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SECTION

4

SIGIR AUDITS

From August 1, 2009, to October 30, 2009, SIGIR completed six new audit products; since March 2004, SIGIR has issued 155 audit reports. This quarter, three reports directly respond to a legislative mandate that SIGIR complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction, and three reports address management of reconstruction activities:

- a report on the costs, outcomes, and oversight of \$1.12 billion in task orders awarded to the Environmental Chemical Corporation to construct facilities for the Iraqi Security Forces
- a non-audit service analysis of management information systems, responding to concerns raised by the President of the Iraq Board of Supreme Audit that duplicate project and payment data is being reported in U.S. government management information systems
- a report on the extent to which Multi-National Force-Iraq met the terms of the Memorandum of Understanding with the Government of Iraq and the extent to which Multi-National Corps-Iraq has maintained I-CERP project records in accordance with requirements

- the first in a series of interim reports describing the methodology and results of SIGIR’s forensic auditing efforts
- a report examining expenditures on the Global Maintenance and Supply Services (GMASS) contract to determine if potential overcharges may have occurred
- a report to determine if USACE properly accounted for DFI funds it received

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

SIGIR currently has 14 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR’s reports have produced scores of recommendations designed to achieve management improvements and corrective actions needed in reconstruction and relief activities. The implementation of audit recommendations is crucial. SIGIR auditors regularly follow up on open recommendations, seeking to achieve their full implementation to the extent practical.

TABLE 4.1
SIGIR AUDIT PRODUCTS SINCE 7/30/2009

REPORT NUMBER	REPORT TITLE	DATE ISSUED
10-001	Iraqi Security Forces Facilities: Environmental Chemical Corporation Projects Achieved Results, but with Significant Cost and Schedule Increases	10/2009
10-002	Data Provided to the Government of Iraq on U.S. Reconstruction Projects Lacked Clarity	10/2009
10-003	Iraq-Commander’s Emergency Response Program Generally Managed Well, but Project Documentation and Oversight Can Be Improved	10/2009
10-004	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse Interim Report #1	10/2009
10-005	Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM To Go Undetected	10/2009
10-006	Development Fund for Iraq: Policy Guidance Needed To Enhance Accountability of USACE-managed Funds	10/2009

For information on all SIGIR audit products issued as of October 30, 2009, see the SIGIR website: www.sigir.mil.

SIGIR's work is well coordinated with other audit entities engaged in Iraq-related work. SIGIR hosts a quarterly meeting of the Iraq Inspectors General Council (IIGC) to discuss audit activities, prevent duplication of effort, and share information and experiences. The most recent meeting was held on August 19, 2009, via teleconference. Inspector General Bowen opened the meeting from Iraq. The following organizations attended the meeting:

- CENTCOM Inspector General
- Defense Contract Audit Agency
- Department of the Army Office of Inspector General
- Department of Defense Office of Inspector General
- Department of State Office of Inspector General
- Government Accountability Office
- SIGIR
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- U.S. Army Audit Agency (USAAA)
- Commission on Wartime Contracting

Final SIGIR Audit Products for this Quarter

Iraqi Security Forces Facilities: Environmental Chemical Corporation Projects Achieved Results, but with Significant Cost and Schedule Increases
(SIGIR 10-001, 10/2009)

Introduction

SIGIR has a legislative requirement to prepare a final forensic audit report on amounts made available for Iraq reconstruction. To help fulfill this requirement, SIGIR has undertaken audits examining major Iraq reconstruction contracts to determine contract costs, outcomes, and oversight,

emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This audit focuses on the use of \$1.12 billion spent for task orders issued from April 2004 to March 2008, primarily for constructing numerous facilities for the Iraqi Security Forces throughout Iraq. Issued under two contracts to the Environmental Chemical Corporation (ECC), the task orders were funded with \$350.87 million from the Iraq Relief and Reconstruction Fund and \$768.82 million from the Iraq Security Forces Fund. They were managed and overseen by the Multi-National Security Transition Command-Iraq (MNSTC-I) and the Air Force Center for Engineering and the Environment (AFCEE).

Results

SIGIR noted that numerous facilities were constructed under the ECC task orders, but costs increased, schedules were delayed, and some funds were wasted. The major causes were work changes and security issues—inherent consequences of constructing facilities in a contingency environment. SIGIR further noted that management and oversight were generally sound, identifying just a few concerns.

Under 38 task orders, ECC constructed headquarters buildings, barracks, dining halls, clinics, and police buildings. However, costs for these task orders increased from about \$655 million to about \$1.12 billion (about 71%). The costs for three task orders increased more than 400%, a total increase of more than \$150 million. Also, schedule delays were significant: 14 task orders were delayed by 18 months or more.

By analyzing the costs and outcomes of the work, SIGIR identified these key causes of cost and schedule changes:

- After award, task orders were significantly modified to change the scope of work and, in some cases, the locations of facilities. This increased costs and resulted in wasted funds; SIGIR identified three examples totaling about \$1.71 million. MNSTC-I and AFCEE officials stated that the

wartime environment, the undeveloped Iraqi Army, and the fluid situation resulted in task orders being awarded before plans were finalized and then modified as needs changed.

- The need for security resulted in paying more than \$150 million to private security subcontractors—about 14% of total costs. In addition, security issues delayed performance and increased contractors’ payrolls and subcontractors’ costs. The total effect of security conditions on costs and schedules could not be quantified.

AFCEE and MNSTC-I shared management and oversight of the task orders and contracts. AFCEE awarded 26 of the 38 task orders to ECC using a competitive process and provided justifications when competition was not used. Further, contract and project files provided extensive evidence of the management and oversight of ECC’s performance. However, a MNSTC-I investigation of procurement irregularity by one of its officials identified inappropriate relationships and other integrity issues, but the recommended follow-up was not conducted. Also, the Defense Contract Audit Agency has extensively audited ECC and identified about \$5.71 million in questioned costs; nevertheless, some critical audits of ECC systems were not performed.

SIGIR found that some fees—profits—paid to ECC appear excessive. Fees were paid on modification cost increases that were not for added work, the specified basis for increased fees. ECC received \$80.36 million in fees as profit, including \$40.55 million in fees for modification cost increases. AFCEE officials believed that the fees were justified because changing work requirements and security issues caused cost increases.

Recommendations

Previous SIGIR reports have included recommendations and/or lessons learned to address issues related to cost increases and schedule delays on Iraq reconstruction projects. The major issues identified in this report—the changes in work scope after

award and unstable security conditions—have been addressed. Accordingly, SIGIR includes no recommendations or lessons learned in this report.

The procurement integrity issues that MNSTC-I identified but did not pursue have been provided to SIGIR Investigations for consideration.

Management Comments and Audit Response

For management comments, see this audit report at www.sigir.mil.

Data Provided to the Government of Iraq on U.S. Reconstruction Projects Lacked Clarity (SIGIR 10-002, 10/2009)

Introduction

This report responds to concerns raised by the President of the Iraq Board of Supreme Audit (BSA) that duplicate project and payment data is being reported in U.S. government management information systems. The SIGIR analysis of the system’s data did not identify duplicate projects or payments; nevertheless, the data provided to the Government of Iraq (GOI) was unclear and gave the appearance of duplicate projects and payments. SIGIR’s analysis reinforces the need to maintain clear and accurate data on U.S. Iraq reconstruction projects and illustrates the issues that can arise when unclear data is provided to GOI representatives or other users of reconstruction project data. SIGIR conducted this review during September 2009 as a nonaudit service.

Results

The Iraq Reconstruction Management System (IRMS) data provided to the Board of Supreme Audit lacked clarity and appeared to show duplicate project and payment information regarding U.S. reconstruction projects. Although SIGIR found no multiple payments, the appearance of duplication illustrates the need to provide better quality control of reconstruction data provided to the GOI and other database users. The Board’s concerns and the

results of SIGIR's analysis reinforce our previous report findings and recommendations.

Recommendations

SIGIR did not provide any recommendations in this report.

Management Comments and Audit Response

For management comments, see this audit report at www.sigir.mil.

Iraq-Commander's Emergency Response Program Generally Managed Well, but Project Documentation and Oversight Can Be Improved

(SIGIR 10-003, 10/2009)

Introduction

In April 2008, Multi-National Force-Iraq (MNF-I) and the Government of Iraq (GOI) signed a memorandum of understanding (MOU) establishing the Iraq-Commander's Emergency Response Program (I-CERP). Since then, more than 800 projects have been completed, and approximately \$229 million of the initial \$270 million allocated for I-CERP has been obligated. Under I-CERP, MNF-I executes GOI funds for reconstruction and other projects for the benefit of Iraqi citizens.

The objectives of this report are to examine the extent to which MNF-I met the terms of the MOU with GOI and the extent to which Multi-National Corps-Iraq (MNC-I) has maintained I-CERP project records in accordance with requirements. SIGIR and Iraq's Board of Supreme Audit (BSA) agreed to conduct a joint review of I-CERP; however, in July 2009, BSA issued a separate I-CERP report.

Results

MNF-I has generally managed the I-CERP program in accordance with the terms in the MOU by allocating projects to provinces as required and building the type of infrastructure stipulated in

the MOU. Moreover, MNC-I data indicates that MNF-I is accounting for how the funds are used and disbursed. Nevertheless, MNF-I can improve the thoroughness of the quarterly reports it is providing the GOI, particularly for projects valued at \$50,000 or more. In these cases, MNF-I provided detailed project information, called storyboards, on only 206 of the 347 projects; however, some of these lacked detailed project information, such as funds obligated and expended, project number to help identify the activity, and U.S. and GOI contact officials. Moreover, sustainment letters—which MNF-I and the GOI sign at project initiation and document GOI support for a project—were missing in 13 storyboards. When sustainment letters were included, more than 20 lacked a GOI signature, and more than 30 lacked a U.S. military signature. MNF-I has not, however, met the MOU requirement to train GOI officials to manage the program and transfer I-CERP management to them. Officials cite the lack of additional GOI funding to maintain the program in the long term as a possible reason that this training has not and may not need to take place.

Despite efforts to improve accountability and documentation of the I-CERP program, numerous MNC-I project files lack critical internal control documentation because of insufficient MNC-I oversight and unclear and incomplete guidance on document requirements. In some cases, project files lacked essential internal control documents, such as receipts for cash payments and electronic funds transfers. To illustrate, of the 103 files sampled, 87 lacked receipts for cash payments. Moreover, MNC-I has not provided the oversight necessary to ensure that U.S. military units are documenting these critical management actions and decisions and including them in project files. These inconsistencies are caused by unclear guidance. As a result, these projects are vulnerable to fraud, waste, and abuse.

Iraq's Board of Supreme Audit also reported that U.S. data was incomplete, thereby hindering the GOI's oversight of U.S.-managed programs

like I-CERP. SIGIR did not review the BSA report for accuracy.

Recommendations

SIGIR recommends that the Commanding General, MNF-I, improve I-CERP program management by 1) requiring major subordinate commands to provide comprehensive information on all completed I-CERP projects with a value of at least \$50,000, and 2) determining if there is a continuing need to train ISF and provincial government personnel to manage the I-CERP program, as required in the MOU.

SIGIR also recommends that the Commanding General, MNC-I, improve I-CERP accountability and oversight by 1) clarifying the 2010 guidance revision and specifying which documents must be included in I-CERP project files; and 2) requiring MNC-I to review I-CERP project files for compliance with existing guidance.

Management Comments and Audit Response

MNF-I deferred comments to MNC-I. MNC-I concurred with four of the report recommendations but did not concur with a draft recommendation that it establish a system for tracking I-CERP project file location. MNC-I stated that such guidance was in its budget execution guidance. SIGIR's final report does not include this draft recommendation.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse, Interim Report #1

(SIGIR 10-004, 10/2009)

Introduction

Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding provided for the reconstruction of Iraq, which to date totals about \$50 billion. To keep the Congress apprised, this first in a series of interim reports describes the methodology and results of SIGIR's forensic auditing efforts. The results will

be reported cumulatively, and a final report will encompass total reconstruction funds.

Over the past 2 years, SIGIR has conducted a series of 17 audits of major reconstruction contracts. These audits were intended, in part, to identify internal control weaknesses that could 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.

SIGIR recently initiated forensic audits of all Iraq relief and reconstruction expenditure transactions made by the Department of Defense, Department of State, and U.S. Agency for International Development. These audits are systematic examinations of Iraq reconstruction program expenditures to identify anomalies in transactional data that may indicate fraud, waste, or abuse. SIGIR's approach combines automated datamining 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 has also initiated a review of Iraq relief and reconstruction program areas known to have weaknesses in internal controls. This proactive effort, the SIGIR Audit/Investigative Initiative, focuses on programs that afford easy access to cash with weak controls over expenditures. The SIGIR forensics team is now managing several proactive projects and has identified a number of instances of questionable activity.

SIGIR's Methodology and Preliminary Results

SIGIR's 17 audits of major reconstruction contracts involving about \$6.4 billion in Iraq reconstruction funds have identified a number of common or crosscutting internal control weaknesses, including:

- high turnover of contracting officials and inadequate staffing for oversight of contracts
- inadequate oversight of contractors and subcontractors
- inadequate review of contractors' invoices

- missing invoices and other documents
- excessive numbers of task and change orders
- inadequate accounting for property or inventory

These types of control weaknesses make programs vulnerable to fraud, waste, and abuse. SIGIR's initial work indicates that such activities may have occurred.

SIGIR plans to forensically examine \$35.2 billion in DoD financial transactions related to expenditures under the Iraq Relief and Reconstruction Fund, Iraq Security Forces Fund, Economic Support Fund, and Commander's Emergency Response Program appropriations. To initiate this effort, SIGIR is in the process of auditing about 22,000 DoD expenditure transactions involving approximately \$10.7 billion and has identified a number of anomalous transactions, including:

- payments that appear to be duplicates
- payments to fictitious or generic vendors
- notable variances in payment activity
- payments occurring prior to or on the date of invoice
- sequentially numbered contractor invoices
- payments to firms with what appear to be fictitious addresses
- payments to contractors that were possibly suspended or debarred

SIGIR is in the process of determining whether any of these transactions are actually fraudulent or improper. To do this, SIGIR is conducting a detailed examination of transactions, including reviews of relevant contract files. Examinations of transactions will be prioritized based on risk factors such as the type and amount of the transaction, and a prior history of questionable activity.

In addition, SIGIR's proactive review of programs known to have internal control weaknesses has identified a number of instances of questionable activity. A team of investigators, analysts, and auditors is reviewing pertinent information to determine whether further action is warranted.

The results of SIGIR's forensic audit efforts will generally be reported in the aggregate; specific findings will be included where appropriate and useful. SIGIR will also provide lessons learned that can be applied to the use of other contingency funding, such as in Afghanistan. These reports will not present detailed information regarding ongoing criminal investigations or activities of a potentially criminal nature.

Recommendations

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

Management Comments and Audit Response

For management comments, see this audit report at www.sigir.mil.

Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM To Go Undetected

(SIGIR 10-005, 10/2009)

Introduction

SIGIR conducted this study as part of its efforts to meet a congressional mandate to forensically audit U.S. funds spent on Iraq reconstruction activities. This report examines expenditures on the Global Maintenance and Supply Services (GMASS) contract, which supports a program of the Multi-National Security Transition Command-Iraq to assist the Iraqi Army in developing a self-sufficient logistics capability. This is one of the largest contracts funded by the Iraq Security Forces Fund.

As of September 2009, the U.S. government had obligated more than \$683 million and disbursed more than \$567 million on the GMASS contract. In a prior audit of this contract, SIGIR could not find support in contract documents or other records for all costs charged by the contractor, AECOM Government Services (AECOM). In particular, SIGIR could not reconcile Army and AECOM financial data on repair parts purchases.

SIGIR's reporting objective was to determine whether potential overcharges may have occurred for selected GMASS contract invoices.

Results

The U.S. Army Contracting Command had a process for reviewing invoices for the GMASS contract, and that process improved over time. Nonetheless the Contracting Office did not have enough experienced personnel to review invoices thoroughly, leaving the U.S. government vulnerable to undetected overcharges. In particular, invoices reviewed earlier in the contract received less scrutiny than those reviewed later. Once the invoice process was improved, the Contracting Office denied payment of as much as 33% from invoices, compared to only 0.1% from invoices prior to that time.

SIGIR's analysis of selected GMASS contract invoices showed that AECOM potentially overbilled or cannot support about \$4.4 million in costs. AECOM's invoices for the GMASS contract contained numerous errors, according to documentation from the contracting office and SIGIR's analysis. From July 2005 to September 2009, AECOM submitted 139 invoices for payment totaling \$567 million. SIGIR examined purchases of vehicle parts totaling \$29.9 million on four of these invoices and identified about \$4.1 million in potential overbillings, including:

- about \$2.1 million for prices above the contractor's cost plus allowable markup
- more than \$0.3 million for prices above contractually agreed amounts
- about \$1.5 million for prices above market value
- about \$0.2 million in duplicate and triplicate work orders

For example, although the agreed-to price for a package of 10 washers was \$1.22, the contractor charged \$196.50 for each package. AECOM officials stated that billing errors occurred early in the contract and that a cumulative adjustment was made; however, SIGIR questions the adequacy of this adjustment. Further, Contracting Office officials

stated that they did not review AECOM's invoices for these types of potential overbillings, either before or after they improved their review process.

In addition, AECOM provided cost support for 239 transactions, but did not provide support documentation for 31 transactions that SIGIR requested. Some of these transactions are included in other SIGIR calculations of questionable costs. However, about \$0.3 million is not counted elsewhere, and SIGIR questions those costs. At the conclusion of SIGIR's field work, AECOM was still trying to locate the missing documentation.

Given the billing problems identified during SIGIR's limited review, weaknesses in invoice review procedures, and the GMASS contract costs, the U.S. government was highly vulnerable to having paid other questionable costs.

Recommendations

SIGIR recommends that the Executive Director, U.S. Army Contracting Command, direct the GMASS Contracting Officer to:

1. Determine whether about \$4.4 million in billings and costs questioned by SIGIR should be disallowed and recovered.
2. Initiate an audit of the costs billed under the contract to determine whether additional amounts should be recovered from AECOM for overbillings and unsupported costs on the GMASS contract.

Management Comments and Audit Response

For management comments, see this audit report at www.sigir.mil.

Development Fund for Iraq: Policy Guidance Needed To Enhance Accountability of USACE-managed Funds (SIGIR 10-006, 10/2009)

Introduction

The Development Fund for Iraq (DFI) was created by UN Security Council Resolution 1483 for:

(1) economic reconstruction of Iraq, (2) continued disarmament of Iraq, (3) costs of Iraqi civilian administration, and (4) other purposes benefiting the Iraqi people. The funds were to be used in a transparent manner. During the Coalition Provisional Authority's (CPA) administration of Iraq, the CPA Comptroller managed DFI funds. CPA Regulation 2, "Development Fund for Iraq," describes the responsibilities for the administration, use, accounting, and auditing of the DFI. When the CPA was disestablished in June 2004, responsibility for administering DFI funds shifted to the U.S. Army's Joint Area Support Group-Central. The U.S. government's stewardship of the DFI ended on December 31, 2007, and all remaining funds were to be returned to the Government of Iraq (GOI) per a GOI request.

Several Department of Defense (DoD) components received DFI funds, including the U.S. Army Corps of Engineers (USACE). The purpose of this audit is to determine if USACE properly accounted for DFI funds it received.

Results

SIGIR has identified a number of issues related to the management of DFI funds that require DoD attention. To date, SIGIR has identified \$27.5 million in DFI funds for return or potential return to the GOI—\$13.1 million was returned in March 2009 based on earlier SIGIR work. This report identifies \$14.4 million that may potentially be available for return.

After some delays, USACE provided a listing of DFI-funded contracts totaling \$2.4 billion and is working on providing a listing of its expenditures. However, SIGIR did not confirm this data at the time the audit work was completed. USACE assumed responsibility for many DFI activities initiated by earlier reconstruction organizations, and a transaction-based accounting system was not used early in the U.S.-reconstruction program. Instead, data was recorded on spreadsheets, and cash was disbursed but not entered into USACE's database. In addition, separate accounting codes

were not established to segment DFI from other funding sources.

Although all DFI funds were to be returned to the GOI by December 31, 2007, USACE continues to hold about \$3.0 million of DFI funds pending final close-out of some DFI contracts. This situation occurred because USACE entered into contracts that made the U.S. government responsible for all costs through the close-out of the contract. SIGIR understands that USACE may require funds associated with the DFI contracts. However, DoD policy guidance is lacking on whether it is appropriate to hold or use DFI funds to meet these obligations.

SIGIR notes a USACE contractor is holding \$2.2 million in DFI funds. Specifically, in November 2006, USACE issued contract modifications that led to three contractors—Perini Management Services, Washington Group International, and Fluor Intercontinental—receiving about \$11.2 million for costs that had not been incurred prior to the time they submitted vouchers. The Defense Contract Audit Agency (DCAA) subsequently disallowed the payments, and Perini and Fluor returned their funds, which were returned to the GOI. However, Washington Group returned only about \$3.0 million of the \$5.2 million it received and continues to hold about \$2.2 million for work it said was completed but not yet approved for payment. DCAA is currently auditing the contractor's vouchers. DoD may have an opportunity to collect interest earned on funds provided by USACE to several contractors but later disallowed by DCAA.

USACE stated it has used \$9.2 million of GOI funds to cover unpaid expenses from earlier contracts that it believes were the responsibility of the GOI: \$8.9 million for actual contract costs, and \$0.3 million for labor and overhead. This payment may be inconsistent with guidance from the Under Secretary of Defense (Comptroller)/Chief Financial Officer stating that residual advanced seized funds should not be used for this purpose. During the review SIGIR has been unable to separately account for DFI funds and seized asset funds because the funds have been commingled. SIGIR

also has not been able to verify whether GOI funds should have been used to pay these expenses.

Recommendations

The Special Inspector General for Iraq Reconstruction (SIGIR) recommends that the Under Secretary of Defense (Comptroller)/Chief Financial Officer provide guidance to USACE on the following:

1. the use and ultimate disposition of DFI funds that it and one of its contractors are currently holding
2. whether GOI funds should have been used to pay reimbursable work order expenses
3. how interest that might have been earned by several contractors on disallowed payments should be used.

Management Comments and Audit Response

SIGIR received comments from the Office of the Undersecretary of Defense (Comptroller) and USACE on a draft of this report. The comptroller concurred with the report recommendations. USACE provided detailed comments, which SIGIR included as appropriate.

Ongoing and Planned Audits

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

Ongoing Audits

SIGIR is currently working on these audits:

- Project 1001: Audit of the Iraq Reconstruction Management System
- Project 9007A: Audit of Outcome, Cost, and Oversight of Contracts with Wamar International, Inc., for Inspections of Power Stations in Iraq
- Project 9007B: Audit of Outcome, Cost, and Oversight of Contracts with Wamar International, Inc., for Delivery of Armored Vehicles to Iraq
- Project 9011B: Audit of Transaction Data for the Development Fund for Iraq
- Project 9019: Audit of Efforts under a Stanley Baker Hill Contract To Address Deficiencies in U.S.-funded Health Projects
- Project 9020: Audit of Department of Defense Obligations Supporting U.S. Efforts in Iraq
- Project 9023: Audit of the Use of U.S. Iraq Security Forces Fund (ISFF) to Train, Equip, and Develop Iraqi Air Force, Navy, and Special Operations Forces
- Project 9024: Audit of DoS Management Practices Related to International Republican Institute and National Democratic Institute Grants for Democracy Building Projects in Iraq
- Project 9025: Audit of the DynCorp International Task Orders for the Iraqi Police Training Program
- Project 9026: Audit of the Commander’s Emergency Response Program Projects within the Baghdad International Airport Economic Zone
- Project 9027: Audit of the U.S. Army Corps of Engineers Gulf Region Division and Joint Contracting Command-Iraq/Afghanistan Plans for Collection and Turnover of Government Furnished Equipment
- Project 9028: Audit of the Management Practices for the Iraqi Police Training Program
- Project 9029: Audit of Refurbishment and Construction Contracts for the Taji National Maintenance Depot
- Project 9030: Audit of Plans to Transition and Maintain Iraq Reconstruction Contract Files to Permanent Storage Facilities

Ongoing Forensic Audits

- Project 9012: Examination of DoS Appropriation, Obligation, and Expenditure Data Related to Iraq Relief and Reconstruction
- Project 9013: Examination of USAID Appropriation, Obligation, and Expenditure Data Related to Iraq Relief and Reconstruction

Planned Audits

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

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

SIGIR's strategic plan recognizes the legislative mandate, discussed earlier in this section, 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 15 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, as noted above, and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund.

SIGIR also is turning more of its resources to its forensic auditing initiatives and has published the first report on its efforts. Moreover, to continue to provide leadership and recommendations or 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 INSPECTIONS

This quarter, the Special Inspector General for Iraq Reconstruction (SIGIR) completed five project assessment reports:

- Secure Document Storage Facility, Baghdad
- Renovate and Expand Chamchamal Correctional Facility
- Orphanage and Senior Citizen Assisted Living Center, Erbil
- Abattoir (Slaughterhouse) in Qaladze
- Al Kasik Location Command

To date, SIGIR has completed 159 project assessments covering 147 project sites. This quarter, SIGIR teams assessed relief and reconstruction projects funded by the Iraq Relief and Reconstruction Fund (IRRF), the Economic Support Fund (ESF), the Iraq Security Forces Fund (ISFF), and the Bureau of International Narcotics and Law Enforcement Affairs (INL).

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

whether sustainability was adequately planned for and whether it is likely to continue.

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

1. Were the project components adequately designed before construction or installation?
2. Did the construction or rehabilitation meet the standards of the design?
3. Were the contractor’s quality control and the U.S. government’s quality assurance programs adequate?
4. Were project sustainability and operational effectiveness adequately addressed?
5. Were the project results consistent with the original objectives?

Since the Inspections program began four years ago, SIGIR has also completed 96 limited on-site inspections and 819 aerial assessments.

Security has significantly improved in Iraq, but the risk of violence persists. SIGIR’s ability to conduct on-site assessments of reconstruction projects continues to be facilitated by the transportation, security escort, and life support provided by the Multi-National Force-Iraq, Multi-National Corps-Iraq, Multi-National Division-North, and the local offices of the Gulf Region Division of the

TABLE 4.2
FIVE PROJECTS ASSESSED THIS QUARTER
 \$ Thousands

PROJECT NAME	ASSESSMENT TYPE	PROVINCE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Secure Document Storage Facility	Sustainment	Baghdad	\$1,916	GRC	IRRF	SIMA International	Central
Renovate and Expand Chamchamal Correctional Facility	Sustainment	Sulaymaniyah	\$28,691	GRN	INL	Local	North
Orphanage and Senior Citizen Assisted Living Center in Erbil	Sustainment	Erbil	\$3,725	GRN	ESF	Local	North
Abattoir (Slaughterhouse) in Qaladze	Construction	Sulaymaniyah	\$1,100	GRN	ESF	Local	North
Al Kasik Location Command	Construction	Ninewa	\$6,311	GRN	ISFF	Local	North

U.S. Army Corps of Engineers (USACE). Although it has not been possible for SIGIR inspection teams to spend as much time on site at some of the project locations as would be possible for locations in the United States, every effort has been made to enable and assist SIGIR inspections.

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

- Long-term operations and maintenance practices were not always being accomplished.
- Proper budgeting by the Iraqi ministries has not been carried out.
- Routine maintenance was not always performed.

For a list of the project assessments that SIGIR completed this quarter, see Table 4.2. For a complete list of project assessments from previous quarters, see Appendix E.

Figure 4.1 shows the approximate location of each project assessed this quarter and in previous quarters.

SIGIR Project Assessments

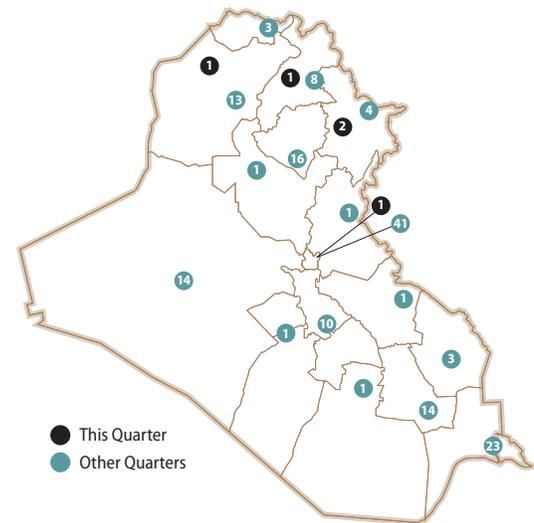
This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, www.sigir.mil.

Secure Document Storage Facility, Baghdad, Iraq *SIGIR PA-08-166*

Project Objective

The overall objective of this \$1.9 million IRRF-funded project was to provide a Secure Document Storage Facility (SDSF) for the Iraqi High Tribunal (IHT).⁷³⁸ Half of the facility will provide secure rooms to store sensitive war crime documentation that has been or will be

FIGURE 4.1
PROJECT ASSESSMENTS



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

used for prosecution of former regime members for crimes against humanity; the other half will provide open office and administrative space for IHT staff.

Conclusions

On February 9, 2008, USACE Gulf Region Central (GRC) transferred ownership of the SDSF to the Regime Crimes Liaison Office (RCLO), which is responsible for providing technical and logistical assistance to the IHT. The Transfer and Acceptance Letter, signed by GRC and RCLO representatives, stated:

The asset(s) or services listed herein have been completed in accordance with the contract documents except as noted in the attached documents, if any. This contract was awarded and completed under contingency circumstances and that all available project deliverables have been turned over to the appropriate facility representative(s).

Beneficial occupancy of this asset was achieved on 9 February 2008 and was turned over to the appropriate asset/facility managers. The Government/Facility Representatives retain all rights under the “Warranties Clause” of the Contract.



Settling crack.



Poorly installed door at the Secure Document Storage Facility.

Project file documentation did not include either the final inspection performed by the GRC International Zone (IZ) Resident Office or an attached document with any noted deficiencies and punch list items outstanding. In addition, the project file lacked any photographs of the facility on the day of the final inspection to document either the correction of previous/outstanding deficiencies or the condition of the facility at turnover.

According to GRC IZ turnover documentation, the warranty period for this project expired on February 9, 2009.

During the construction of this project, the contractor experienced two work stoppages resulting from a structural failure and the contractor's failure to construct the facility in accordance with the structural improvement plan developed after the structural failure. SIGIR reviewed the contractor's initial design submittal and identified two significant omissions that contributed to the initial failure of the structure and the subsequent need for reinforcing:

- The original design calculations indicate that the center of the frame was to be supported with a column, but the contractor's original drawings omit any support at the center of the frame.

- The design calculations for the steel frame make the assumption that there is no moment transfer⁷³⁹ between the steel column base and the reinforced-concrete pedestal. This configuration is typical for moment frame⁷⁴⁰ construction; however, restraint of the column bases must be provided. The foundation details do not provide any method for lateral restraint.

Further, SIGIR identified an issue with the load criteria for the project. In a review of the contractor's engineering design calculations, GRC identified issues with the original design loads for the building. The original design live load⁷⁴¹ for the building was set at five pounds per square foot (psf). The design engineer justified this design load by incorrectly categorizing the structure as "fabric construction supported by a light weight rigid skeleton structure." The correct design load for this type of structure, as identified by GRC, is 20 psf. The increase in live load by a factor of four would significantly affect the design of the structure.

On July 26, 2007, a GRC structural engineer performed an inspection of the construction to date. An observation report identified several construction deficiencies, and all structural work again stopped



Exterior support damage at the Secure Document Storage Facility.

while the contractor performed another structural evaluation. In September 2007, the contractor presented GRC with structural improvements, including a structural analysis indicating that the proposed improvements would provide a stable structure under eight different loading conditions. The proposal included a row of columns to be constructed along the centerline of the facility, as well as other strengthening improvements, such as corner bracing, cross bracing, and a strongback⁷⁴² wall.

On February 3, 2009, SIGIR conducted an on-site assessment of the project. At the time of the site assessment, IHT had occupied the facility for almost a year. SIGIR observed IHT personnel conducting daily business, including researching and preparing for future criminal trials. The SDSF manager stated that due to the number of upcoming criminal trials, the size of the IHT workforce increased from approximately 100 to 200 personnel; however, the SDSF provided enough working space for the increased personnel. At the time of the site visit, only one storage vault was being utilized to store evidence. According to the SDSF manager, most of the evidence to be used at current or future trials was still being kept at another location. In order to

carefully process and log the voluminous amount of important evidence, it was being transferred incrementally to the SDSF. IHT converted the remaining storage vault rooms into additional office space and a museum.

SIGIR's first site visit identified construction deficiencies, such as cracks in the interior and exterior walls; tile buckling in the bathrooms; loose heating, ventilation, and air-conditioning (HVAC) duct insulation; roof leaks; and fire alarm system malfunctions. In addition, the SDSF manager reported other construction deficiencies, such as non-operational HVAC units and interior/exterior door-frame damage. The SDSF manager stated that the contractor provided used HVAC units and poorly installed door frames; this resulted in the door and frame falling off. The SDSF manager stated that two HVAC units became non-operational shortly after IHT took occupancy. IHT made numerous telephone calls to the contractor to correct the units, but the contractor never responded, according to the SDSF manager. As the stifling summer heat approached, IHT maintenance personnel attempted to repair the units.

SIGIR's site visit occurred only days before the contractor's warranties expired; therefore, SIGIR notified GRC about these construction deficiencies. GRC representatives visited the SDSF, and on March 7, 2009, directed the contractor to remedy these warranty items:

1. Repair the floor in all four bathrooms.
2. Repair the HVAC duct insulation and reconnect the flex duct to the registers.
3. Repair the metal seam by caulking and replace one fastener to correct the small roof leak.
4. Reset and trouble-shoot the facility fire alarm.

GRC gave the contractor a deadline of March 17, 2009, to remedy the warranty issues.

Regarding the HVAC and door frame issues, GRC concluded that the air-conditioning issue was not covered under the contractor's warranty because of the "tampering, poor maintenance and unskilled personnel working on this equipment";

and the door frames reattached by IHT maintenance personnel were a “user modification and not a warranty item.” SIGIR could not determine the causes for the non-operational HVAC units or door frame damage for two reasons:

- There was no final inspection report documenting the complete testing of the HVAC system (including the operation of each zone for a specified period of time).
- The contractor-installed door frames were covered with plaster.

Because the SDSF manager acknowledged that IHT maintenance personnel performed repairs of the HVAC units and door frames rather than having them done by contractor representatives, the warranty for each item is no longer valid.

On September 27, 2009, SIGIR performed a followup site inspection and determined that the contractor had remedied the previously identified warranty deficiencies. The SDSF manager stated that the GRC IZ Resident Office did an excellent job of requiring the contractor to return to the facility three times to ensure that each warranty issue was adequately addressed. IHT used its own funding to correct some of the other issues not covered by the warranty, such as the HVAC units and the interior/exterior doors.

The SDSF manager told SIGIR that IHT was very happy with this facility, which will continue to play a vital role in providing a secure place to store critical documents to be used at upcoming trials of former regime members.

Recommendations

Because GRC required the contractor to correct the construction deficiencies SIGIR identified, the draft report did not contain any recommendations for further action, and comments on the draft report were not required.

Management Comments

Though not required, SIGIR received comments from the Gulf Region Division of the U.S. Army



Museum interior at the Secure Document Storage Facility.

Corps of Engineers and the Multi-National Force-Iraq concurring with the draft report. SIGIR appreciates the concurrence with the draft report by the Gulf Region Division of the U.S. Army Corps of Engineers and Multi-National Force-Iraq.

Renovate and Expand Chamchamal Correctional Facility, Chamchamal, Iraq SIGIR PA-09-177

Project Objective

The overall objective of this \$28.7 million INL-funded project was to increase the bed count of the Iraqi Correctional Service (ICS) for the Ministry of Justice by renovating, expanding, and converting an existing fort at Chamchamal into a safe, secure, and humane correctional facility. Specifically, the Chamchamal Correctional Facility will provide approximately 2,000 medium-security, dormitory-style adult-male prison beds, and 1,000 high-security, cell-style adult prison beds to help alleviate overcrowding in the Iraqi prison system. The Kurdistan Regional Government (KRG) requested assistance in undertaking this project.



Ongoing construction at Chamchamal.

According to project file documentation, the improved security situation throughout Iraq has resulted in the capture of a large number of terrorists and criminals. But the Iraqi penal system does not have a sufficient number of correctional facilities to adequately house the growing number of captured terrorists and criminals. In addition, Iraqi prisons do not meet the human rights standards prescribed by the United Nations.

Conclusions

On March 18, 2009, the U.S. Army Corps of Engineers (USACE) Gulf Region North (GRN) Kirkuk Area Office (KAO) officially turned over the Chamchamal Correctional Facility project to ICS. The contractor, the Commanding General of USACE Gulf Region Division, and an ICS representative signed a Memorandum for Record, which stated:

All work has been inspected, certified and accepted by the US Army Corps of Engineers. Construction of the facilities is complete. No other work is to be performed under this contract unless noted in paragraph 5 below.

Paragraph 5 identified deficiencies found during the final inspection of the facility by the GRN KAO. The turnover document required the contractor to correct all outstanding deficiencies by

March 31, 2009. According to project file documentation, the contractor corrected all previously identified deficiencies.

Before the site visit, SIGIR reviewed the contractor's design submittals for this project. Overall, the design submittals appeared to contain adequate detail to construct the various buildings and systems for the Chamchamal Correctional Facility. The designs included drawings used for correctional facility construction—civil and site utilities, architectural, electrical, mechanical, plumbing, and structural drawings. The overall site layout showed the general layout of the project site, including the locations of the buildings and parking areas, security fence, and site utilities. The architectural plans identified the location, dimensions, and proposed uses of various spaces within the facility. The architectural plans appeared complete, with detailed information for the individual cells, visitor areas, guard barracks, and ancillary support buildings—including electricity, plumbing, and mechanical. In addition, the contractor gave special consideration to issues such as toilets, showers, and sinks because correctional facility controls require that these items be durable and impossible to disassemble.

Although the contractor's design submittals adequately met the requirements of the contract's Statement of Work (SOW), SIGIR noticed that the SOW did not address the original facility's external expansion joints. Considering that the external walls are exposed to extreme climatic conditions (excessive heat in the summer and snow in the winter), SIGIR's opinion is that external expansion joints should have been part of the SOW.

On June 20, 2009, SIGIR conducted an on-site assessment of the project. Because of the size of the site, the complexity of the project, and time limitations (approximately two hours on site), SIGIR performed only an expedited assessment of the project. The inspection included a representative sample of the completed buildings and systems at the correctional facility. Specifically, SIGIR inspected several medium-security dormitory-style cells



Ongoing construction at Chamchamal site.



Metal cage protects the HVAC, light, and electrical wiring at Chamchamal.

(50 or fewer prisoners per cell) and high-security cells (1-4 prisoners per cell). However, a complete review of all work completed was not possible.

The U.S. government completed construction and officially transferred this project to ICS in March 2009; nevertheless, at the time of SIGIR's site visit, the Chamchamal Correctional Facility did not house any prisoners or guards and was not operational. The U.S. government was responsible for the construction of the correctional facility; however, the KRG was responsible for an operational budget to provide for a staff and electrical power to run the facility.

Since the Chamchamal Correctional Facility was not operational at the time of the assessment, SIGIR could conduct only a limited assessment—or no assessment at all—of the building's systems, including:

- potable water distribution
- wastewater conveyance/disposal
- electrical power production and distribution
- voice and data communication
- external security lighting system

SIGIR's site visit identified minor construction deficiencies, such as an incomplete building

expansion joint system and a tripping hazard outside the kitchen building. In addition, in the refrigeration room, the contractor designed and constructed the room without any electrical outlets. The provisional warden expressed concern that the absence of electrical outlets will nullify the intent of the refrigeration room. The warden stated that perishable food would have to be stored somewhere else or long extension cords would need to be run from another room into the refrigeration room. The warden is concerned that high foot-traffic in this area could increase the potential for the extension cords to be unplugged or cut, which could lead to spoiled food or a fire.

Aside from these minor construction issues, SIGIR concluded that the construction of the Chamchamal Correctional Facility was adequate.

At the time of SIGIR's assessment, U.S. government representatives were concerned about the KRG's inability to provide power, staffing, and an operating budget for this project. Approximately half of the contractor's one-year warranty for any construction defects had expired without a single prisoner or guard using the facilities—sinks, toilets, showers, electric lights and outlets, etc.—to identify latent defects. Representatives of INL stated that



Pre-existing external expansion joints.



the KRG has committed to identify additional guards and provide electrical power and an operating budget to run the facility.

Actions that Made the Chamchamal Correctional Facility Operational

In September 2009, a prisoner riot at the Baghdad Central Prison⁷⁴³ resulted in the death of one prisoner, various injuries to as many as 40 prisoners, and fire damage that left the prison facility “uninhabitable.” The Ministry of Justice decided to temporarily transfer the inmates to other Baghdad correctional facilities, such as Rusafa and Khadamiya.

On September 19, 2009, the Ministry of Justice (MOJ) relocated 360 inmates and 10 Iraqi Correctional Officers (ICOs) from the Baghdad Central Prison to the Chamchamal Correctional Facility. Over the next week, the MOJ continued to transfer additional inmates to the Chamchamal Correctional Facility to alleviate overcrowding in Baghdad prisons. According to the Chamchamal Correctional Facility provisional warden, as of October 12, 2009, there were 2,637 inmates and 240 ICOs at the Chamchamal Correctional Facility.

According to U.S. government representatives, the U.S. military provided the aircraft to fly the

inmates from Baghdad to Sulaymaniyah, and the ICS handled all ground logistical movement to the correctional facility site. The MOJ transferred 240 ICOs on a temporary basis; ICS is vetting and training a group of guards from the Chamchamal town to replace the temporary guards. According to the Chamchamal Correctional Facility provisional warden, 620 guards have been hired for the facility, of which 460 are currently in training. The Iraqi Ministry of Finance has allocated 13 billion Iraqi dinars (\$11.1 million) per month to the ICS for operation and sustainment of the Chamchamal Correctional Facility; these funds are currently being used to provide power and logistical support for the inmates and ICOs at the site.

Recommendation

In the draft report, SIGIR recommended that INL take action to make the \$29 million U.S.-funded Chamchamal Correctional Facility operational. Because the facility is now operational, SIGIR has eliminated this recommendation from the final report.

Management Comments

During the SIGIR review, INL representatives stated that they were in constant contact with the



Orphanage and Senior Citizen Assisted Living Center administration building.



Central rotunda primary stairwell.

KRG regarding the operation and sustainment of the Chamchamal Correctional Facility. Once it became operational, INL representatives provided SIGIR the actual dates and number of inmates and correctional officers transferred to the Chamchamal Correctional Facility.

In addition, SIGIR received comments on the draft report from USACE GRD, indicating that it concurred with the draft report. SIGIR lauds the prompt actions taken by INL to encourage the Government of Iraq to begin using the Chamchamal Correctional Facility. SIGIR also appreciates the concurrence with the draft report by the USACE GRD.

Orphanage and Senior Citizen Assisted Living Center, Erbil, Iraq *SIGIR PA-09-178*

Project Objective

The objective of the project was to provide a modern, safe, and comfortable facility for the most vulnerable citizens of Erbil, Iraq. Valued at approximately \$3.7 million, this ESF-funded project will result in a first-of-its-kind facility—combining an

orphanage and senior center. The project showcases the government's ability to address the basic needs of the population and will provide a safe home for 345 children (165 boys and 180 girls) and 60 senior citizens. The project will result in a living center benefiting destitute orphans and senior citizens by providing a safe and clean living environment.

The project comprised an administrative building, a multipurpose hall, a girls' residential house, a boys' residential house, a senior citizens' residential house, play areas, a pool, a guard house, a water tank, a garden, a fence, driveways and walkways, a parking area, and other support buildings.

Conclusions

On February 7, 2009, the Gulf Region North (GRN) Erbil Resident Office officially turned over the Orphanage and Senior Citizen Assisted Living Center project to the Director of the Ministry of Social Affairs, Erbil province. The Certificate of Deliverables noted that the director received the operation and maintenance manuals, as-built drawings, and the warranty documents.

According to GRN documentation, authorized GRN Erbil Resident Office personnel conducted pre-final inspections on December 27, 2008, and



Exterior view of residential house for boys.

January 15, 2009. The pre-final inspections noted minor problems for the contractor to correct in the buildings. The final inspections for the buildings commenced on December 28, 2008, and were finalized on January 23, 2009. The final inspections showed that the work required by the contract was accomplished without any noted deficiencies.

On July 9, 2009, SIGIR conducted an on-site assessment of the project, accompanied by the Project Engineer of the GRN Erbil Resident Office, personnel of the Kurdish Regional Ministry, and staff of the Orphanage and Senior Citizen Assisted Living Center. During the site visit, the Orphanage and Senior Citizen Assisted Living Center was occupied and functioning.

Based on the detailed Statement of Work and the inclusion by reference of other applicable codes and standards, adequate information was provided in the specifications for the contractor to complete the final design and construct the facility. In addition, the contractor provided detailed final design drawings and plans with specific information for the construction of the Orphanage and Senior Citizen Assisted Living Center.

Although the contract did not require a geotechnical report, the contractor supplied a geotechnical



Primary circuit breaker panel with no barrier, Orphanage and Senior Citizen Assisted Living Center.

report, which was prepared by a local construction laboratory. The report contained information on the borings, physical and chemical properties of the soil, and the allowable soil-bearing capacity.

SIGIR's review of the design documentation determined that the initial design and construction of the project appeared adequate. SIGIR identified a number of potential safety concerns during the site inspection, but they were rectified prior to the preparation of the final report.

SIGIR concluded that the construction of the facility was adequate; aside from the minor safety concerns noted, the project was operating at the capacity provided for in the contract. At the time of the site visit, the Orphanage and Senior Citizen Assisted Living Center had been operational for approximately five months.

Recommendations

SIGIR's report contains no recommendations for corrective action; therefore, management comments were not required.

Management Comments

Although management comments were not required, SIGIR received comments from the

Gulf Region Division of the U.S. Army Corps of Engineers concurring with the draft report. SIGIR appreciates the concurrence of the Gulf Region Division with the report.

Abattoir (Slaughterhouse) in Qaladze, Sulaymaniyah, Iraq *SIGIR PA-09-179*

Project Objective

The overall objective of this \$1.1 million ESF-funded project was to design and construct an abattoir (slaughterhouse) in the Qaladze area in the province of Sulaymaniyah. The project included the construction of a slaughter hall, winter and summer halls, two guard houses, a leather store, a disembowelment hall, a meat store, an administration facility, a laboratory, a general store, a refrigeration room, and a crematory.

Conclusions

The assessment determined that:

1. The U.S. Army Corps of Engineers Gulf Region North (GRN) Kirkuk Resident Office (KRO) provided SIGIR with the project designs for the abattoir project, including site utilities. The general site design showed the general layout of the site, including the location of the buildings and parking areas, security fence, site utilities, site lighting, and landscaping. The architectural plans identified the location, dimensions, and proposed uses of various spaces within the facility. The architectural plans appeared complete and contained detailed information for the buildings and individual rooms. In addition, the overall design demonstrated a high level of planning between the contractor and the KRO. For example, the contractor designed the project to have separate waste disposals—one for small amounts of human waste (from the bathroom) and another for the animal product wastes, such as blood and excreta. Because the animal waste poses significant health hazards, it must

be separated from the smaller amount of human waste. The animal waste will be collected in tanks and sent away for proper handling and disposal.

Overall, the design submittals appeared to contain adequate detail to construct the facility and the various systems within the facility.

2. At the time of the site visit, the project was approximately 35-40% complete; consequently, construction work on the abattoir was still ongoing. In general, the observed construction work appeared to meet the standards of the Statement of Work. SIGIR identified two construction deficiencies—an incomplete expansion joint system for the facility's exterior and interior floor and parapet⁷⁴⁴ and an improperly constructed riser for a concrete stair unit that caused a tripping hazard. As a result of the persistence of the KRO, the contractor has already taken corrective actions to remedy these deficiencies.

Aside from these two construction issues, SIGIR concluded that the construction work exhibited good-quality material and above-average workmanship and attention to detail.



Ongoing construction at the abattoir.

3. The contractor's quality control (QC) management program was effective. The contractor instituted a three-phase QC control system (preparatory, initial, and follow-up phases) to ensure that construction complies with the requirements of the contract. The contractor submitted QC reports on a daily basis, which were reviewed by the KRO project manager. The QC representatives supplemented the daily QC reports with photographs that reinforced the information provided in the daily reports. Further, the QC representatives were also present for all significant pours and testing and followed up on the test results.

The government quality assurance (QA) program was effective in monitoring the contractor's QC program. The KRO QA representative maintained daily QA reports that documented any deficiencies noted at the site. For example, the QA representative also identified and documented the contractor's construction deficiency with the concrete stair unit riser that SIGIR found. Based on SIGIR's review, the QA representative's reports were sufficiently complete, accurate, and timely. In addition to containing project-specific information to

document construction and highlight deficiencies, the QA representative also supplemented the QA reports with detailed photographs that reinforced the narrative information.

In addition, when construction deficiencies were identified, the KRO quickly contacted the contractor to determine corrective actions to remedy the issues. The KRO's QA program is ensuring the successful completion of the abattoir project.

4. Sustainability was addressed in the contract requirements. The Statement of Work included sustainability elements to assist the Iraqi ministry ultimately responsible for operating this project after turnover. The contract requires the contractor to provide a warranty for construction work for one year after the date of final acceptance of the work. In addition, the contract specifications require the contractor to provide and certify warranties in the name of the appropriate ministry for all materials and equipment. Upon completion of each facility, the contractor must prepare and furnish as-built drawings, which will be a record of the construction as installed and completed.



Interior view of the slaughterhouse room.



Partially completed security fence surrounding the abattoir.

- To date, the abattoir project results are consistent with the original contract objectives. An abattoir presents significant health and environmental hazards to local communities because of the discharge of waste and highly polluted effluents. Before this project, the city of Qaladze did not have an abattoir to kill and process meat in a safe and sanitary environment. When construction is completed, this facility will benefit the 120,000 local city residents by providing them with access to fresh and processed meat produced in the most hygienic manner possible.

Recommendations

Since the KRO has already required the contractor to take corrective actions to the construction deficiencies SIGIR identified during the site visit, the draft report did not contain any recommendations for further action, and comments on the draft report were not required.

Management Comments

Though not required, SIGIR received comments from the U.S. Army Corps of Engineers, Gulf Region Division, concurring with the draft report. SIGIR appreciates the concurrence with the draft report by the U.S. Army Corps of Engineers.

Al Kasik Location Command, Al Kasik, Iraq SIGIR PA-09-182

Project Objective

The overall objective of this \$6.3 million ISFF-funded project was to design and construct a new Iraqi Army Location Command in the Al Kasik area Ninewa province. The project includes the construction of:

- a reclamation platoon facility
- a warehousing platoon facility
- a bulk storage facility
- a petroleum, oil, and lubricants (POL) distribution point



Aerial overview of the abattoir project.

- a bulk lubricant storage facility
- a power line to new buildings
- water and sewer hookups to new buildings
- perimeter fencing

The project also requires the demolition of existing buildings. Because this project called for new construction within an existing facility, repair and refurbishment were also required.

Conclusions

The assessment determined that:

- The U.S. government provided the preliminary design to the contractor. The Statement of Work (SOW) required the contractor to develop the preliminary package into a complete design package. Specifically, the SOW required the contractor to review the preliminary designs and “correct any conflict or deficiency, also provide any missing or required details or drawings.”

SIGIR reviewed the contractor-generated drawings, which contained specific information on the proposed buildings, fuel storage facilities, site utilities, site drainage, sewage collection system, and other project features.



Maintenance garage prior to completion of exterior panel installation at Al Kasik.



Bond beam increased depth in lieu of lintel in latrine building at Al Kasik.

SIGIR determined that there was adequate information to complete the final design and construct the facility.

2. During the site assessment on May 16, 2009, SIGIR observed ongoing construction work, such as concrete formwork and preparation for concrete placement. SIGIR observed a number of construction issues, including:
 - The bracing for the pallet racks⁷⁴⁵ was not completely installed.
 - The water and sewer piping were placed in the same trench.
 - The raft foundation⁷⁴⁶ contained no provisions to continue the reinforcing steel through the construction joint.

SIGIR discussed the following issues with personnel from the Gulf Region North (GRN) Mosul Area Office of the Gulf Region Division (GRD), U.S. Army Corps of Engineers (USACE):

- The contractor should perform a final check of the rack system after construction is complete to verify that all bracing is installed

and that all legs are securely fastened to the floor slab.

- The water and sewer piping create a conflict with the installation of the sanitary manhole and could potentially contaminate the water supply.
- The raft foundation contained no provisions to continue the reinforcing steel through the construction joint or provide fuel proofing to prevent leaks.

The GRN Mosul Area Office personnel stated that the contractor would perform a final check of the rack system after construction is complete to verify that all bracing is installed and that all legs are securely fastened to the floor slab. The other issues would be addressed throughout the project, and corrective action would be taken as necessary.

3. The contractor's quality control (QC) plan was sufficiently detailed to effectively guide the contractor's quality management program. The contractor submitted a QC plan, which GRN accepted as meeting the standards addressed in Engineering Regulation 1180-1-6



Column base plate prior to placement of non-shrink grout at Al Kasik.



Raft foundation for benzene storage at Al Kasik.

(Construction Quality Management). The QC representatives monitored field activities and completed daily QC reports that presented a brief background on the number of workers on site, work activities performed, and major equipment on site.

The U.S. government quality assurance (QA) program was effective in monitoring the contractor's QC program. GRN Mosul Area Office employed local Iraqi QA representatives to monitor field activities and complete daily QA reports. The daily reports documented the number of workers on site and the daily work performed. SIGIR reviewed the QA reports and found that the QA representatives did an effective job identifying and correcting construction deficiencies at the project site.

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

addition, the contractor is required to perform operations and maintenance training appropriate to the facilities and equipment installed, constructed, or rehabilitated in the scope of this project, along with providing operations and maintenance manuals. Further, upon completion of each facility, the contractor must prepare and furnish as-built drawings, which will be a record of the construction as installed and completed.

5. As of SIGIR's site assessment, the Al Kasik Location Command project was approximately 56% complete. The results are consistent with the original project objective to construct a new Iraqi Army Location Command in the Al Kasik area in Ninewa province.

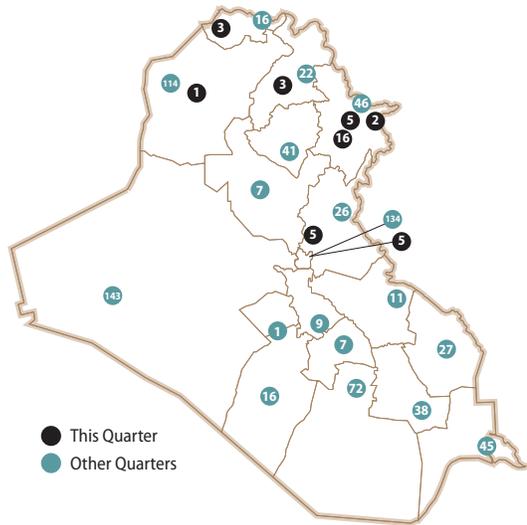
Recommendations

The report did not contain any recommendations for corrective action; therefore, management comments were not required.

Management Comments

Although management comments were not required, SIGIR received comments from the Gulf

FIGURE 4.2
AERIAL IMAGERY ASSESSMENTS



Approximate locations of SIGIR's aerial imagery assessments conducted this quarter and the locations by province of assessments from previous quarters.

TABLE 4.3
IMAGERY ASSESSED SUPPORTING SIGIR PROJECT ASSESSMENTS AND OTHER DIRECTORATES

PROJECT TYPE	NUMBER OF PRODUCTS
Abattoir in Qaladze	16
Restoration of the Tomb of the Unknown Soldier	4
Emergency Hospital in Zahko	3
Humer Kwer Health Center	3
Orphanage and Senior Citizen Assisted Living Center in Erbil	2
Penjween 18 Classroom School	2
ADDITIONAL PRODUCTS	
Diyala Province—Ba'quba	3
Diyala Province—Sa'adiyah	2
Center of City of Sulaymaniyah	2
KRG Government Offices in Erbil	1
Baghdad Province	1
Ninewa Province	1

Region Division of the U.S. Army Corps of Engineers and the Multi-National Force-Iraq concurring with the draft report. SIGIR appreciates the concurrences with the draft report. No additional comments are necessary.

Aerial Project Survey Program

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, performs aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This program has enabled SIGIR to provide

current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 57 images and created 40 imagery products, using satellite imagery and limited contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. For an overview of the imagery products produced this quarter, see Table 4.3.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 819 cumulative satellite imagery assessments and products. For an overview of the approximate locations of these assessments, see Figure 4.2. ♦



WorldView 2008 ©



WorldView 2009 ©

Aerial imagery time lapse from September 10, 2008 (right) to March 21, 2009 (left) of the Emergency Hospital in Zahko, a project to be assessed later this year.



OrbView 2009 ©

Aerial imagery of the Tomb of the Unknown Soldier, to be assessed in a future quarter, taken August 30, 2009.



WorldView 2009 ©

Aerial imagery taken June 10, 2009, of the Orphanage and Senior Citizen Assisted Living Center in Erbil assessed this quarter.

SIGIR INVESTIGATIONS

This quarter, SIGIR Investigations continued actively pursuing a wide array of allegations of fraud, waste, and abuse in Iraq, with 96 open investigations. SIGIR has 8 investigative personnel assigned to Baghdad, 13 at SIGIR headquarters in Arlington, Virginia, and 14 in offices in Pennsylvania, Maryland, North Carolina, Florida, Texas, Ohio, Michigan, and California. To date, the work of SIGIR investigators has resulted in 24 arrests, 31 indictments, 24 convictions, and nearly \$50 million in fines, forfeitures, recoveries, and restitution.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction, working closely with prosecutors, U.S. partner investigative agencies, and Coalition-partner investigators. As a result of SIGIR investigations, 5 defendants are awaiting trial, and 12 defendants are awaiting sentencing. For a comprehensive list of convictions compiled by the Department of Justice, see Table 4.4 at the end of this subsection.

SIGIR notes these significant investigative outcomes this quarter:

- Two lieutenant colonels in the U.S. Marine Corps accepted non-judicial punishment as a result of a task force bribery investigation.
- A U.S. Marine was charged, convicted, and sentenced for taking funds from contractors in Falluja, Iraq; \$60,000 in stolen cash was recovered.
- Investigators seized more than \$1.7 million in illegal proceeds from a safe deposit box.
- Money judgments were ordered for \$14.1 million as the result of a massive bribery investigation.
- The niece of a contracting officer pled guilty to obstructing an investigation into money laundering.
- A contractor was indicted for bribery, conspiracy, and failure to appear in court.
- The husband of a former Army officer pled guilty to laundering money stolen from Iraq.

- A Department of State employee was arrested for soliciting and receiving illegal payments from Iraqi contractors.
- The U.S. Army Procurement Fraud Branch suspended 4 individuals, proposed 14 individuals and companies for debarment, and debarred 16 companies and individuals for fraud and corruption in Iraq reconstruction. The U.S. Air Force and U.S. Navy each suspended one individual.

Two Marine Officers Accept Non-judicial Punishment in Bribery Investigation

As a result of a SIGIR task force investigation, on August 18, 2009, two U.S. Marine Corps lieutenant colonels underwent non-judicial punishment under Article 15 of the Uniform Code of Military Justice (UCMJ). They were found guilty of dereliction of duty, wrongful disposal of U.S. military property, issuance of orders to commit unlawful conduct, failure to report fraud, and wrongfully influencing testimony of subordinate personnel while stationed in Iraq. A U.S. Marine lieutenant general presided at the Article 15 hearing.

This case is a part of a task force investigation being conducted jointly by Naval Criminal Investigative Service (NCIS), SIGIR, and Defense Criminal Investigative Service (DCIS).

U.S. Marine Pleads Guilty and Is Sentenced for Taking Funds from Contractors

As a result of a SIGIR task force investigation, on September 3, 2009, Master Gunnery Sergeant Luis A. Lopez, USMC, pled guilty to three specifications

of Article 134 (graft) under the Uniform Code of Military Justice (UCMJ) during court-martial proceedings at Marine Corps Base, Camp Lejeune, North Carolina. Lopez was charged with taking money from three contractors while deployed to Iraq in 2005. The UCMJ defines graft as compensation for services performed in an official matter when no compensation is due.

Lopez pled guilty to taking \$67,000 from three contracting companies that provided supplies and services in Iraq. Lopez was sentenced to reprimand, total forfeitures of all pay and allowances, a \$10,000 fine, reduction to pay grade E-6, and 89 days of confinement. Investigators recovered \$60,000 from Lopez.

This case is part of a task force investigation being conducted jointly by NCIS, SIGIR, and DCIS.

More than \$1.7 Million from Cockerham Conspiracy Seized

On September 17, 2009, investigators searched a bank safety deposit box leased by Melissa Cockerham and seized \$1,776,966.37—\$1,508,900 in U.S. currency and \$268,066.37 in foreign currency. The investigation determined that Melissa Cockerham's spouse, Major John Cockerham, had received the money from contractors in return for awarding U.S. government contracts to the companies. The seized U.S. and foreign currency was retained in the custody of U.S. officials for processing and forfeiture proceedings.

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

For a complete account of this investigation, see SIGIR's July 2007 *Quarterly Report and Semiannual Report to Congress* and subsequent Quarterly Reports.



More than \$1.7 million in currency seized in Cockerham case.

U.S. District Court Orders \$14.1 Million in Money Judgments

On September 22, 2009, the U.S. District Court in San Antonio, Texas, ordered three separate money judgments totaling \$14.1 million, arising from the Cockerham case.

The court ordered that \$9.6 million be forfeited to the United States, representing the proceeds of the conspiracy and money-laundering charges in John Cockerham's indictment.

The court also ordered that the United States was entitled to the forfeiture of any other assets owned by Cockerham up to the amount of the judgment, and that at the time of sentencing, the money judgment be included in the judgment of his criminal case.

The court issued similar judgments for Carolyn Blake (for not less than \$3.1 million) and for Melissa Cockerham (for not less than \$1.4 million).

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

Contracting Officer's Niece Pleads Guilty to Obstructing Investigation into Money Laundering

On July 28, 2009, Nyree Pettaway pled guilty to one count of conspiring with U.S. Army Major John C. Cockerham (her uncle), Carolyn Blake (her aunt and Cockerham's sister), and others to obstruct the investigation of money laundering related to Cockerham's receipt of more than \$9 million in bribes as a contracting officer in Kuwait.

Pettaway admitted that in late 2006, when Cockerham learned he was under investigation, he solicited her assistance to create cover stories for the millions of dollars he had received and to return \$3 million in cash to co-conspirators for safekeeping. Pettaway admitted she traveled to Kuwait, received the cash from Blake, and gave it to others to hold for Cockerham. She also admitted that she delivered fraudulent documents to contractors in Kuwait in an attempt to make the bribe payments appear to investigators to be legitimate loans.

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

Contractor Indicted for Bribery, Conspiracy, and Failing To Appear in Court

On October 7, 2009, a federal grand jury in Oklahoma City, Oklahoma, indicted Elie Samir Chidiac in a superseding indictment charging him with bribery, conspiracy to commit bribery, and failing to appear in court. In 2006 and 2007, Chidiac was an Iraq site manager for Raman Corporation, a Lebanese company with a Texas affiliate, Raman International Inc (Raman). According to the indictment, Chidiac participated in two conspiracies in which he bribed Army Major Theresa Jeanne Baker in connection with contracts awarded at Camp Victory, Iraq. This indictment supersedes an indictment returned on January 22, 2008, which

charged Chidiac with two counts of conspiracy to commit bribery.

According to the indictment, from approximately July 2006 to March 2007, Raman and Chidiac gave money and other items to Baker in return for the award of DoD contracts at Camp Victory. In a second conspiracy, which took place from approximately November 2006 to March 2007, Baker canceled contracts awarded to third-party contractors and fraudulently re-awarded them to Chidiac. Baker then authorized Chidiac to receive cash payments for those contracts, even though Chidiac had not delivered any goods and had not performed any services. In return, Chidiac gave some of the money back to Baker.

Baker was sentenced on September 30, 2009, to 70 months in prison and ordered to pay \$825,000 in restitution. Raman was sentenced on January 30, 2009, to a \$500,000 fine.

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

Husband of Former Army Officer Pleads Guilty to Laundering Money Stolen from Iraq

On August 5, 2009, William Driver, a New Jersey accountant, pled guilty in U.S. District Court for the District of New Jersey, Trenton, New Jersey, to laundering portions of more than \$300,000 acquired as part of his role in the Bloom-Stein conspiracy. The funds were stolen from the Coalition Provisional Authority (CPA) in Iraq and brought back to the United States by his wife, Debra Harrison, a former U.S. Army lieutenant colonel. From April through June 2004, Harrison was the deputy comptroller and acting comptroller of CPA-South Central Region (CPA-SC).

At the plea hearing, Driver admitted that Harrison stole money from the CPA-SC and transported it to their home in Trenton. Driver then contracted a home improvement company to build a deck

on their home; from October through December 2004, he and Harrison used the stolen cash to make four payments of \$9,000 each to the contractor. Driver also admitted that he and his wife made cash payments to evade transaction-reporting requirements when the contractor deposited the funds at a bank. Driver is scheduled to be sentenced on December 3, 2009, in U.S. District Court, Trenton, New Jersey.

This investigation is being conducted jointly by SIGIR, IRS, and ICE; the case is being prosecuted by the Public Integrity Section of the Department of Justice. This quarter, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) presented the Bloom-Stein investigation the CIGIE award for investigative excellence.

Department of State Employee Arrested for Illegal Payments

On October 16, 2009, SIGIR agents arrested a Department of State (DoS) employee based on a complaint filed with the U.S. District Court alleging conspiracy, illegal receipt of kickbacks, illegal receipt of bribes, and wire fraud. The complaint alleged that as a contractor and later as a DoS employee this individual solicited and received illegal kickbacks and bribes from Iraqi contractors in return for facilitating their receipt of U.S. government contracts.

This investigation is being conducted jointly by SIGIR, DCIS, ICE, and the DoS Office of Inspector General.

SIGIR Continues Forensic Audit

This quarter, SIGIR Audits and Investigations continued a joint initiative, begun in December 2008, to review DoD Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction (Project No. 9005). This special forensic audit project is designed to review

data related to the Iraq Relief and Reconstruction Fund for fiscal years 2003-2008. In March 2009, SIGIR expanded that initiative to include expenditures by the Department of State (Project No. 9012) and the U.S. Agency for International Development (Project No. 9013).

The objective of the project is to examine options for combining automated transaction data and data-mining techniques to review the appropriateness of expenditures for Iraq relief and reconstruction. The forensic audit project is expected to lead to SIGIR follow-on efforts, products, and investigations.

Working in concert with SIGIR Audits, SIGIR Investigations opened a proactive investigation. SIGIR special agents and auditors have coordinated this effort and are working with various contract administration, financial management, audit and investigative components in DoD, DoS, USAID, U.S. Postal Service, and the Department of the Treasury (IRS and Financial Crimes Enforcement Network). SIGIR has expanded that effort, identifying five major avenues of specific investigative interest and inquiry.

In partnership with the other agencies, SIGIR auditors and investigators are examining tens of thousands of documents to identify unusual or suspect financial transactions that may indicate fraud or corruption in the award and administration of contracts and grants. So far, SIGIR has identified a number of instances of suspect transactions that warrant more in-depth analysis. The project has also been helpful in providing additional information for investigations already underway.

Defense Finance and Accounting Service—Rome, New York

This quarter, SIGIR continued to support the ongoing invoice review project of the Defense Finance and Accounting Service (DFAS) in Rome, New York. DCIS initiated this proactive project to analyze several billion dollars in payments related to U.S. Army purchases that have supported the war

effort in Iraq. To aid in the efficient processing and retrieval of contingency vouchers, DFAS deployed scanners to Iraq and Kuwait to scan new vouchers into a DFAS database. In addition to the daily scanning of new contingency vouchers and supporting documents, DFAS began to scan into the same database all of the historical vouchers related to contingency payments stored at DFAS-Rome. The historical contingency documents comprise about 800,000 vouchers, with a value of approximately \$13 billion to \$14 billion. The scanning of these documents has begun and is expected to continue until at least December 2010.

SIGIR has assigned one senior criminal investigator to DFAS-Rome to coordinate the review of the historical contingency documents in support of ongoing investigations, as well as to develop new criminal investigations. DFAS has provided SIGIR and its partner investigative agencies full access to its electronic databases. Data-mining techniques are being used to analyze the documents in the DFAS database. The DFAS Rome Project is actively developing cases and providing support to ongoing investigations to SIGIR and its partner investigative agencies. This is an integral part of the SIGIR forensic audit.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with the Department of Justice, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. 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.

Since SIGIR's July 2009 Quarterly and Semiannual Report to Congress, the PFB has taken these actions:

- suspended four individuals based on allegations of fraud in Iraq and Kuwait
- proposed 14 individuals and companies for debarment based on allegations of bribery, wire fraud, theft and money laundering found in materials provided to PFB by criminal investigators and the Department of Justice
- debarred 16 companies and individuals based on criminal convictions and fact-based inquiries provided by PFB to the Army Suspension and Debarment Official

In addition, a review of records kept by PFB showed that five proposals for debarment—which resulted in five debarments during January 2009—were not previously included in the totals provided as part of PFB's quarterly submissions to SIGIR.

To date, the Army has suspended 88 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait. A total of 96 individuals and companies have been proposed for debarment, resulting in 78 finalized debarments, ranging in duration from nine months to ten years. PFB is aggressively pursuing additional companies and individuals associated with fraud associated with Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2009.

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 the SIGIR in the third quarter of 2009 and are now included in the quarterly report produced by SIGAR.

For a list of debarments, see Table 4.5. For a complete list of suspensions and debarments, see Appendix F. ♦

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

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Robert Jeffery	Conspiracy and theft	8/11/2009	Pending
William Driver	Money Laundering	8/5/2009	Pending
Nyree Pettaway	Conspiracy to Obstruct Justice	7/28/2009	Pending
Robert Young	Conspiracy and theft of Government Property	7/24/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	Pending
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert George	Theft of government property; conspiracy	5/18/2009	Pending
Roy Greene Jr.	Theft of government property; conspiracy	5/18/2009	Pending
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	Pending
Jeff Alex Mazon, Contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	Pending
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	Pending
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	Pending
Harith al-Jabawi, Contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	Pending
Maj. Theresa Baker, 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	Pending
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	Pending
David Ramirez, Contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; \$200 special assessment
Lee Dubois, Contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	Pending
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Robert Bennett Contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	Pending
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison; 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	Pending
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	Pending
Lt. Col. Levonda Selph, 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; and \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse Lane, USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti, Jr., USA Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, Employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served; and 2 years supervised release
Gheevarghese Pappen, USACE Civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA- South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture

Continued on the next page

SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co. Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 in restitution; \$200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years of supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

TABLE 4.5
DEBARMENT LIST

NAME	DEBARRED
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd. LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos L. Chavez	1/30/2009
Darryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, L.L.C.	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008

Continued next column

NAME	DEBARRED
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private) Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasantha Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	09/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

SIGIR HOTLINE

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

Third Quarter Reporting

As of September 30, 2009, the SIGIR Hotline had initiated 750 cases. Of these cases, 693 have been closed, and 57 remain open. For a summary of these cases, see Table 4.6.

New Cases

During this reporting period, the SIGIR Hotline received 21 new complaints, bringing the cumulative total to 750 Hotline cases. The new complaints were classified in these categories:

- 10 involved contract fraud.
- 5 involved personnel issues.
- 2 involved miscellaneous issues.
- 2 involved abuse.
- 1 involved waste.
- 1 involved mismanagement.

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 21 new Hotline complaints, 11 were received through electronic mail; 10, by the SIGIR website.

Closed Cases

During this quarter, SIGIR closed 55 Hotline cases:

- 37 were closed by SIGIR Investigations.

- 13 were referred to other inspector general agencies.
- 3 were closed by SIGIR Audits.
- 2 were dismissed for lack of information.

Referred Complaints

After a thorough review, SIGIR referred 13 complaints to outside agencies for proper resolution:

- 4 were sent to the U.S. Army Office of Inspector General.
- 4 were sent to the Joint Contracting Command-Iraq/Afghanistan.
- 2 were sent to the Department of Defense Office of Inspector General.
- 1 was sent to the Office of Government Ethics.
- 1 was sent to the Multi-National Force-Iraq Office of Inspector General.
- 1 was sent to the U.S. Agency for International Development Office of Inspector General.

TABLE 4.6
SUMMARY OF SIGIR HOTLINE CASES, AS OF 9/30/2009

OPEN CASES				
Investigations	50			
Audits	6			
Inspections	1			
Total Open	57			
CLOSED CASES	1 ST QTR 2009	2 ND QTR 2009	3 RD QTR 2009	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	0	46
Dismissed	2	1	2	128
Referred	11	8	13	302
Inspections	0	0	0	79
Investigations	1	3	37	116
Audits	4	0	3	16
Total Closed	18	12	55	693
Cumulative* Open & Closed				750

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 9/30/2009.

SIGIR WEBSITE

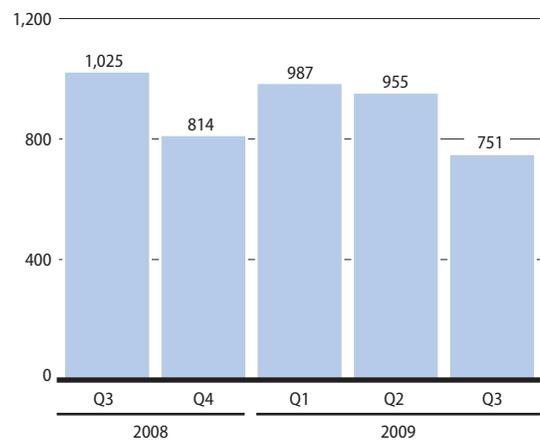
During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- More than 69,000 users visited the SIGIR website—about 750 users per day.
- The Arabic language section of the site received 964 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.

For an overview of daily visits to the SIGIR website, see Figure 4.3. ♦

FIGURE 4.3

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, AS OF 9/30/2009



Source: DoD, IMCEN, response to SIGIR data call, 10/13/2009.

LEGISLATIVE UPDATE

As of October 22, 2009, the Congress had not yet concluded its work on fiscal year 2010 appropriations for the Department of Defense (DoD) or the Department of the State (DoS), Foreign Operations, and Related Programs. On October 22, 2009, the Senate agreed to the conference report on H.R. 2647, the National Defense Authorization Act (NDAA) for Fiscal Year 2010. The House had agreed to the conference report on October 8, 2009. The NDAA, also referred to below as “the act,” includes several provisions related to the reconstruction of Iraq. The President is expected to sign it into law.

NDAA Title XII—Matters Relating to Foreign Nations

Section 1201 of the NDAA extends the authority for so-called “Section 1207,” or “security and stabilization” assistance, through FY 2010 at the current authorization amount of \$100 million. The conference report states:

While...the increased coordination between the Department of Defense and Department of State resulting from the joint formulation and implementation of security and stabilization projects under the section 1207 authority has value, the conferees reaffirm that Congress has always intended for this transfer authority to be temporary and are disappointed that the Department of State has not yet achieved the capacity to fulfill its statutory requirements. The conferees urge the administration to work toward this goal as rapidly as possible. They further recommend that the administration examine ways to maintain this coordination in the absence of this authority.

Section 1204 of the act requires the President to report on, among other things, the relationship between the authorities of DoD to “conduct security cooperation programs to train and

equip, or otherwise build the capacity of, foreign military forces,” and the “security assistance authorities” of DoS and other foreign assistance agencies. The report should also cover the “strengths and weaknesses” of various provisions of law concerning these activities, the “organizational and procedural changes, if any, that should be made” in DoD and DoS and other foreign assistance agencies to improve their ability to “conduct programs to build the capacity of foreign military forces, including . . . to participate in or support military and stability operations in which the United States Armed Forces are a participant,” and the forces and funding mechanisms required to ensure adequate funding for such programs.

Section 1209 of the act requires a report by “the Secretary of Defense, with the concurrence of the Secretary of State,” on “the role of Foreign Military Sales in meeting the requirements of the military and security forces of Iraq.” The report shall include a “description of the minimum requirements of the military and security forces of Iraq to achieve and sustain internal security,” a “description of how Foreign Military Sales may be leveraged to ensure the timely delivery of training, equipment, and supplies beyond the December 2011 drawdown deadline and any recommendations for improving the Foreign Military Sales process with respect to Iraq,” and an “assessment of the feasibility and desirability of treating an undertaking by the Government of Iraq . . . as a dependable undertaking described in . . . the Arms Export Control Act . . . for the purpose of entering into contracts for the procurement of defense articles and defense services as provided for in that section.”

Section 1221 of the act re-enacts an existing provision that no funds appropriated under an authorization of appropriations in the act may be used to “establish any military installation or base for the purpose of providing for the permanent stationing of United States Armed Forces in Iraq” or “to exercise United States control of the oil resources of Iraq.”

Section 1222 of the act contains a one-year extension of the authorization of appropriations for the Commander’s Emergency Response Program (CERP) through FY 2010. The authorization level is reduced from \$1.5 billion for FY 2009 to \$1.3 billion for FY 2010. The act requires that the Secretary of Defense, within 180 days of enactment, conduct a thorough review of the CERP and submit that review to congressional committees.

According to the conference report:

The conferees direct the Secretary of Defense to include as part of this review an assessment of the following: the process for generating and justifying the CERP budget; the existing management and oversight of CERP funds and contracts; personnel requirements specifically in support of CERP and the number of personnel deployed to meet those requirements in Afghanistan, including with the Joint Contracting Command and U.S. Forces-Afghanistan; the extent and effectiveness of coordination of projects with other U.S. Government agencies, international organizations, and Non-Governmental Organizations carrying out projects in Iraq and Afghanistan; and coordination with the host government on CERP projects, including procedures for ensuring the sustainment of those projects by the host government over the long run.

The same section provides for the use of \$50 million of the fund by the Secretary of State for the “Afghanistan National Solidarity Program” and, with the concurrence of the Secretary of State, such funds as are necessary for the reintegration into Afghan society of

individuals who have renounced violence against the Afghan government.

Section 1226 of the act requires the Comptroller General to submit reports on the Iraq campaign plan’s adherence to military doctrine as established in the DoD publication “Joint Operation Planning.”

Section 1227 of the act requires a quarterly report from the Secretary of Defense “concerning the responsible redeployment of United States Armed Forces from Iraq in accordance with the policy announced” by President Obama on February 27, 2009, and the United States-Iraq Security Agreement.

Section 1228 of the act requires the Secretary of Defense to submit to Congress “a report on the feasibility and desirability of establishing general uniform procedures and guidelines for the provision of monetary assistance to civilian foreign nationals for losses, injuries, or death ... incident to combat activities of the United States Armed Forces.”

Section 1234 of the act provides the Secretary of Defense, with the concurrence of the Secretary of State, the authority to transfer to the Government of Iraq, without reimbursement, defense articles and associated defense services for its military and security forces during FY 2010. Such transfers, combined with similar transfers to the Government of Afghanistan, are limited to a value of \$750 million and must have been, at some point, in use in Iraq. Thirty days prior to making any such transfers, the Secretary must provide a plan to Congress, and in the case of specific transfers must provide 15 days notice to certain congressional committees.

NDA Title VIII—Procurement Matters

Section 811 of the act requires a written justification and approval for contracts in excess of \$20.0 million that are awarded on a sole-source basis, including certain contracts now exempt from generally applicable justification and approval. The conferees noted that sole-source contracts may be awarded on a sole-source basis only when those awards have been determined to be in the best interest of the agency concerned.

Section 812 of the act requires the Secretary of Defense to revise the DoD Supplement to the Federal Acquisition Regulation to ensure that regulatory limitations applicable to undefinitized contract actions apply to all categories of such contract actions, including undefinitized task orders and delivery orders, and undefinitized modifications to contracts, task orders, and delivery orders.

Section 813 of the act modifies requirements related to contracting actions in Iraq and Afghanistan—passed as part of Title VIII and Title XII of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181)—to cover grants and cooperative agreements and to lower a reporting threshold related to reports on the employment of Iraqis.

Section 815 of the act clarifies that a decision to suspend or debar a contractor applies to subcontracts at any tier, other than (1) subcontracts for commercially available off-the-shelf items and (2) subcontracts (other than first-tier

subcontracts) under contracts for commercial items. The conferees stated their expectation that

Department of Defense and other affected agencies to review these procedures to ensure that: (1) federal agencies coordinate with other affected federal agencies on suspension or debarment decisions, as appropriate; and (2) contractors are notified of the basis for suspension or debarment decisions and provided an opportunity to respond as early as practicable, consistent with the fundamental purpose of protecting the Federal Government and the taxpayers from unscrupulous contractors.

Section 822 of the act extends the life of the Commission on Wartime Contracting in Iraq and Afghanistan for one year (for a total of three years) and provides for the Commission to be assisted by federal agencies.

Section 823 of the act provides that the Secretary of Defense shall ensure that certain contracts entered into in the future using award fees shall provide for the consideration of certain “covered incidents” in evaluations of contractor performance for an award fee period and authorize the Secretary to reduce or deny award fees or recover award fees previously paid on the basis of the negative impact of certain incidents on contractor performance. “Covered incidents” include those that have been determined through certain criminal, civil, or administrative proceedings to have caused serious bodily injury or death to any civilian or military personnel of the government through gross negligence or with reckless disregard for the safety of those personnel. “Covered incidents” also are incidents in which a contractor is liable for similar actions of a subcontractor. ♦