar. Sublett also admitted that he failed to file a currency or monetary instruments transaction report (CMIR) as required by federal law when transporting currency in amounts of more than \$10,000 into or out of the United States. During the plea hearing, Sublett admitted to making false claims to investigators regarding his attempt to bring the currency into the United States in an effort to impede their investigation.

Sublett is scheduled to be sentenced on October 8, 2010. As part of the plea agreement, Sublett also consented to the forfeiture of the \$107,900 in U.S. funds and the 17,120,000 Iraqi dinar that he concealed in the package.

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

Cockerham Investigation Update

On June 18, 2010, a relative of former U.S. Army Major John Cockerham submitted a cashier's check in the amount of \$100,000 for voluntary surrender to the U.S. Marshals Service Asset Forfeiture account. It is alleged that the Cockerham relative received \$300,000 from a Kuwait-based contracting company. The money was identified as funds from the bribery scheme orchestrated by Cockerham. Prior to this action, a seizure order was executed on May 10, 2010, for \$76,982.41 that was located in a

bank account of the same Cockerham relative. On December 2, 2009, John Cockerham was sentenced to 210 months in prison. He also was ordered to serve three years of supervised release following the prison term and to pay \$9.6 million in restitution.

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

SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) continues to thrive. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former Department of Justice (DoJ) prosecutors. They were detailed as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases. Additionally, they collaborate with Assistant U.S. Attorneys throughout the United States, as well as foreign prosecutors, on all SIGIR-related prosecutions. The SIGPRO prosecution team continues to make a substantive positive impact on the productivity of the SIGIR criminal investigation program. DoJ enthusiastically supports this program, and SIGIR could not be more pleased with the successful manner in which it has developed.

Suspension and Debarment

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

During the period between April 1 and June 30, 2010, the Army proposed 1 individual for debarment.

To date, the Army has suspended 90 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait. A total of 105 individuals and companies have been proposed for debarment, resulting in 88 finalized debarments, ranging in duration from nine months to 27.5 years. PFB is aggressively pursuing additional companies and individuals associated with Army contract fraud in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2010. Suspension and debarment actions related to reconstruction and Army support contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). Cases originating in Afghanistan—previously listed with cases originating in Iraq, Kuwait, and other locations in Southwest Asia—were removed from PFB's submissions to SIGIR in the third quarter of 2009 and are now included in SIGAR's quarterly report to the Congress.

For a list of debarments, see Table 3.3. For a complete list of suspensions and debarments, see Appendix F. ♦

TABLE 3.2
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Maj. Charles Sublett, USA	False statements	7/7/2010	Pending
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	Pending
MSGT Terence Walton, USMC	Bribery, graft, failure to obey a direct order (UCMJ)	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	Pending
William Collins, USA civilian	Bribery	4/21/2010	Pending
SFC Ray Chase, USA	Illegal gratuities, structuring monetary transactions, false statements	4/21/2010	Pending
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	Pending
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	Pending
Cpt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	Pending
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement; \$36,000 restitution
Nyree Pettaway, niece of Maj. John Cockerham	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison, 3 years supervised release; forfeiture of \$1 million; and restitution of \$26,276,472
Samir Itani	Conspiracy	7/21/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 in restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Green \$52,286.60 in restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 in restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison; 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison; \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; \$100 special assessment
David Ramirez, Contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; \$100 special assessment
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison; 1 year supervised release

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; \$9.6 million restitution.
Melissa Cockerham, spouse of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; \$1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	Pending
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; \$200,504 restitution
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison; \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison; \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; \$100 assessment
Sgt. Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; \$100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served; 2 years supervised release
Gheevarghese Pappen, USACE Civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA- South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; \$144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; \$100 special assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; \$1,400 assessment
	Witness tampering	8/10/2009	Pending
Philip Bloom, owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; \$300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; \$200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; \$500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; \$200 assessment

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

TABLE 3.3
DEBARMENT LIST

NAME	DEBARRED	NAME	DEBARRED
Jeff Thompson	3/29/2010	D+J Trading Company	5/14/2009
John Cockerham	3/17/2010	Jesse D. Lane, Jr.	1/30/2009
Melissa Cockerham	3/17/2010	Jennifer Anjakos	1/30/2009
Carolyn Blake	3/17/2010	Carlos L. Chavez	1/30/2009
Nyree Pettaway	3/17/2010	Darryl Hollier	1/30/2009
Robert Young	3/9/2010	Luis A. Lopez	1/30/2009
Elbert Westley George III	1/21/2010	Mohammed Shabbir Kahn	10/10/2008
Roy Greene	1/21/2010	Kevin Andre Smoot	9/30/2008
Ofelia Webb	1/21/2010	Green Valley Company	9/17/2008, 5/18/2007
Patrick Faust	1/21/2010	Triad United Technologies, LLC	9/17/2008
Ali N. Jabak	9/30/2009	Dewa Europe	9/17/2008
Liberty A. Jabak	9/30/2009	Dewa Trading Establishment	9/17/2008
Liberty's Construction Company	9/30/2009	Al Ghannom and Nair General Trading Company	9/17/2008
Tharwat Taresh	9/30/2009	Dewa Projects (Private) Ltd.	9/17/2008
Babwat Dourat Al-Arab	9/30/2009	Future AIM United	9/17/2008
Dourat Al-Arab	9/30/2009	First AIM Trading and Contracting	9/17/2008
Hussein Ali Yehia	9/30/2009	Vasantha Nair	9/17/2008
Amina Ali Issa	9/30/2009	K. V. Gopal	9/17/2008
Adel Ali Yehia	9/30/2009	Falah Al-Ajmi	9/17/2008
Javid Yousef Dalvi	9/25/2009	Trans Orient General Trading	9/17/2008
Mohamed Abdel Latif Zahed	9/10/2009	Zenith Enterprises Ltd.	9/17/2008
Gerald Thomas Krage	9/4/2009	Peleti "Pete" Peleti, CWO, USA	6/15/2008
Andrew John Castro	9/4/2009	Al Sawari General Trading and Contracting Company	3/13/2008
Airafidane, LLC	9/4/2009	John Allen Rivard, MAJ, USAR	1/14/2008
Kevin Arthis Davis	8/20/2009	Samir Mahmoud	11/29/2007
Jacqueline Fankhauser	8/7/2009	Robert Grove	10/30/2007
Debra M. Harrison, LTC, USAR	8/7/2009	Steven Merkes	9/27/2007
Nazar Abd Alama	7/1/2009	Bruce D. Hopfengardner, LTC, USAR	9/20/2007
San Juan Company	7/1/2009	Robert J. Stein, Jr.	8/16/2007
Mississippi Company for the General Contract	7/1/2009	Philip H. Bloom	8/8/2007
Lee Dynamics International	6/17/2009	Global Business Group S.R.L.	8/8/2007
Lee Defense Services Corporation	6/17/2009	Stephen Lowell Seamans	7/27/2007
George H. Lee	6/17/2009	Gheevarghese Pappen	6/28/2007
Justin W. Lee	6/17/2009	Faheem Mousa Salam	6/28/2007
Oai Lee	6/17/2009	QAH Mechanical and Electrical Works	6/27/2007
Mark J. Anthony	6/17/2009	Abdullah Hady Qussay	6/27/2007
Levonda J. Selph	6/17/2009	Al Riyadh Laboratories and Electricity Co.	1/26/2007
Starcon Ltd. LLC	6/17/2009		
Cedar J. Lanmon, CPT, USA	6/3/2009		

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NAME	DEBARRED
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006

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NAME	DEBARRED
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

SIGIR EVALUATIONS

SIGIR's Evaluations Directorate is implementing a multi-faceted approach to the evaluation of programs funded by the U.S. government for the purpose of supporting the stabilization and reconstruction of Iraq. This new organizational capability will help fulfill SIGIR's oversight responsibility using both traditional and innovative approaches.

SIGIR plans to evaluate a cross-section of major U.S. government-funded programs initiated to improve the stability and security of Iraq. In addition

to developing findings, conclusions, and recommendations to agency management, the evaluations will identify and report on the outcomes and effects of stabilization and reconstruction programs in Iraq.

During this quarter, SIGIR issued its second evaluation announcement: "Review of Major U.S. Government-funded Infrastructure Projects in Iraq: Nassiriya and Ifraz Water Treatment Plants" (EV-10-002). SIGIR expects to report on this evaluation by the end of October 2010. ♦

SIGIR HOTLINE

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

Second Quarter Reporting

As of June 30, 2010, the SIGIR Hotline had initiated 803 cases. Of these cases, 739 have been closed, and 64 cases remain open. For a summary of these cases, see Table 3.4:

TABLE 3.4
SUMMARY OF SIGIR HOTLINE CASES,
AS OF 6/30/2010

OPEN CASES			
Investigations			53
Audits			11
Total Open			64

CLOSED CASES	1ST QTR 2010	2ND QTR 2010	CUMULATIVE*
FOIA	0	0	4
OSC Review	0	0	2
Assists	0	0	46
Dismissed	0	2	131
Referred	9	7	341
Inspections	0	1	80
Investigations	1	0	118
Audits	0	1	17
Total Closed	10	11	739
Cumulative* Open & Closed			803

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 6/30/2010.

New Cases

During this reporting period, the SIGIR Hotline received 12 new complaints, bringing the cumulative total to 803 Hotline cases. The new complaints were classified in these categories:

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

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and electronic mail. Of SIGIR's 12 new Hotline complaints, 4 were received through electronic mail and 8 by the SIGIR website.

Closed Cases

During this quarter, SIGIR closed 11 Hotline cases:

- 7 were referred to other inspector general agencies.
- 2 were dismissed.
- 1 was closed by SIGIR Audits.
- 1 was closed by SIGIR Inspections.

Referred Complaints

After a thorough review, SIGIR referred 7 complaints to outside agencies for proper resolution:

- 2 were sent to the Joint Contracting Command-Iraq/Afghanistan.
- 2 were sent to the U.S. Forces-Iraq Office of Inspector General.
- 1 was sent to the U.S. Department of State Office of Inspector General.
- 1 was sent to the Department of Defense Office of Inspector General.
- 1 was sent to the U.S. Army Office of Inspector General. ♦

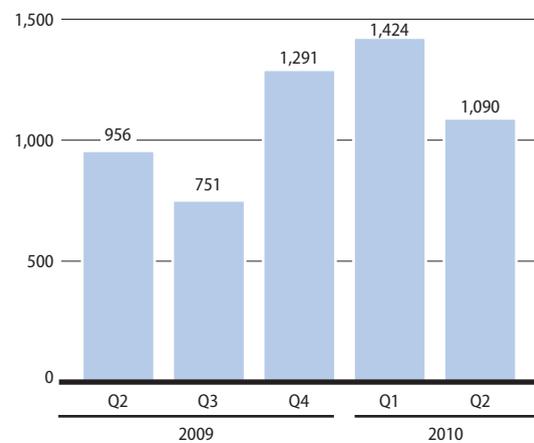
SIGIR WEBSITE

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

- More than 99,000 users visited the SIGIR website this quarter—almost 1,100 users per day.
- This quarter, the Arabic language section of the site received 958 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- More than 23,000 web feeds were visited during this quarter. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed reader programs.

For an overview of daily visits to the SIGIR website, see Figure 3.3. ♦

FIGURE 3.3
AVERAGE NUMBER OF VISITORS PER DAY
TO SIGIR WEBSITE, AS OF 6/30/2010



Source: DoD, IMCEN, response to SIGIR data call, 6/30/2010.

LEGISLATIVE UPDATE

Supplemental and Regular Appropriations

During this quarter, the Congress began to take action on the President's request for regular or supplemental appropriations for or related to the reconstruction of Iraq. For information on the President's request and Congress's action, which was incomplete as this report was prepared, see Section 2 of this Report.

National Defense Authorization Act for Fiscal Year 2011

During this quarter, the House passed the National Defense Authorization Act for Fiscal Year 2011. In the Senate, a bill was reported out of committee but as of July 22, 2010, no action had been taken on it in the full Senate. SIGIR will report on the bill at a later stage in the bill's consideration.

Congressional Appearances

Since the last Quarterly Report, SIGIR officials have appeared before one legislative branch commission and one congressional committee:

- **May 24, 2010—Commission on Wartime Contracting in Iraq and Afghanistan—Hearing on “How Good Is Our System for Curbing Waste, Fraud, and Abuse?”** The Deputy Inspector General and the Assistant Inspector General for Investigations testified before this legislative branch commission. Their remarks addressed issues related to general controls over funds and contracting in Iraq and the extent of fraud in the Iraq reconstruction program. They also briefed the commission on the resources and

processes SIGIR uses to investigate allegations of fraud, specific cases that have been prosecuted, and reforms that SIGIR believes are needed to prevent and detect fraud in current and future stabilization and reconstruction operations.

- **June 29, 2010—House Committee on Oversight and Government Reform, Subcommittee on National Security and Foreign Affairs, House of Representatives—Hearing on “Subcontracting in Combat Zones: Who Are Our Subcontractors?”** The Inspector General appeared as part of a panel examining the problems associated with subcontracting—and contracting—in contingency operations. His testimony noted that government leaders need to take steps to prevent contractors and those layered below them from undermining the government's interests. Transparency, which might prevent bad practices from occurring, is too often lacking; for example, entities executing government programs have been found to be unable to maintain records as simple as rosters of those employed. The Inspector General recalled two key recommendations SIGIR has made in the past: the implementation of a “Contingency Federal Acquisition Regulation” and the creation of a new integrated office to manage stabilization and reconstruction operations. He called for more careful, thoughtful balancing of the possible benefits of contracting to achieve program objectives, and the various risks inherent in the practice of using contractors in a combat zone.

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