

FINANCIAL IMPACT OF SIGIR OPERATIONS

To date, SIGIR estimates that the financial impact of its Audit, Inspections, and Investigations directorates may potentially total \$1.87 billion, including the recovery of weapons and funds:

AUDIT OPERATIONS	\$.41 BILLION
INVESTIGATIVE OPERATIONS	\$.02 BILLION
INSPECTION OPERATIONS	\$1.44 BILLION
TOTAL	\$1.87 BILLION

SIGIR recommendations have enabled reconstruction management officials to:

- reduce expenditures and improve efficiency and effectiveness
- implement or improve fund and asset controls
- enhance construction quality by ensuring the adequacy of design specifications, stopping inadequate construction, and avoiding re-work
- increase potential oil revenue
- avoid waste and unnecessary expenditures

Tables B-1, B-2, and B-3 detail the actual and potential financial and financial-related impact of SIGIR.

Financial-related Impact of SIGIR Audits

SIGIR reports the financial impact of audits semiannually, as required by law. Through June 30, 2006, SIGIR Audit saved \$10.9 million, recovered funds of \$1.4 million, and improved the use of \$20.6 million of funds. SIGIR challenged payments of \$306.9 million, including

possible duplicate payments, overpayments, and payments for ghost workers and work that was not completed. SIGIR also made recommendations that improved accountability of property valued at \$65.3 million. The net potential impact of SIGIR audits is \$405.1 million. Table B-1 details the potential financial impact resulting from the 13 SIGIR audits.

Financial-related Impact of SIGIR Investigations

Table B-2 details the potential financial impact resulting from 18 investigative actions from a total of 236 open, closed, or referred cases. Recovered funds were seized from subjects identified in ongoing and closed SIGIR investigations. Recoveries are documented from fraudulent payments and seizure of unaccounted for cash. Property seizures reflect the assessed value of currently seized assets purchased with illegally obtained funds and recovered pursuant to criminal investigations. Cost savings are benefits realized by eliminating a planned expenditure, such as a budgeted or contractual expense. Cost avoidance realizes the benefits of avoiding a relatively certain future expenditure although the projected expenditure has not been budgeted or obligated.

Financial-related Impact of SIGIR Inspections

Table B-3 details the potential impact resulting from 22 SIGIR assessments. An assessment of the Kirkuk Oil Pipeline found that operational effectiveness could be greatly improved

APPENDIX B

DETAIL OF FINANCIAL-RELATED IMPACT OF SIGIR AUDITS (millions)

AUDIT #	DOLLARS SAVED	FUNDS RECOVERED	BETTER USE	CHALLENGED PAYMENTS	IMPROVED ACCOUNTABILITY	TOTAL FINANCIAL AND FINANCIAL-RELATED IMPACT
04-003	\$10.90					\$10.90
04-011					\$64.80	\$64.80
05-004				\$204.00 ^a		\$204.00
05-006				\$96.60 ^b		\$96.60
05-008				\$.04 ^c		\$.04
05-015				\$2.70 ^d		\$2.70
05-016				\$1.30 ^e		\$1.30
05-017			\$7.80			\$7.80
05-020		\$.20 ^f		\$1.80 ^g		\$2.00
05-023				\$.50		\$.50
7/16/05 ⁱ		\$.50 ^h				\$.50
9/20/05 ⁱ		\$.70 ^j				\$.70
06-009			\$12.80 ^k		\$.50 ^k	\$13.30
Total	\$10.90	\$1.40	\$20.60	\$306.94	\$65.30	\$405.14

TABLE B-1

- a During the Audit of the Oversight of Funds Provided to Iraqi ministries through the National Budget Process, SIGIR auditors identified the inadequacy of controls over DFI funds used for salaries of Iraqi employees. Before the audit was complete, management identified and agreed to work to implement corrective action.
- b DFI account manager did not properly account for the disposition of this money.
- c Potential overpayments: \$40,000
- d R3P challenged
- e Needless expended, duplicated construction, equipment not needed
- f Grant rescinded, money found in bank account: \$154,000
- g Work not performed
- h Recovery of cash turned in to Comptroller by audit and investigations (Mr. Keith Kidd): \$527,456
- i Recovery of cash turned in to Comptroller by audit and investigations: \$670,664
- j De-obligated \$12.8 million from contract(s) that will be available for better use
- k Improved property accountability by moving property from warehouse to operational units
- l Dates are listed in place of specific SIGIR reports because the amounts listed are associated with actions taken with respect to cash recovered on a particular date rather than an individual report.

DETAIL OF FINANCIAL-RELATED IMPACT OF SIGIR INVESTIGATIONS (millions)

	COST SAVINGS AND COST AVOIDANCE	FUNDS RECOVERED	POTENTIAL RECOVERY AS RESULT OF PROSECUTION	PROPERTY VALUE RECOVERED AND RETURNED TO THE IRAQI GOVERNMENT	TOTAL FINANCIAL AND FINANCIAL-RELATED IMPACT
Total^a	\$4.83	\$11.69	\$1.26	\$0.06	\$17.84

TABLE B-2

- ^a Numbers are provided in aggregate. Individual tracking is done on a case level and maintained by the SIGIR Assistant Inspector General for Investigations.

through engineering improvements. The U.S. Army Corps of Engineers initiated a plan to implement SIGIR recommendations while the assessment was being conducted. Management's actions have the potential to increase annual oil revenues by \$1.28 billion annually.

The potential improved outcome of funds

of \$159.4 million covers the other 21 assessments and includes recommendations that will enhance the effectiveness of projects, ensure that project funds are put to more effective use, and avoid additional unnecessary expenditures to re-contract for additional work.

DETAIL OF FINANCIAL-RELATED IMPACT OF SIGIR INSPECTIONS (millions)

INSPECTIONS #	POTENTIAL IMPROVED OUTCOME OF FUNDS INVESTED	POTENTIAL ANNUAL INCREASE OF IRAQI REVENUE	TOTAL FINANCIAL AND FINANCIAL-RELATED IMPACT
PA-05-001	\$11.00		\$11.00
PA-05-004	.70		.70
PA-05-005 to 9	27.90		27.90
PA-05-010		\$1,277.50	1,277.50
PA-05-016	7.40		7.40
PA-05-017	.50		.50
PA-05-018	2.20		2.20
PA-05-021 to 24	1.10		1.10
PA-06-028	15.20		15.20
PA-05-029	11.40		11.40
PA-06-049	5.00		5.00
PA-06-051	2.50		2.50
PA-06-053	.50		.50
PA-06-078.1 & 079.1	74.00		74.00
Total	\$159.40	\$1,277.50	\$1,436.90

TABLE B-3