

## DETAILED SUMMARY OF OTHER AGENCY OVERSIGHT

This appendix provides summaries of the audits and investigations listed in Section 4. All information provided is current as of September 30, 2006.

### OTHER AGENCY AUDITS

#### Department of Defense Office of Inspector General

This quarter, the Department of Defense Office of Inspector General (DoD OIG) continued to expand its oversight activities related to Iraq relief and reconstruction. The DoD OIG field office in Qatar provides oversight, audit, inspection, and investigative support to ongoing DoD operations in Southwest Asia. Currently, DoD OIG has seven employees in Qatar and five employees in Iraq. Also, multiple teams of DoD-OIG auditors have traveled to Iraq. DCIS deployed two special agents to Baghdad to join the U.S. Army Criminal Investigation Command (USACIDC), FBI, and SIGIR in targeting fraud, bribery, kickbacks, and other corruption involving contracting. Two additional agents will deploy to Kuwait in October 2006 to join this effort. In addition, a DoD OIG evaluator continues to be assigned full-time in Baghdad to assist the Ministry of Defense Inspector General.

#### COMPLETED PROJECTS

##### Review of Criminal Investigations of Alleged Detainee Abuse

(REPORT NUMBER IPO2004-C005; 8/25/2006)

This review evaluated the investigative sufficiency of 50 closed DoD criminal investiga-

tions into allegations of detainee abuse, including death cases. The final report was published on August 25, 2006.

##### Review of DoD-directed Investigations of Detainee Abuse

(REPORT NUMBER 06-INTEL-10, 8/25/2006)

DoD continued to provide oversight of the investigations and reviews conducted into detainee abuse allegations and detention operations in Iraq. DoD has completed an assessment of the 13 senior-level reports on detainee abuse. DoD issued the final report (Report No. 06-INTEL-10) on August 25, 2006, and requested comments to the final report by September 29, 2006.

##### Follow-up to Department of State/Department of Defense Interagency Assessment of Iraq Police Training,

(DoS REPORT NUMBER ISP-IQO-05-72/DoD REPORT NO. IE-2005-002, 7/15/2006)

This follow-up evaluation assessed the progress toward implementation of the 30 recommendations in the original July 15, 2005 interagency report. DoD was responsible for 21 recommendations, the Department of State (DoS) for 7, and 2 were the shared responsibility of DoD and DoS. The DoD follow-up assessed that 15 of the 21 DoD recommendations had been implemented. Five more were being implemented and would require additional follow-up. Management had taken no action on one of the DoD recommendations. DoS reported that all seven DoS recommendations required additional follow-up. One of the shared recommen-

dations had been implemented; management had not taken action on the second shared recommendation.

### **ONGOING PROJECTS**

#### **Review of the United States Government's Relationship with the Iraqi National Congress**

(PROJECT NUMBER D2005-DINTEL-0122, INITIATED 2/14/2005)

The overall objective of this audit is to respond to a request from the House Appropriations Committee, and the specific objectives are classified. DoD issued a final report (Report No. 06-INTEL-06) on the compromise of information, sources, and methods on June 12, 2006. DoD continued to review documentation and conduct interviews on phase two of the project. DoD expects to issue a draft report in December 2006.

#### **Audit of Equipment Status of Deployed Forces within U.S. Central Command**

(PROJECT NUMBER D2006-D000LA-0092.000, INITIATED 11/17/2005)

DoD OIG is conducting an audit of the Equipment Status of Deployed Forces to review whether U.S. forces in Iraq are equipped in accordance with mission requirements. Specifically, DoD OIG is evaluating whether units were provided the required items of equipment and whether equipment modifications satisfied mission requirements. The team of auditors visited Kuwait, Bahrain, Qatar, Afghanistan, and Iraq. The report is expected to be published during the second quarter of FY 2007.

#### **Audit of Information Operations Activities in Southwest Asia**

(PROJECT NUMBER D2006-D000LA-0139.000, INITIATED 2/10/2006)

For this congressionally requested audit, DoD OIG is looking at the role that private contractors play when conducting information operations activities. Specifically, DoD OIG is reviewing the use of private contractors—including the Lincoln Group—in conducting Information Operations activities. In addition, DoD OIG is reviewing the authority under which Information Operations activities were conducted, whether those activities conformed to applicable laws and regulations, and whether contracts were proper. The report is expected to be published during the first quarter of FY 2007.

#### **Audit of the Management of Iraqi Security Forces Fund**

(PROJECT NUMBER D2006-D000LQ-0184.000, INITIATED 3/31/2006)

DoD OIG is reviewing management of the Iraqi Security Forces Fund to determine whether the \$5.7 billion provided in the FY 2005 supplemental was used appropriately for equipping, supplying, and training the Iraq security forces; repairing facilities and infrastructure; and renovation and construction. DoD will perform this audit in three phases. Phase I examined the distribution of funds appropriated for the Iraq Security Forces Fund within the Office of the Secretary of Defense and the Department of the Army. The Phase I report is expected to be published in the first quarter of FY 2007.

### **Audit of the Management of the Iraq Security Forces Fund—II**

(PROJECT NUMBER D2006-D000LQ-0240.000, INITIATED 8/4/2006)

During phase II, DoD OIG will examine the obligations of the funds made by the Multi-National Security Transition Command-Iraq (MNSTC-I). DoD OIG will announce a separate project for Phase III, which will examine the goods and services that were received. DoD OIG plans to perform Phase II from September to November 2006 in Southwest Asia and publish the report in the second quarter of FY 2007.

### **Audit of the Joint Service Small Arms Program Related to the Availability, Maintainability, and Reliability of Small Arms to Support the Warfighter**

(PROJECT NUMBER D2005-D000LH-0232.000, INITIATED 6/29/2006)

DoD OIG is evaluating the initiatives of the Joint Service Small Arms Program to support and sustain the warfighter in the current operating environment. Specifically, DoD OIG is assessing the availability of small arms for meeting current requirements, as well as determining whether adequate control measures are in place that will ensure the maintainability and reliability of fielded small-arms weapons. The report is expected to be published during the first quarter of FY 2007.

### **Audit of Potable and Nonpotable Water in Iraq**

(PROJECT NUMBER D2006-D000LQ-0254.000, INITIATED 9/5/2006)

DoD OIG is conducting this congressionally requested audit to evaluate whether the processes for providing potable and non-potable water to U.S. forces in Iraq are adequate. The initial congressional request identified an interest in non-potable water only. DoD OIG expanded the audit to include potable water. The DoD OIG Qatar Field Office is performing the audit. The report is expected to be published during the third quarter of FY 2007.

### **Audit of the Inspection Process of the Army Reset Program for Ground Vehicles for Units Returning from Operation Iraqi Freedom**

(PROJECT NUMBER D2006-D000LH-0246.000, INITIATED 8/30/2006)

DoD OIG is examining the Army Reset Program for Ground Vehicles of the units that return from Operation Iraqi Freedom to determine the effectiveness of the inspection process of the vehicles after their tour. The audit team will visit units in Iraq during the first quarter of FY 2007. The report is expected to be published during the fourth quarter of FY 2007.

### **Audit of the Conditional Acceptance and Production of the Army Medium Tactical Vehicles in Support of the Global War on Terrorism**

(PROJECT NUMBER D2006-D000AE-0225.000, INITIATED 7/31/2006)

DoD OIG is evaluating whether the Army is adequately protecting the U.S. government's interest when it includes conditional acceptance provisions in production contracts for the Family of Medium Tactical Vehicle Program. In addition, DoD OIG will evaluate whether management is cost-effectively producing the Family of Medium Tactical Vehicles as funded in support of the Global War on Terror (GWOT). The report is expected to be published during the third quarter of FY 2007.

### **Audit of the DoD Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test and Evaluation**

(PROJECT NUMBER D2006-D000AE-0241.000, INITIATED 8/4/2006)

DoD OIG is evaluating the adequacy of DoD financial controls over use of GWOT supplemental funding provided for procurement and research, development, test, and evaluation. DoD OIG will also determine whether the funds were placed on contracts and used for purposes stipulated in the congressionally approved supplemental funding for GWOT. DoD OIG expects to issue a series of reports beginning in the third or fourth quarter of FY 2007.

### **Audit of Internal Controls over Out-of-country Payments**

(PROJECT NUMBER D2006-D000FL-0208.000, INITIATED 5/23/2006)

DoD OIG is evaluating whether internal controls over out-of-country payments supporting GWOT provide reasonable assurance that payments are properly supported and recorded. The report is expected to be issued during the third quarter of FY 2007.

### **Audit of Procurement Policy for Armored Vehicles**

(PROJECT NUMBER D2006-D000CK-0210.000, INITIATED 5/15/2006)

DoD OIG is conducting this audit in response to a congressional request by Representative Louise M. Slaughter on April 19, 2006, to review DoD procurement policies for armored vehicles. Specifically, DoD OIG is reviewing the procurement history for armored vehicle contracts to Armor Holdings, Inc., and Force Protection, Inc., in support of GWOT. The report is expected to be issued during the third quarter of FY 2007.

### **Antideficiency Act Investigation of the Operation and Maintenance Appropriation Account 2142020 and 2152020**

(PROJECT NUMBER D2005-D000FD-0300.000, INITIATED 9/15/2005)

The project is based on an investigation requested by the Army Inspector General. The objective is to determine whether an Antideficiency Act violation occurred in Appropriation accounts 2142020 and 2152020. The report is

expected to be issued during the first quarter of FY 2007.

### **Audit Research on DoD Contracts Awarded to Parsons Corporation and its Subsidiaries**

(PROJECT NUMBER. D2006-D000CK-0273.000, INITIATED 9/29/2006)

On September 29, 2006, DoD OIG announced this project to determine which DoD entities have contracted with Parsons Corporation, the scope of the work being contracted, and the amount of funds under contract. This will be determined for all contracts within and outside the continental United States. Ultimately, this information will be used to select specific contracts for a detailed review.

### **DoD OIG Support to the Iraqi Ministry of Defense OIG**

(PROJECT NUMBER D2006-DIPoE3-0038.000, INITIATED 7/15/2005)

This long-term project provides advice, mentoring, assistance, and training to the inspector general staffs of the two Iraqi Security Force (ISF) ministries—Defense and Interior—and the embryonic military Inspector General System. A team of six advisors based in Baghdad operates as an integral part of the MNSTC-I advisory team. This team has enabled these ministries to establish policies and procedures for such areas as (1) inspections of detainee facilities to curb detainee abuses, (2) document control to ensure that classified documents are properly protected, (3) transparent acquisition and procurement practices, and (4) establishing a military (uniformed) inspector general

system for the Joint Headquarters and all three services. These advisors also participate in inspections, investigations, and audits to oversee and advise the IG staff, and to provide opportunities for on-the-job training. Finally, these advisors have begun detailed planning to bring interim training to the Iraqi IG staff, given the delay in establishing an Iraqi-operated educational institution for professional development.

### **Iraqi Anticorruption & Principled Governance Initiative**

(PROJECT NUMBER D2006-DIPoE3-0256.000, INITIATED 8/23/2006)

This new project supports the effort led by DoS and SIGIR to provide advisory support to the entire Iraqi anticorruption system, including the ministerial inspectors general, Commission on Public Integrity (CPI), and Board of Supreme Audit (BSA). Two DoD OIG employees—one in Baghdad and one in the United States—provide daily and immediate support to this initiative. Initial planning has begun to deploy a DoD OIG employee to Iraq as part of the first rotation of advisors to the non-ISF Iraqi Inspectors General, an initiative sponsored by DoS Inspector General.

### **Department of State Office of Inspector General**

Since the SIGIR July 30, 2006 Report, the DoS Office of Inspector General (DoS OIG) completed only one project. Four projects are still ongoing. DoS OIG does not have any auditors in Iraq, as of September 30, 2006.

## COMPLETED AUDITS

### Survey of Anticorruption Program Embassy Baghdad, Iraq

(REPORT NUMBER ISP-IQO-06-05, AUGUST 2006)

This is a joint review by the DoS OIG and SIGIR. The objectives of this survey were to determine: (1) which U.S. government agencies participate in the anticorruption program in Iraq, and whether they have a coordinated strategic plan with identified goals; (2) whether program outcomes and metrics have been established to measure progress and success; and (3) whether organizational roles and responsibilities have been clearly identified and resources provided to meet the program goals. DoS has issued five key judgments and nine formal recommendations from this survey

## ONGOING AUDITS

### National Endowment for Democracy

The draft report for the grant audit and Indirect Cost Rate (ICR) reviews are expected in November 2006.

### INL Invoicing for the Jordan International Police Training Center

The draft audit report on the review of selected DynCorp invoices is expected in November 2006.

### Review of DynCorp, Inc: Iraqi Police Training Program Support

(Contract Number S-LMAQM-04-C-0030,  
Task Order 0338 )

This is a joint review by the DoS OIG and SIGIR. The objectives of this review are to answer these questions: (1) What were the costs associated with the subject contract Task Order 0338, including amounts obligated and expended, potential liabilities, and controls over these costs? (2) What is the status of property purchased under Task Order 0338 including related internal controls, and what is the salvage value for unused assets? (3) What is the cost and program impact of the stop-work order affecting the construction of police training facilities at the Adnan Palace? (4) What is the status of construction of facilities to support provincial police training programs?

### Accountability for Contractor-held Government Property and Equipment Supporting Department of State Programs and Operations

The objective of the audit is to determine whether DoS can properly account for property and equipment purchased by and furnished to contractors performing work under selected contracts. The audit is in its survey phase.

### U.S. Agency for International Development

This quarter, the U.S. Agency for International Development Office of Inspector General (USAID OIG) completed two audits and started four audits; two audits started in previous quarters are still ongoing. USAID OIG has eight auditors in Iraq, as of September 30, 2006.

During the period, the Defense Contract

Audit Agency (DCAA) completed 6 financial audits for USAID OIG of costs incurred under various contracts that USAID OIG issued to USAID/Iraq with the transmittal letter. These audits covered \$746 million in USAID funds and contained questioned costs of \$2.1 million. At the end of the reporting period, nine DCAA audits were in process, which were performed at the request of USAID OIG.

#### **COMPLETED AUDITS**

##### **Audit of USAID/Iraq's Local Governance Activities**

(E-267-06-004-P, July 10, 2006)

The main objective of the audit was to determine whether USAID/Iraq's Local Governance activities were achieving their intended outputs. USAID OIG was unable to determine if USAID/Iraq's local governance activities achieved their intended outputs because USAID/Iraq did not require Research Triangle Institute International to submit all reporting and monitoring documents specified in the contract. The audit found that USAID/Iraq did not properly approve all rapid-response grants, prepare contractor performance evaluations, or review payment vouchers submitted by the contractor. The report recommended improvement in these areas.

##### **Audit of USAID Transition Initiatives in Iraq**

(E-267-06-004-P, August 16, 2006)

The main objective of the audit was to determine whether the USAID Transition Initiatives in Iraq achieved their intended outputs. USAID OIG was not able to determine if

USAID's Transition Initiatives in Iraq achieved their intended outputs because of insufficient documentation maintained by the Office of Transition Initiatives in Iraq and its implementing partner. Also, security restrictions limited the number of site visits. The audit found that a projected \$146 million in grants did not have supporting documentation to verify the achievement of intended outputs, and a projected \$294 million in grants did not have sufficient documentation of monitoring. However, for the site visits able to be performed for 32 selected activities, intended outputs were met for 31 activities. The audit also found a lack of coordination caused a duplication of efforts. The Office of Transition Initiatives in Iraq coordinated with the U.S. military and previously coordinated with USAID/Iraq offices; nevertheless, during the past year, coordination was insufficient with other offices in the USAID/Iraq Mission.

#### **ONGOING AUDITS**

##### **Audit Follow-up of USAID/Iraq's Education Activities**

The main objective of this audit is to determine whether USAID/Iraq's basic education activities achieved their intended outputs.

##### **Audit of USAID/Iraq's Telecommunication Activities**

The main objective of this audit is to determine whether USAID/Iraq's activities to construct a consolidated fiber network in Iraq achieved their intended results.

### **Audit of USAID/Iraq's Planning and Reporting Process of its Activities**

The main objective of this audit is to determine whether USAID/Iraq planned and reported on selected activities in accordance with applicable guidance.

### **Audit of the Office of Foreign Disaster Assistance Program in Iraq**

The main objective of this audit is to determine whether the activities of the USAID Office of Foreign Disaster Assistance, Internally Displaced Persons and Vulnerable Population achieved the intended results.

### **Audit of USAID/Iraq's Agriculture Reconstruction and Development Program**

The main objective of this audit is to determine whether USAID/Iraq's agriculture activities achieved their intended outputs and whether USAID/Iraq accurately measured the impact of its agriculture activities on the daily lives of Iraqis.

### **Audit of USAID/Iraq's Civil Society Activities**

The main objective of this audit is to determine whether USAID/Iraq's civil society activities achieved their intended outputs.

### **Government Accountability Office**

This quarter, the Government Accountability Office (GAO) issued 7 reports and has 19 ongoing audits on Iraq reconstruction.

### **COMPLETED REPORTS**

#### **Rebuilding Iraq: More Comprehensive National Strategy Needed To Help Achieve U.S. Goals**

(GAO-06-788, July 11, 2006)

According to the National Strategy for Victory in Iraq (NSVI) issued by the National Security Council (NSC), prevailing in Iraq is a vital U.S. interest because it will help win the war on terror and make America safer, stronger, and more certain of its future. The report (1) assesses the evolving U.S. national strategy for Iraq and (2) evaluates whether the NSVI and its supporting documents address the desirable characteristics of an effective national strategy developed by GAO in previous work. In this report, the NSVI and supporting documents are collectively referred to as the U.S. strategy for Iraq.

To help improve the usefulness of U.S. strategy for Congress, the report recommends that NSC, DoD, and DoS complete the strategy by addressing all six characteristics of an effective national strategy in a single document. DoS and DoD did not comment on GAO's recommendations. DoS noted that the NSVI's purpose is to provide a broad overview. However, without detailed information on costs, roles, and responsibilities, the strategy does not provide Congress with a clear road map for achieving victory in Iraq.

#### **Rebuilding Iraq: More Comprehensive National Strategy Needed To Help Achieve U.S. Goals and Overcome Challenges**

(GAO-06-953T, July 11, 2006)

In November 2005, NSC issued the National Strategy for Victory in Iraq (NSVI) to clarify the President's strategy for achieving U.S. political, security, and economic goals in Iraq. The U.S. goal is to establish a peaceful, stable, and secure Iraq. In June 2006 at Camp David, the administration also issued a fact sheet discussing current progress and goals in Iraq.

The testimony (1) discusses the extent to which the NSVI and its supporting documents address the six characteristics of an effective national strategy and (2) assesses how security, political, and economic factors will affect achieving the U.S. strategy for Iraq. In this testimony, the NSVI and supporting documents are collectively referred to as the U.S. strategy for Iraq.

A GAO report recommends that NSC, along with DoD and DoS, complete the strategy by addressing all six characteristics of an effective national strategy in a single document. DoS commented that the NSVI's purpose is to provide a broad overview of the U.S. strategy in Iraq, not all of the details. GAO's analysis was not based exclusively on the NSVI: it included all key supporting documents. Consequently, GAO retained the recommendation for a more complete and integrated strategy.

**Global War on Terrorism: Observations on Funding, Costs, and Future Commitments**  
(GAO-06-885T, July 18, 2006)

After the terrorist attacks of September 11, 2001, the President announced a Global War on Terror (GWOT), requiring the collective

instruments of the entire federal government to counter the threat of terrorism. Ongoing military and diplomatic operations overseas, especially in Iraq and Afghanistan, constitute a key part of GWOT. These operations involve a wide variety of activities, such as combating insurgents, civil affairs, capacity building, infrastructure reconstruction, and training military forces of other nations. The United States has reported substantial costs to date for GWOT-related activities and can expect to incur significant costs for an unspecified time in the future, requiring decision-makers to consider difficult trade-offs as the nation faces increasing long-range fiscal challenges.

GAO has issued several reports on current and future financial commitments required to support GWOT military operations, as well as diplomatic efforts to stabilize and rebuild Iraq. This testimony discusses (1) the funding Congress has appropriated to DoD and other U.S. government agencies for GWOT-related military operations and reconstruction activities since 2001, (2) costs reported for these operations and activities and the reliability of DoD's reported costs, and (3) issues with estimating future U.S. financial commitments associated with continued involvement in GWOT.

**Defense Logistics: Changes to Stryker Vehicle Maintenance Support Should Identify Strategies for Addressing Implementation Challenges**  
(GAO-06-928R, September 5, 2006)

To conduct maintenance on the Stryker vehicle, the U.S. Army has changed from

contractor personnel to soldiers. This change may not fully achieve its intended outcome of increasing the brigade's flexibility to perform in different types of combat operations. Three potential challenges may affect the Army's ability to achieve its intended outcome.

First, personnel challenges may affect implementation of the planned change. Because vehicle maintenance contractors focus solely on the Stryker vehicle while soldiers perform a variety of tasks in addition to maintenance, the Army's plan replaces the existing 45 Stryker vehicle maintenance contractor personnel with 71 soldiers. Accordingly, to implement its plan, the Army must annually recruit or retain 497 additional soldiers with specific military specialties to support all seven Stryker brigades. Some of these specialties have been consistently underfilled. The Army also may experience difficulties in sustaining soldier skills and knowledge on Stryker vehicle maintenance, because of the limited number of Stryker brigades combined with regularly scheduled transfers of soldiers among units. However, the Army's plan does not include strategies to (1) enable it to recruit and retain the soldiers necessary to implement this change or (2) sustain soldier skills and knowledge on Stryker vehicle maintenance.

Second, the Army's plan increases the size of the brigade. Transporting the additional personnel and their associated equipment may exacerbate the existing difficulties in meeting deployment timelines that DoD has previously reported. Deploying the Stryker brigade anywhere in the world within 96 hours is a

component of the Stryker brigade's flexibility. However, the Army's plan does not address the effect of the increased logistical footprint on the brigade's ability to deploy within 96 hours.

Finally, because the Stryker brigade was designed with a limited ability to perform major combat operations, achieving the Army's desired flexibility requires the Stryker brigade to receive additional sustainment support from Army units external to the brigade for it to perform a major combat operation. However, the Army has not addressed this support in its planned change. Until the Army addresses all of these challenges as part of its planned change, it may not achieve its intended outcome of increasing the Stryker brigade's flexibility to perform in different types of combat operations.

### **Iraq Contract Costs: DoD Consideration of Defense Audit Agency's Findings**

(GAO-06-1132, September 25, 2006)

The government has hired private contractors to provide billions of dollars worth of goods and services to support U.S. efforts in Iraq. Faced with the uncertainty as to the full extent of rebuilding Iraq, the government authorized contractors to begin work before key terms and conditions were defined. This approach allows the government to initiate needed work quickly, but can result in additional costs and risks being imposed on the government. Helping to oversee their work is the Defense Contract Audit Agency (DCAA), which examined many Iraq contracts and identified costs they consider to be questioned or unsupported.

The Conference Report on the National Defense Authorization Act for Fiscal Year 2006 directed GAO to report on audit findings regarding contracts in Iraq and Afghanistan. As agreed with the congressional defense committees, GAO focused on Iraq contract audit findings and determined (1) the costs identified by DCAA as questioned or unsupported; and (2) what actions DoD has taken to address DCAA audit findings, including the extent funds were withheld from contractors. To identify DoD actions in response to the audit findings, GAO selected 18 audit reports representing about 50% of DCAA's questioned and unsupported costs on Iraq contracts. GAO requested comments from DoD on a draft of this report, but none were provided.

### **Rebuilding Iraq: Continued Progress Requires Overcoming Contract Management Challenges**

(GAO-06-1130T), September 28, 2006

The United States, along with its coalition partners and various international organizations, has undertaken a challenging, complex, and costly effort to stabilize and rebuild Iraq. DoD has responsibility for a significant portion of the reconstruction effort. Amid signs of progress, the coalition faces numerous political, security, and economic challenges in rebuilding Iraq. Within this environment, many reconstruction projects have fallen short of expectations, resulting in increased costs, schedule delays, reduced scopes of work, and some project cancellations.

This testimony (1) discusses the overall

progress that has been made in rebuilding Iraq and (2) describes challenges faced by DoD in achieving successful outcomes on individual projects. This testimony reflects GAO's reviews of reconstruction and DoD contract management issues, as well as the work of SIGIR.

In previous reports, GAO has made several recommendations to improve outcomes in Iraq. DoD generally agreed with GAO's recommendations.

### **ONGOING AUDITS**

#### **Solatia (Condolence) Payments in Iraq**

(350895, Initiated in August 2006)

This audit addresses these key questions:

(1) To what extent has DoD developed regulations, policies, and procedures to award solatia payments in Iraq and Afghanistan, and how do these policies compare to similar payments made by other DoD agencies and U.S. government entities? (2) What guidance has DoD provided to commanders regarding the factors to be considered when making decisions to make solatia payments? (3) How do commanders determine the appropriate level of solatia payments? (4) To what extent does DoD have information regarding the disposition of solatia claims in Iraq and Afghanistan?

#### **Contract Award Procedures for Iraq Reconstruction Contracts**

(120547, Initiated March 2006)

This audit addresses these key questions:

(1) describe the extent of competition in Iraq reconstruction contracts awarded by DoD, USAID, and DoS since October 1, 2003, based on available data, and (2) assess whether these

agencies followed applicable documentation and congressional notification requirements regarding competition for selected Iraq reconstruction contract actions.

### **DoD's Health Care Policies and Benefits for Civilians Deployed to Afghanistan and Iraq**

(350829, Initiated in March 2006)

With the ongoing military operations in Afghanistan and Iraq, DoD is increasingly reliant on civilian personnel to accomplish the mission. This audit addresses these key questions: (1) To what extent has DoD established health surveillance and medical treatment policies for DoD civilians deployed, what policies have the military services and selected defense agencies implemented, and how have they carried out these policies? (2) How do the compensation and benefits for deployed DoD civilians compare with those for active duty military members deployed to Afghanistan and Iraq? (3) What lessons has DoD learned in deploying DoD civilians in support of contingency operations in Afghanistan and Iraq?

### **Army's Prepositioning Program**

(350810, Initiated March 2006)

GAO has been asked to assess the Army's mandated report to Congress broadly covering these key issues: (1) What are the operational capabilities of the prepositioning program, and are there any significant shortfalls? (2) Is the level of funding adequate to maintain readiness? (3) Have any other shortfall or issues reported by the Army or GAO been addressed?

### **Iraq Energy**

(320383, Initiated November 2005)

Restoration of the oil and power sectors in Iraq is central to the development of a stable society. This audit aims to address these key questions: (1) What is the nature and extent of funding devoted to oil and electricity sector reconstruction? (2) What are U.S. program goals, and how does the U.S. measure progress in achieving these goals? (3) What factors have affected the implementation of the U.S. program? (4) What challenges have affected the Iraqi government's ability to develop the oil and electricity sectors?

### **Management of Iraq Reconstruction**

(320402, Initiated December 2005)

In 2004, Congress appropriated \$18.4 billion to support stabilization and rebuilding efforts in Iraq. Some of this money was awarded to 12 U.S. "design-build" contractors to repair and rebuild key infrastructure. Recent DoS reports indicate that a large share of the remaining work will be shifted to local Iraqi firms to reduce costs and accelerate project completions. This audit addresses these key questions: (1) What is the status of U.S. efforts to rebuild key infrastructure in Iraq? (2) What challenges have been encountered in this rebuilding effort? (3) What alternative strategies, if any, are being used to complete work in each sector?

### **U.S. Efforts To Stabilize Iraq and Develop Security Forces**

(320366, Initiated in September 2005)

DoD has reported that the criteria for withdrawing coalition forces from Iraq are conditions-based, including the development of Iraqi security forces and the progress in developing national governance and economic structures and the rule of law. This audit aims to address these key questions: (1) What is the current multinational force strategy for transferring security missions to Iraqi security forces? (2) What progress is being made to meeting the conditions for the transition and what are the challenges? (3) What are the current trends in the security situation in Iraq?

### **Use of Contractors on the Battlefield**

(350739, Initiated in September 2005)

Contractors are known to be providing a wide array of support to U.S. forces in Iraq. This effort will update the June 2003 report and assess DoD actions to address both the recommendations and congressional reporting requirements. The audit addresses these key questions: (1) What progress has DoD made in addressing the issues raised in the June 2003 report? (2) What is DoD doing to address the issues and concerns raised in legislative requirements? (3) How much visibility do commanders have over the contract support they are receiving? (4) Beyond LOGCAP, what types of support are being provided by contractors? (5) Have contractors been able to provide the needed numbers of workers with the right skills to get the job done? (6) What do commanders see as unresolved issues/problems

associated with contractor support?

### **Accountability, Maintenance, Utilization, and Strategy (RESET) of OIF Stay-Behind Equipment**

(350737, Initiated in October 2005)

During Operation Iraqi Freedom (OIF), vast amounts of equipment items were used in-theater and are being retained for possible use by follow-on forces. The Army National Guard alone has reportedly left more than \$1.5 billion worth of its equipment, comprising 80,000 items. Army prepositioned equipment is also still in use. This audit addresses these key questions: (1) To what extent have Army and Marine Corps equipping initiatives that have concentrated large quantities of equipment in the OIF theater resulted in additional RESET challenges? (2) How have these equipping initiatives affected Army and Marine Corps readiness for the future? (3) To what extent do Army, Marine Corps, and DoD near-term and long-term equipment RESET strategies address the consequences of concentrating large quantities of equipment in the OIF theater?

### **Securing Sensitive Sites Containing High Explosives**

(350770, Initiated in November 2005)

Following the 2003 invasion of Iraq, concerns were raised about the security of sensitive sites that contained high explosives and other lethal materials. For example, the International Atomic Energy Agency reported that 350 tons of explosives were missing from an Iraqi facility that was supposedly under U.S. control. (1) To what extent does DoD include securing

sensitive sites containing high explosives and other lethal materials in operational planning, doctrine, and concepts of operations? (2) What assumptions, priorities, and options did DoD adopt about the security of such sites during the Iraqi invasion and previous operations? (3) What lessons has DoD learned related to these sites, and how can those lessons be applied in future operations?

#### **Iraqi Support Capabilities**

(350790, Initiated in February 2006)

According to the National Strategy for Victory in Iraq, U.S. troop levels in Iraq will decrease over time as Iraqis assume more responsibilities for themselves. Critical to this effort is the development of an Iraqi Security Force (ISF) logistical, command and control, and intelligence capability. This audit addresses these key questions: (1) What is the status of efforts to develop ISF logistical, command and control, and intelligence capabilities? (2) How is the U.S. plan(s) synchronized with plans for the drawdown of U.S. forces? (3) What metrics are in place to measure progress?

#### **Improving Joint Force Protection for a Capability for Deployed Ground Forces**

(350794, Initiated in February 2006)

U.S. ground forces and their equipment are being attacked with nontraditional weapons, such as improvised explosive devices. GAO and others have reported on the lack of protective equipment—body armor and armored vehicles—to effectively protect U.S. forces in Iraq from this threat. Future operations will more than likely include more of these types of threats. (1) What actions have DoD and the

military services taken to improve the protection of military personnel and equipment during military operations? (2) To what extent does DoD have a comprehensive force-protection strategy to ensure that the various programs and initiatives of the services and DoD are being coordinated to eliminate duplication of efforts and ensure they meet joint requirements?

#### **Accountability for Equipment Provided to Iraqi Forces**

(320411, Initiated in March 2006)

This audit addresses these key questions:

(1) What were the requirements for managing and maintaining accountability for U.S.-funded equipment provided to Iraqi Security Forces before October 1, 2005? (2) How did MNSTC-I manage and account for equipment purchased with U.S. funds for Iraqi Security Forces before October 2005? (3) What corrective actions have been taken since October 1, 2005?

#### **Global War on Terrorism Funding**

(350801, Initiated in March 2006)

GAO is undertaking a series of reviews on the costs of operations in support of the Global War on Terror (GWOT). This engagement will examine the adequacy of GWOT funding in FY 2006. This audit addresses these key questions: (1) What progress has been made in improving the reliability of reported war costs since GAO's September 2005 report (GAO-05-882)? (2) How does supplemental appropriations funding intended for GWOT in FY 2006 compare to the military services' projected obligations?

**Army and Marine Corps Readiness**

(350853, Initiated in April 2006)

This audit addresses these key questions:

(1) What is the current readiness status of the services, how does this compare with recent readiness trends, and what are the primary causes of any instances of changes in reported readiness? (2) What factors affect DoD's ability to provide trained and ready forces for ongoing operations and other potential contingencies? (3) What efforts are DoD and the services undertaking to address changes in reported readiness, including their reliance on reorganization and cross-leveling of service members to meet current deployment needs?

**Iraq Ministry Capacity**

(320424, Initiated in July 2006)

This audit addresses these key questions:

(1) What are the United States and international community doing to help Iraq improve its capacity to govern and build its ministries? (2) What have the United States and the international community spent on developing Iraq's ministerial capacity, and what do they plan to spend in the future? (3) To what extent is the United States coordinating efforts with international organizations and using lessons from past experience in its efforts to help develop Iraqi national ministries? (4) What metrics are being used to assess the progress and impact of U.S. and international efforts to develop capable Iraqi ministries?

**U.S. Military Bases in Iraq**

(350911, Initiated in August 2006)

DoD has many bases in Iraq. This audit addresses these key questions: (1) How does DoD define permanent versus temporary facilities overseas, and to what extent are basing rights governed by formal agreements and time frames? (2) What indicators exist regarding the planned duration of U.S. use of bases in Iraq? (3) To what extent are master plans being developed for individual bases, and what assumptions are included in planning and/or construction efforts related to design standards (life expectancy), major planned operations and missions, equipment, billeting, and recreation facilities? (4) How much has the United States spent to construct, operate, and maintain basing facilities in Iraq using military construction and O&M appropriations, and what indications of long-term plans exist in this regard?

**Afghan Counter-narcotics**

(320388, Initiated in October 2005)

In FY 2005, the United States provided about \$530 million in counter-narcotics aid to Afghanistan through DoS and USAID. This audit addresses these key questions: (1) How much 2005 funding has been obligated and expended? (2) To what extent have programs achieved objectives? (3) How do DoS and USAID ensure that funds for these programs are spent for intended purposes? (4) What key challenges, if any, impede U.S. efforts?

### Defense Contract Audit Agency

DCAA's services include professional advice to acquisition officials on accounting and financial matters to assist them in the negotiation, award, administration, and settlement of contracts.

In addition to DCAA's involvement in the negotiation and award of contracts, significant resources are also dedicated to overseeing the allowability, allocability, and reasonableness

of incurred and billed costs. Procedures that govern the costs incurred in-country are also tested through reviews of contractor timekeeping, subcontract management, and cash management/disbursement. Finally, to ensure that adequate internal controls are in place regarding the contractor's policies and procedures, DCAA performs audits associated with critical internal control systems, with an emphasis on estimating, subcontract management, and bill-

#### DCAA AUDITS RELATED TO IRAQ FOR FY 2005 AND FY 2006

Description of Audit Area	FY 2005 Closed	FY 2006	
		Closed	Open
Price Proposals (1)	186	159	6
Agreed-Upon Procedures Price Proposal (2)	50	21	1
Other Special Requested Audits (3)	190	142	87
Incurred Cost (4)	8	15	97
Labor Timekeeping (5)	82	76	25
Internal Controls (6)	59	37	42
Preaward Accounting Survey (7)	20	39	2
Purchase Existence and Consumption (8)	19	14	12
Other (9)	92	101	94
<b>Total</b>	<b>706</b>	<b>604</b>	<b>366</b>

Notes:

1. Price Proposals – Audits of price proposals submitted by contractors in connection with the award, modification, or repricing of Government contracts or subcontracts
2. Agreed-Upon Procedures Price Proposal – Evaluation of specific areas, including actual labor and overhead rates and/or cost realism analysis, requested by customers in connection with the award of Government contracts or subcontracts
3. Other Special Requested Audits – Audit assistance provided in response to special requests from the contracting community based on identified risks
4. Incurred Cost – Audits of costs charged to Government contracts to determine whether they are allowable, allocable, and reasonable
5. Labor Timekeeping – Audits to determine if the contractor consistently complies with established timekeeping system policies and procedures for recording labor costs
6. Internal Controls – Audits of contractor internal control systems relating to the accounting and billing of costs under Government contracts
7. Preaward Accounting Survey – Preaward audits to determine whether a contractor's accounting system is acceptable for segregating and accumulating costs under Government contracts
8. Purchase Existence and Consumption – The physical observation of purchased materials and services and related inquiries regarding their documentation and verification of contract charges
9. Other – Significant types of other audit activities including financial capability audits and Cost Accounting Standards compliance audits

TABLE K-1

ing systems.

DCAA plans and performs work on a fiscal year basis. Table K-1 shows both the Iraq-related audits closed during FY 2005 and the audits closed and still open in FY 2006, as of September 30, 2006.

### **U.S. Army Audit Agency**

The U.S. Army Audit Agency (USAAA) has completed six audits since July 31, 2006, and has three audits in progress. As of September 30, 2006, USAAA had 10 auditors working in Iraq at Camp Victory and four auditors working in Kuwait at Camp Arifjan.

#### **COMPLETED AUDITS**

##### **Class IX (Aviation) Warehouse Staffing, Camp Anaconda—Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom**

(AUDIT REPORT A-2006-0158-ALL, July 11, 2006)

USAAA performed the review as part of the Audit of Logistics Civil Augmentation Program (LOGCAP) Operations in Support of Operation Iraqi Freedom. This review was performed at the request of the Commander, MNF-I.

The purpose of the review was to evaluate the request for an additional 20 contract personnel by the military unit managing the Class IX (Aviation) warehouse at Camp Anaconda, Iraq. These contractors would augment the military personnel currently assigned to the warehouse operation. USAAA found that, based on historical workload for military and contractor personnel assigned to the warehouse, the level of staffing was not cost-effective. USAAA

found that the request for the additional 20 contractor personnel should be denied.

At the time of the review, the warehouse was staffed with 76 personnel (31 military and 45 contractors). USAAA determined that, if the military was to continue to maintain management of the warehouse, it could reduce the current contractor workforce by 22 personnel. If the warehouse management is turned over to the contractor, the contractor workforce could be reduced by 3 personnel, and the military workforce could be reduced by 29 soldiers. Overall, about \$4.2 million of contract costs could be avoided annually if staffing reductions were made.

In addition, Change 1 to Task Order 89 authorized the contractor to staff the workforce for management of 11,000 authorized stockage list lines, with a surge capacity to 17,000 lines. The warehouse maintained about 6,300 authorized lines and an additional 4,658 non-stockage list lines. USAAA believes that command should reevaluate and reduce unneeded lines and the associated contract required surge capacity. Based on the results of this evaluation, command could reduce the contractor workforce.

USAAA determined that the process for loading and unloading trucks at the warehouse was inefficient. The loading and unloading process would be more productive if the trucks were loaded and unloaded at the gates, where the overhead doors leading directly into the warehouse are located. This allows the workers to load and unload trucks directly into the warehouse, thus reducing material handling

time and the need for material handling equipment.

### **Subsistence Prime Vendor Contract, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom**

(AUDIT REPORT A-2006-0168-ALL, August 4, 2006)

This report addresses the audit of the Subsistence Prime Vendor Contract awarded by Defense Supply Center Philadelphia (DSCP) to supply subsistence items to U.S. Forces in Southwest Asia. USAAA performed the review as part of the current audit of Logistics Civil Augmentation Program (LOGCAP) Operations in Support of Operation Iraqi Freedom.

During the review of dining facilities operated by the LOGCAP contractor in Iraq, USAAA identified instances in which spoiled fruits and vegetables were delivered to dining facilities. Based on these observations, USAAA initiated this audit to evaluate the prime vendor contract for subsistence items.

Overall, USAAA concluded that the operations under the contract that related to providing prime vendor products to dining facilities were efficient and effective. In particular, USAAA determined that the prime vendor took corrective actions to prevent the delivery of spoiled subsistence items to dining facilities by establishing two warehouses in Jordan and Turkey, which created a shorter delivery time for these products. The prime vendor was also working with local vendors to extend the shelf-life and improve the quality of fresh fruits and vegetables. However, USAAA identified issues regarding the overall management of govern-

ment-owned operational rations.

USAAA found that (1) inventory balances and locations of operational rations in the prime vendor's bulk storage warehouse sometimes did not match the records recorded in the prime vendor's automated system; (2) a computer software glitch prevented identical operational rations with more than one national stock number from being pulled according to the first-to-expire inventory method; (3) the prime vendor did not maintain adequate and accurate supporting documentation for destructing government-owned operational rations; (4) the government incurred excess storage fees because of inadequate monitoring of expired, government-owned products in the prime vendor's warehouse; (5) some operational rations were shipped into the theater with too short of a shelf-life to be effectively used or without supporting documentation showing that the shelf-lives had been extended; (6) on-hand and due-in quantities of operational rations exceeded requirements by more than \$34 million; and (7) government personnel were not using a quality assurance surveillance plan (QASP) to monitor the contractor's performance. Both the DSCP and Coalition Forces Land Component Command (CFLCC) took prompt corrective action on these issues.

Overall, USAAA estimated the government could save about \$34.8 million by reducing the stockage levels of operational rations in the theater and about \$3.8 million in unnecessary storage costs by improving the identifications and disposition of expired rations in storage.

### **Clothing Issue Facilities, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom**

(AUDIT REPORT A-2006-0233-ALL, September 22, 2006)

USAAA performed the audit as part of the Audit of Logistics Civil Augmentation Program (LOGCAP) Operations in Support of Operation Iraqi Freedom. This audit was performed at the request of the Deputy Chief of Staff for Resources and Sustainment, MNF-I. The purpose of the audit was to determine whether clothing issue facilities were effectively managed to furnish reasonable and cost-effective services for satisfying soldiers' requirements.

The audit showed that soldiers were receiving prompt services to satisfy their clothing issue, turn-in, and exchange needs. The central issue facility at Camp Anaconda maintained sufficient staffing and inventory to fulfill its role as the central clothing issue point for the Iraq area of operations. The Camp Victory clothing issue facility was filling a viable role for the soldiers assigned to Camp Victory and other contiguous forward-operating bases. However, the need for the organizational clothing and individual equipment issue point at Camp Taji was questionable, and the clothing issue facility at Camp Victory appeared to have excessive inventory based on the historical numbers of transactions.

Internal controls for operating the clothing issue facilities were inadequate and could not be relied on to detect potential diversion of government property. The primary cause was that, although there were adequate Army

regulatory policies and procedures, they were often not followed. For example, the Property Book Unit Supply-Enhanced (PBUSE) system was not implemented or was not properly used at all three facilities. Therefore, materiel managers and accountable officers did not have accurate visibility of items on hand. In addition, accountable officers did not have the ability to detect potential diversions. At Camp Anaconda, contract personnel were adjusting beginning inventory balances to preclude monthly 10% inventory counts differing from the contractor's reported balances on hand. At the Camp Taji facility, no systematic procedures were followed for accounting for the items on hand. Other contributing factors were poor facility security, untimely recording of source documents in accountable records, and lack of surveillance of the contractors' operations. Potential savings could also be realized by better management of containers in the Camp Victory Central Receipt and Issue Supply Point.

### **Cost-effectiveness of Transitioning Task Order 66-Kuwait Naval Base Camp Support From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom —Phase II (Kuwait)**

(AUDIT REPORT A-2006-0246-ALL September 27, 2006)

This report addresses the audit of the cost-effectiveness of the transition of requirements from LOGCAP Task Order 66 supporting the Kuwait Naval Base Camp to sustainment

contracting. USAAA conducted this audit as part of the multi-location audit of LOGCAP Operations in Support of Operation Iraqi Freedom. USAAA performed the audit at the request of the Commander, Coalition Forces Land Component Command (CFLCC).

The transition of work to support the Kuwait Naval Base Camp under the LOGCAP contract to sustainment was not cost-effective. USAAA's analysis of selected requirements that transitioned from Task Order 66 showed that these requirements, in total, cost the Army over \$4.9 million more than costs under the contingency contract. USAAA's review also showed that CFLCC needed to improve management of the transition process in its area of responsibility to ensure greater efficiency and oversight. Specifically, USAAA found:

- Command did not perform cost analyses before its decision to transition work. Unit pricing for some requirements was significantly higher under the follow-on contract than the contingency contract.
- Command did not finalize Statements of Work (SOWs) for the follow-on contract. The Army cannot adequately measure contractor performance without finalized SOWs. Because changes in service were not defined at the time of transition, troop labor was needed to supplement camp operations, such as emergency maintenance.
- The contingency contractor's cost reporting system uses a work-breakdown structure that does not segregate costs by requirement, which is needed by the Army to

isolate the cost of work transitioning. This limits the government's ability to adequately monitor the contractor and make decisions concerning the transition of work.

- Documentation of contractor performance in daily Situation Reports is inconsistent. The Army's ability to monitor contractor performance is impaired when accurate data is not available.

Additionally, USAAA found deficiencies in how the contractor was selected for performing some transitioned requirements. The Army selected the highest overall bidder for these requirements. As a result, projected annual costs for these requirements are about \$5.7 million greater than the lowest bidder's proposal (\$31.2 million over the Program Objective Memorandum).

**Cost-effectiveness of Transitioning the General Support Supply Support Activity (Task Order 87) From Contingency to Sustainment Contracting, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom**

(AUDIT REPORT A-2006-0253-ALL, September 28, 2006)

This report addresses USAAA's audit of the cost-effectiveness of transitioning the General Support Supply Support Activity (GS SSA) mission under the LOGCAP contingency contract in Kuwait to sustainment contracting. USAAA conducted this audit as part of a multi-location audit of LOGCAP Operations in Support of Operation Iraqi Freedom.

USAAA performed the audit at the request of the Commander, Coalition Forces Land Component Command (CFLCC) C4.

The transition of the GS SSA mission from the LOGCAP contingency contract to a follow-on contract was cost-effective. USAAA projects that CFLCC will save approximately \$13.6 million in annual labor costs by transitioning the mission to the follow-on contract; however, the savings may decrease to an estimated \$6 million due to the anticipated increase of the follow-on contractor's workforce. Although the transition was cost-effective, it did not constitute a true move from contingency to sustainment contracting. This was the case because the mission moved from the LOGCAP contract to an existing cost-plus-award-fee contract without open competition. As such, USAAA referred to the sustainment contract as a "follow-on" contract throughout the report.

Additionally, CFLCC needed to improve the overall management of administering contracts in its area of responsibility to ensure accountability and oversight. Specifically, USAAA found that:

- CFLCC had not developed an official transition program to efficiently move requirements to sustainment contracting.
- CFLCC could not adequately determine the efficiency of the contingency contractor's operations.

As a result, command was unable to identify the GS SSA's historical performance or costs over any specific period; command also underestimated the mission's requirements in the

Independent Government Cost Estimate by about 463 personnel and \$14 million, respectively. In addition, the analysis showed that a subcontractor charged labor rates that were about 100% higher for the follow-on contract than what it previously charged the contingency contractor. Consequently, the follow-on contract will incur an additional subcontracted labor expense of about \$2.1 million per year (\$11.1 million more than the Program Objective Memorandum).

#### **Procedures for Transferring Property during the Base Closure Process in Support of Operation Iraqi Freedom—Phase II (Kuwait)**

(AUDIT REPORT A-2006-0254-ALL, September 29, 2006)

This report addresses the audit of the procedures for transferring property to the government of Iraq during the base closure process in the Iraq area of operations. USAAA performed this review at the request of the CFLCC C-4, Camp Arifjan, Kuwait. USAAA concluded that theater policies and procedures established to transfer excess U.S. government property during the base closure process to entities within the government of Iraq were in compliance with U.S. laws and regulations. This report contains no recommendations.

**ONGOING AUDITS****Audit of Logistics Civil Augmentation Program (LOGCAP)**

(PROJECT CODES A-2005-ALS-0340 AND A-2006-ALL-0264)

The Commander, MNF-I, requested this audit. Preliminary audit planning began on January 3, 2005, and audit work began in Kuwait and Iraq on May 3, 2005. (In-country work was delayed at command's request.) The work focuses on evaluating the adequacy of LOGCAP throughout the Iraq area of operations. The specific objectives include answering these questions:

- Are services acquired under the LOGCAP contract reasonable and cost-effective solutions for satisfying force requirements?
- Are adequate management structures in place to plan, acquire, and manage services obtained under the LOGCAP contract?
- Is the contract administration over LOGCAP work in Iraq adequate?
- Are adequate internal controls in place over LOGCAP operations in Iraq, especially those areas highly susceptible to fraud, waste, and abuse?
- Does adequate information exist to enable higher levels of management to provide sufficient oversight over LOGCAP operations in Iraq?

These are “umbrella” projects for various audits that are underway on LOGCAP issues in support of Operation Iraqi Freedom. Ongoing work includes coverage of Defense Base Act insurance rates, dining facility operations, usage of nontactical vehicles, distribution

operations, supply support activity operations, bulk fuel controls, the Army's efforts to move toward sustainment and firm fixed-price contracts—as opposed to contingency contracts—and the cross-leveling and disposition of government-furnished property managed by contractors. As work is completed and reports are issued, information on the reports will be made available to SIGIR as “Completed Audits.”

**Retrograde Operations in Southwest Asia**  
(PROJECT CODE A-2006-ALL-0397)

This audit involves work in Iraq and Kuwait. It evaluates the retrograde and redistribution of military property resulting from restructuring military forces and the attendant contractor support.

**Procedures for Managing Overage Repairable Items Lists in the HMMWV Refurbishment Program**

(PROJECT CODE A-2006-ALL-0535)

This audit evaluates the contactor's management of repair parts at the Tactical Wheeled Vehicle Refurbishment Center in Kuwait.

**Department of the Treasury**

Treasury did not start or complete any audits relating to Iraq reconstruction and relief since the SIGIR July 30, 2006 Quarterly Report. As of September 30, 2006, Treasury has no auditors in Iraq and has no ongoing audits.

**Department of Commerce**

During this period, the Department of Commerce (DoC) initiated no new cases and did not close any cases involving Iraq reconstruction and relief projects. As of September 30,

2006, DoC has no auditors in Iraq and has no ongoing audits related to Iraq.

**OTHER AGENCY INVESTIGATIONS**

**U.S. Agency for International Development**

**CLOSED INVESTIGATIONS**

USAID did not close any cases during the quarter.

**ONGOING INVESTIGATIONS**

USAID has nine cases carried over from last quarter and opened two new cases during this period. The 11 cases include:

- allegations of USAID employee misconduct
- allegations of USAID/RIG equipment theft by former employee
- an allegation during a USAID/RIG audit that a prime U.S. contractor allegedly bribed former Iraqi public officials
- a referral from DCAA on billing irregularities by a USAID security contractor in Iraq
- a referral from SIGIR alleging that a former

USAID employee accepted a bribe and travel

- an allegation that employees of a USAID contractor solicited kickbacks in exchange for the awarding of subcontractors for work in Iraq
- an allegation that a USAID contractor submitted false and/or fraudulent costs associated with work in Iraq (Information suggests that this contractor may have used USAID funds to make improper payments to Iraqi government officials.)
- information that a contractor employee may have misallocated project funds and converted them for private use
- allegations of misconduct involving a USAID employee stationed in Iraq
- a false claim submitted for TDY travel
- an anonymous claim that the owner of a local Iraqi company had inflated the cost of a project financed by USAID

As of September 30, 2006, USAID has one investigator in Iraq.

**DCIS SUMMARY OF CASES**

INVESTIGATIVE STATUS	CONFLICT OF INTEREST	COUNTERFEIT	WEAPONS RECOVERY/ SECURITY	FALSE CLAIMS/ STATEMENTS	THEFT/ DRUGS	BRIBERY/ CORRUPTION
Open				1		1
Closed	2	3		6	20	9
<b>Totals</b>	<b>2</b>	<b>3</b>		<b>6</b>	<b>20</b>	<b>10</b>

TABLE K-2

## Defense Criminal Investigative Service

DCIS, in coordination with the SIGIR, is continuing its investigations regarding Iraqi reconstruction funds and activities. In addition, DCIS has continued to address Iraq-related criminal activity through its offices in Wiesbaden, Germany, and CONUS task force investigations focusing on public corruption and fraud in Southwest Asia. Special agents travel to the Middle East on a regular basis to further the DCIS investigative mission. In conjunction with the DoD OIG's renewed emphasis on oversight of spending related to Iraqi development, DCIS has established a Southwest Asia Resident Agency with offices in Baghdad, Iraq, and Kuwait City, Kuwait. Investigations will primarily involve procurement fraud and public corruption. Six-month rotational details to Iraq and Kuwait began in September 2006.

DCIS currently has a total of two open cases and four special agents supporting operations in Iraq. No cases were closed during the quarter.

## Department of State Office of Inspector General

During this reporting period, July 1, 2006-September, 30, 2006, DoS OIG Investigations did not open any new investigations into activities relating to IRRF. DoS OIG received three referrals from SIGIR during the quarter, but none warranted investigation. No cases were closed, and DoS OIG does not have any cases open relating to the IRRF. Last quarter, SIGIR

referred eight cases for review by DoS OIG, but none were opened for further action. One manager and agent are assigned as contact points for the DoJ Taskforce relating to SIGIR cases. DoS OIG has no criminal investigators assigned to Iraq and is providing investigative support locally from its office in Rosslyn, Virginia.

## Federal Bureau of Investigation

The FBI Washington Field Office has joined SIGIR; DoJ; Internal Revenue Service (IRS); Bureau of Immigration and Customs Enforcement; Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF); and DoS as a member of the Special Investigative Task Force for Iraq Reconstruction (SPITFIRE).

### CLOSED INVESTIGATIONS

No cases were closed during the period.

### ONGOING INVESTIGATIONS

FBI has seven known cases involving Iraq. All of them are worked jointly with other agencies, including Army Criminal Investigation Command, IRS, SIGIR, Immigration and Customs Enforcement, ATF, and DCIS.