

SIGIR OVERSIGHT

| | |
|----------------------|-----|
| SIGIR AUDITS | 108 |
| SIGIR INVESTIGATIONS | 117 |
| SIGIR HOTLINE | 129 |
| SIGIR WEBSITE | 130 |
| LEGISLATIVE UPDATE | 131 |

SECTION

5

SIGIR AUDITS

Since March 2004, SIGIR’s Audits Directorate has issued 201 reports. From August 1 to October 31, 2011, SIGIR issued seven audits addressing a wide range of reconstruction issues. They included:

- a report examining Coalition Provisional Authority (CPA) transfer of Development Fund for Iraq (DFI) monies to the Government of Iraq (GOI)
- a report examining how six recipients of U.S. awards account for indirect costs in managing their security contracts
- a report on obligations and expenditures of International Narcotics Control and Law Enforcement (INCLE) funds allocated to Iraq
- a report on Department of Defense (DoD) responsiveness to SIGIR recommendations
- a report on the extent and reasons why the U.S. Central Command (CENTCOM) Contracting Command (C3) terminated contracts and whether those decisions resulted in waste
- a report on the extent to which the Department of State (DoS) has adequately planned for its assumption of the Police Development Program (PDP)
- a report on issues affecting the construction of the Falluja Waste Water Treatment System

For a list of these audit products, see Table 5.1.

SIGIR currently has 13 announced or ongoing audits, and others are expected to start next quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR Audits Completed This Quarter

Development Fund for Iraq: The Coalition Provisional Authority Transferred Control over Most of the Remaining DFI Funds to the Central Bank of Iraq
(SIGIR 12-001, 10/2011)

Introduction

The CPA was established in May 2003 to provide for the temporary governance of Iraq. United Nations Security Council Resolution 1483 created the DFI and assigned the CPA the responsibility for managing it. The DFI comprised revenues from Iraqi oil and gas sales, certain remaining Oil for Food deposits, and repatriated national assets, and it was used in part for the relief and reconstruction efforts in Iraq. During its almost 14-month life, the CPA had access to \$20.7 billion in DFI funds for use in

TABLE 5.1
SIGIR AUDIT PRODUCTS, SINCE 8/1/2011

| REPORT NUMBER | REPORT TITLE | DATE ISSUED |
|---------------|---|-------------|
| 12-001 | Development Fund for Iraq: The Coalition Provisional Authority Transferred Control over Most of the Remaining DFI Funds to the Central Bank of Iraq | 10/2011 |
| 12-002 | Indirect Costs of Managing Private Security Contracts in Iraq | 10/2011 |
| 12-003 | Status of International Narcotics Control and Law Enforcement Funds Allocated for Iraq Reconstruction | 10/2011 |
| 12-004 | Department of Defense Agencies Have Taken Action on Most Open Audit Recommendations | 10/2011 |
| 12-005 | U.S. Central Command Contracting Command Had Few Contract Terminations That Resulted in Wasted Funds in Iraq | 10/2011 |
| 12-006 | Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency | 10/2011 |
| 12-007 | Falluja Waste Water Treatment System: A Case Study in Wartime Contracting | 10/2011 |

these efforts. DFI funds were held in accounts at the Federal Reserve Bank of New York (FRBNY) and the Central Bank of Iraq (CBI), as well as the presidential palace vault in Baghdad. When the CPA was dissolved on June 28, 2004, \$6.6 billion remained in unexpended DFI funds.

In response to a request from the DoD Comptroller about the status of remaining DFI funds, SIGIR initiated this audit to determine (1) who had authority and control over DFI funds after the CPA was dissolved and (2) whether DFI funds shipped to Baghdad were properly controlled by the CPA and transferred to and deposited into the CBI.

Results

When the CPA was dissolved, the CPA Administrator transferred control over almost all of the \$6.6 billion remaining in DFI funds to the CBI. This included \$4.7 billion on deposit at the FRBNY, primarily held as U.S. Treasury bills, and \$1.7 billion at the CBI. DoD assumed control of the remaining \$217.7 million, which was in the presidential palace vault in Baghdad. In January 2012, SIGIR plans to report on DoD's accounting for these funds and about \$2.8 billion more in DFI funds used by DoD agencies, including the U.S. Army Corps of Engineers, for reconstruction projects in Iraq.

The CPA had policies and procedures governing the transfer and deposit of DFI funds into the CBI once it arrived in Baghdad. From August 2003 through June 2004, the FRBNY made 11 cash shipments to Baghdad totaling \$10.2 billion in DFI funds. Four of these shipments, totaling approximately \$5.8 billion, occurred within the last two months of the CPA's existence.

SIGIR reviewed these four shipments to determine if the CPA followed its own established procedures regarding transferring the currency to the CBI. CPA documents show that a CBI representative signed for and took custody of two of the final four currency shipments at Baghdad International Airport. Specific receipt documentation was missing for the other two currency

shipments, which totaled \$1 billion and \$2.4 billion. However, the CPA's accounting records show the apparent disposition of these funds upon their arrival in Baghdad.

In reviewing the fund shipments, SIGIR found three instances where large amounts of U.S. currency flown to Baghdad were not properly deposited into the CBI's DFI Baghdad account, as required by the CPA Policies and Procedures Manual:

- CPA accounting records show that the very last currency shipment totaled \$2.4 billion but that only \$766.4 million was deposited into the Baghdad account. Based on a policy decision, the remaining \$1.6 billion was earmarked for the Kurdistan Region, and documents show it was transferred to a Central Bank of Kurdistan representative at the Baghdad International Airport for flight to Erbil.
- CPA records show that \$1.35 billion out of \$1.5 billion shipped to Baghdad in December 2003 was deposited into the DFI Baghdad account. The records note that \$150 million was improperly given directly to the Iraqi Minister of Finance at the airport. Officials at the Iraq Board of Supreme Audit told SIGIR that the Minister of Finance did not have authority to take the funds directly.
- SIGIR could not find any specific documentation on the arrival and deposit of a \$400 million shipment into the CBI's DFI Baghdad account. While SIGIR does not have conclusive evidence, there is some indication from officials at the Iraq Board of Supreme Audit that these funds were deposited into another CBI account under control of the Minister of Finance.

Recommendations

This report contains no recommendations.

Management Comments and Audit Response

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

Indirect Costs of Managing Private Security Contracts in Iraq

(SIGIR 12-002, 10/2011)

Introduction

In three previously issued audit reports, SIGIR found that some nonprofit organizations had used different methodologies for calculating indirect costs for managing their private security contracts, resulting in questionable charges. Because private security costs generally account for a large portion of a nonprofit organization's total expenditures in Iraq, it is critical that the costs to manage these contracts are reasonable and kept to a minimum to allow as much money as possible to be spent on program implementation. This report addresses SIGIR's findings regarding how six nonprofit organizations charge for their indirect costs associated with managing their security contracts.

Results

SIGIR found that the organizations charged widely varying indirect costs for managing security contracts in Iraq that SIGIR believes required a similar level of effort. For some organizations, the indirect costs charged may be unreasonable relative to the actual administrative costs necessary to support the Iraq program. For example, SIGIR found that one organization charged \$5,225 for managing its \$3.18 million Iraq security contract, while another charged \$915,794 to manage its \$5.39 million security contract. Such a vast difference occurred because the organizations applied the indirect cost rate approved by the U.S. Agency for International Development (USAID) to different bases when they determined the dollar value of their costs of managing these contracts. Indirect cost rates are calculated by dividing the organization's total allowable indirect costs by some direct cost base and are expressed as a percentage. Notwithstanding the limited scope of this review—in which SIGIR focused only on security contract costs—and the complexity of the indirect cost rate determinations, the disparity and amount of indirect costs

charged for managing these contracts warrants a closer review.

Recommendations

SIGIR recommends that the USAID Office of Acquisition and Assistance's Overhead, Special Costs, and Closeout Branch more closely review the indirect costs associated with security contracts to ensure that they are reasonable and equitably charged to the Iraq program.

Management Comments and Audit Response

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

Status of International Narcotics Control and Law Enforcement Funds Allocated for Iraq Reconstruction

(SIGIR 12-003, 10/2011)

Introduction

Public Law 108-106, as amended, requires that SIGIR report on the oversight and accounting of funds obligated and expended for Iraq relief and reconstruction efforts. This report is on the status of INCLE funds allocated to DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) for Iraq. Specifically, SIGIR is reporting on INCLE funds allocated for Iraq for fiscal years 2006 through 2010 that have been obligated and expended and that have expired.

Results

For fiscal years 2006 through 2010, SIGIR found that INCLE funds for Iraq in the DoS Budget Summary reports to the Congress matched the amounts reported in the INL program reviews and DoS's Global Financial Management System. For fiscal years 2006 through 2010, funds totaling almost \$1.1 billion have been allocated for INL programs in Iraq. As of June 30, 2011, approximately

\$845 million of the \$1.1 billion had been obligated and \$717 million had been expended. The majority of the unobligated and unexpended funds were allocated for fiscal year 2010. There were no expired funds as of June 30, 2011, and \$223 million had not been obligated.

Recommendations

This report contains no recommendations.

Management Comments

Because this report did not contain recommendations, DoS was not required to and did not submit comments.

Department of Defense Agencies Have Taken Action on Most Open Audit Recommendations (SIGIR 12-004, 10/2011)

Introduction

The Inspector General Act of 1978, as amended, requires SIGIR to identify in its semiannual reports each significant recommendation described in previous semiannual reports on which corrective action has not been completed. This report follows up on 26 audit recommendations SIGIR made to three DoD agencies—the U.S. Central Command, U.S. Forces-Iraq (USF-I), and U.S. Army Corps of Engineers (USACE)—that were open as of July 31, 2011. The objectives of this report were to determine whether the DoD agencies took appropriate action to address these recommendations.

Results

As a result of information received from the three DoD agencies, and information developed during other SIGIR reviews, SIGIR was able to close 24 of the 26 open recommendations. Two recommendations remain open because USACE could not determine their status. SIGIR will continue to follow up on the two open recommendations.

Recommendations

This report contains no recommendations.

Management Comments

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

U.S. Central Command Contracting Command Had Few Contract Terminations That Resulted in Wasted Funds in Iraq (SIGIR 12-005, 10/2011)

Introduction

This report examines U.S. Central Command Contracting Command Iraq reconstruction contracts that were terminated from June 2008 through April 2011. SIGIR undertook this review to examine the outcomes of C3's terminated contracts to determine if the agency maintains effective controls over contracts and if the terminations resulted in wasted U.S. funds.

Results

C3 terminated 16 reconstruction contracts during the period reviewed. This is far fewer than the 981 contracts terminated by C3's predecessor, Joint Contracting Command-Iraq/Afghanistan, from January 2005 through June 2008. According to C3 officials, the reduction is attributable to a much smaller reconstruction program, improvements in contract management systems, and improved contractor performance. Ten contracts were terminated at the convenience of the government because the services were no longer needed, and six contracts were terminated for cause or default because of poor contractor performance. SIGIR identified potential waste of more than \$16.6 million in two contracts. Better planning and coordination by C3 and other U.S. agencies could have avoided much of that waste. SIGIR recognizes that wasted funds on two terminated contracts do not indicate systemic problems for an agency that has managed hundreds

of contracts. However, SIGIR believes lessons can be learned from these terminations.

Recommendations

This report contains no recommendations.

Management Comments

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

Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency (SIGIR 12-006, 10/2011)

Introduction

On October 1, 2011, DoD transferred the responsibility for managing training of the Iraqi police to DoS. DoS is executing this effort through its new PDP, which seeks to assist the GOI in strengthening police forces' capabilities so that they can maintain internal security. Within DoS, INL has the management lead and will provide police advisors to mentor, advise, and train senior Iraqi police personnel.

In this audit, SIGIR examined whether DoS/INL has a plan for the program with sound requirements and cost estimates, and whether DoS has identified the funds and other resources that the GOI will contribute to the program, as required by law. SIGIR also examined related issues, such as security and overhead, that could affect program operations and costs.

Results

SIGIR's audit initially was impaired by DoS's lack of cooperation, which resulted in limited access to key officials and documents. After an exchange of letters on this issue, the access problems were mitigated. SIGIR's somewhat limited discussions with and documents obtained from DoS officials, along

with documents obtained from other sources, allowed SIGIR to determine:

- DoS does not have a current assessment of Iraqi police forces' capabilities upon which to base its program. Such an assessment is essential for effective program targeting. Further, DoS does not have a sufficiently comprehensive and detailed PDP plan that provides specifics on what is to be accomplished, including intermediate and long-term milestones, benchmarks to assess progress and accomplishments, and transparency of and accountability for costs and performance outcomes.
- DoS has reduced the size of the PDP since 2009 to offset increases in estimated costs and anticipated budget reductions. While it requested about \$887 million for the program in FY 2012, current plans are to phase in a smaller and less costly program. Earlier this year, DoS, for the first phase of the program, reduced the number of planned advisors from 190 to 115 and eliminated aircraft transport capability. INL officials estimate the FY 2012 cost for Phase 1 to be about \$500 million.
- Spending plans indicate that only a relatively small portion of program funds—about 12%—will be used to pay for advising, mentoring, and developing Iraqi police forces. The vast preponderance of money will fund security and life support. INL officials told SIGIR they will seek ways to reduce security, life support, and other overhead.
- With the program now notably pared down, DoS plans to use remaining FY 2010 and FY 2011 funds to pay some FY 2012 operational costs. INL data indicates that as much as \$200 million to \$300 million could be available for this purpose. DoS did not provide SIGIR with sufficiently detailed data on current obligations, expenditures, and budgets, including the use of PDP funds to pay for U.S. Embassy-Baghdad operations (security, life support, and aircraft) that support the program.
- DoS has not yet secured written commitments from the GOI regarding either its support for the

PDP or its planned financial contributions, even though (1) DoS has written policy guidelines requiring GOI matching contributions and (2) congressional language appropriating funds for Iraq assistance specifies the use of these guidelines.

SIGIR believes this audit raises serious concerns regarding the PDP's long-term viability. The continual downsizing of the program, the planned use of unspent funds, and the lack of transparency regarding the use of program funds for "Embassy platform" purposes (such as security, life support, and aviation) raise red flags about the program's true funding requirements. This report identifies opportunities for improved program accountability and budget transparency, which, if acted upon, will strengthen the likelihood of program success.

Recommendations

SIGIR recommends that the Secretary of State:

1. Direct INL to work with the Iraqi Ministry of Interior to complete quickly an adequate assessment of Iraqi police forces to serve as a basis for the mentoring, advising, and training to be provided.
2. Direct INL to finish quickly a comprehensive and detailed PDP plan that includes specifics on what is to be accomplished—including intermediate and longer term milestones, and metrics to assess progress and accomplishments—in order to provide greater transparency of and more accountability for program costs and performance. To the extent feasible, ensure that the PDP plan maximizes funds for direct program use as opposed to support activities.
3. Complete a written agreement with the GOI on Iraqi roles and duties in the PDP—including agreement on the joint accountability for the PDP and the types and amount of Iraq's financial participation. If such an agreement cannot be obtained, determine how the PDP should be modified.

Matters for Congressional Consideration

SIGIR believes that, before additional funds are committed to the program, the Congress might consider requiring DoS to provide more detailed data on (1) projected program costs, (2) existing funds available to meet FY 2012 operational costs, and (3) expected GOI contributions.

Management Comments

DoS agrees with SIGIR's recommendations and notes that this report will aid in strengthening operational systems and controls for the PDP. Other DoS comments are addressed in the report as appropriate. Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Falluja Waste Water Treatment System: A Case Study in Wartime Contracting (SIGIR 12-007, 10/2011)

Introduction

The Falluja Waste Water Treatment System was one of the largest and most expensive construction projects in Iraq. It was part of a broad strategy to improve Iraq's infrastructure so as to win the hearts and minds of the Iraqi people. This report discusses the history and outcomes of the Falluja Waste Water Treatment System and examines the lessons learned from this difficult reconstruction experience as applied to wartime contracting.

Results

Heavy fighting in Falluja, poor planning, unrealistic cost estimates, and inadequate funding led to significant cost-overruns and delays in constructing the city's new wastewater treatment system. After seven years and the expenditure of more than \$100 million, the backbone of a wastewater treatment system is now in place, which can serve approximately 36,000 residents. But this is far short of the 183,000 residents originally intended to benefit from the system. Despite this shortfall, the

facility is expandable and, with additional investment by the Iraqi government, tens of thousands of additional residents could be connected to it. SIGIR notes that the Iraqi government is now supporting the system's current operation and its future expansion. But completion of the existing backbone facility was years late and millions of dollars over budget, leaving Falluja streets torn up for years. Many people, including DoS personnel, died while working in support of this project.

Assessing the Falluja Waste Water Treatment System solely on its excessive costs and limited results may not fully realize the nature of its secondary goals and objectives. Wartime projects generally have secondary goals that shape management decisions made along the way. This project had the secondary goals of enhancing local citizens' faith in their government's ability to deliver essential services, building a service capacity within the local government, winning the hearts and minds of a critical segment of the Iraqi populace, and stimulating the economy by boosting employment (particularly for young men who were potentially recruitable by the insurgency).

This project was taken on in 2004 in a city wracked by violence. Little planning went into the project, and there was minimal understanding of site conditions, no skilled workforce available, and no clear idea about how much the new system would cost. Very early in the project, security conditions rapidly deteriorated such that the trenches and pipes laid by the U.S. contractor were regularly being blown up, and construction workers were subject to continual attacks. On several occasions, U.S. combatant commanders had to direct the contractor to stop construction until security improved. So many adverse conditions faced this project from the outset that it is hard to understand why it was initiated and continued.

The absence of information or analysis on whether progress was made toward achieving any of the secondary goals makes an assessment of this project's worth or wisdom quite difficult. In the end, it would be dubious to conclude that this

project helped stabilize the city, enhanced the local citizenry's faith in government, built local service capacity, won hearts or minds, or stimulated the economy. Coupled with the fact that the outcome achieved was a wastewater treatment system operating at levels far below what was anticipated, it is difficult to conclude that the project was worth the \$100 million investment and the many lives lost.

Lessons Learned

A successful reconstruction program requires a balancing of security, political, and economic interests. Reconstruction cannot proceed on a large scale without the requisite security to protect those carrying out the projects and those overseeing them. In Iraq, the scope of reconstruction was too often insupportable by available security resources. To this day, Iraq's reconstruction environment has never been truly "post-conflict." Endlessly resuming rebuilding in the wake of sustained attacks on reconstruction personnel and critical infrastructure proved to be a demoralizing and wasteful strategy. In future stabilization and reconstruction operations, the U.S. government should analyze whether and at what costs security risks can be mitigated before proceeding with large-scale rebuilding projects. Such projects should only begin when senior leaders determine that the strategic objective they could fulfill outweighs the risk of failure and the costs of mitigating security risks.

Management Comments

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

Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes

a series of focused contract audits of major Iraq reconstruction contracts, which will support SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction. Additionally, SIGIR has conducted and will continue to conduct in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the U.S. government. SIGIR will also closely monitor and review reconstruction activities as the DoD presence declines and the DoS management responsibilities for reconstruction increase.

Announced or Ongoing Audits

SIGIR is currently working on or has announced its plans to conduct these audits:

- Project 1114: Audit of Plans To Spend Remaining Funds from Iraq Security Forces Fund Appropriation
- Project 1113: Audit of the Government's Reviews of Business Systems for Contractors Receiving U.S. Funds To Work in Iraq
- Project 1112b: Audit of the Department of Defense's Efforts To Account for Funds from the Development Fund for Iraq
- Project 1111: Audit of the Department of State's Process To Transfer Reconstruction Projects to the Government of Iraq
- Project 1109: Audit of the Department of Defense's Management of Selected Large-dollar Iraq Reconstruction Contract Closeouts
- Project 1108b: Audit of the Department of Defense's Iraq Reconstruction Contract Terminations
- Project 1107: Audit of the Results of Efforts To Develop the Capacity of the Iraqi Ministries of Defense and Interior
- Project 1105b: Audit of the Use of Funds Provided for the Iraq Commander's Emergency Response Program
- Project 1102b: Audit of the Status of Recommendations Made to the Department of Defense
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Projects 9005, 9012, and 9013: Audits of Department of Defense, Department of State, and the U.S. Agency for International Development Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction

Planned Audits

SIGIR's planned audits are aligned with three key goals enumerated in its strategic audit plan to fulfill its legislative mandates:

- Improve business practices and accountability in managing contracts and grants for Iraq reconstruction.
- Strengthen the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction.
- Provide for independent and objective leadership and coordination of, and recommendations on, policies designed to address problems and deficiencies in reconstruction and stabilization efforts in Iraq.

To accomplish its objectives, SIGIR plans to allocate its resources across the goals based on its mandates and the amount remaining in each reconstruction fund. Generally speaking, SIGIR will allocate its resources as follows:

- 5% toward auditing contracts and programs paid out of the Iraq Security Forces Fund
- 5% toward auditing contracts and programs paid out of the Iraq Relief and Reconstruction Fund
- 70% toward auditing the Economic Support Fund, International Narcotics Control and Law Enforcement account, and the Commander's Emergency Response Program
- 20% to address requirements for a forensic audit

This notional resource allocation also includes resources to meet requirements for auditing private security contractors. However, SIGIR may focus its resources more intensely on any one area

at any given time based on internal or external interests or concerns.

Nearly all of SIGIR's planned audits are best characterized as performance audits, which typically provide an independent assessment of the performance and management of a program or contract against objective criteria. SIGIR's performance audits often include aspects of financial

management issues. As a new initiative launched during calendar year 2008, SIGIR developed plans to perform forensic reviews of financial data related to Iraq reconstruction activities. SIGIR has since published five reports on its forensic audit effort. SIGIR has completed most of its forensic audit work and will write the final forensic audit report on the results of SIGIR's work. ♦

SIGIR INVESTIGATIONS

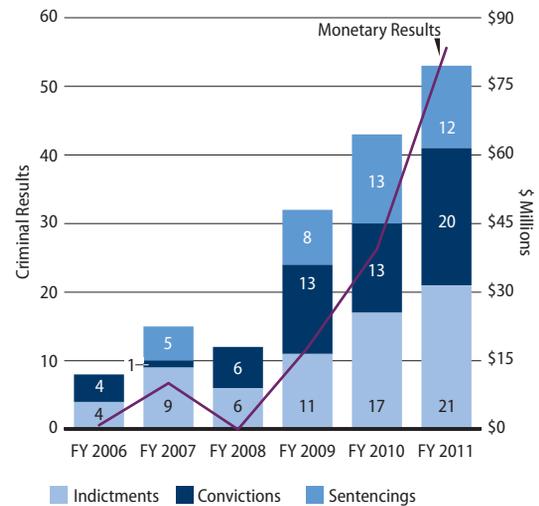
The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 101 active investigations as of September 30, 2011. This quarter, SIGIR had 1 investigator assigned to Baghdad; 6 investigators at SIGIR headquarters in Arlington, Virginia; and 13 investigators working at offices in Pennsylvania, Florida, Texas, Georgia, Oklahoma, and California. Investigative accomplishments this quarter included 4 indictments, 3 convictions, and 3 sentencings. As of September 30, 2011, the work of SIGIR investigators had resulted in 35 arrests, 68 indictments, 57 convictions, and more than \$154.7 million in fines, forfeitures, recoveries, restitution, and other monetary results. Investigative accomplishments this quarter also included suspension and debarment action, including 4 suspensions, 11 proposals for debarment, and 13 debarments.

As a result of SIGIR's investigations, 9 defendants are awaiting trial, and 19 more are awaiting sentencing. Figure 5.1 shows the increases in the number of judicial actions and monetary results achieved based on SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.2, at the end of this subsection.

SIGIR notes these investigative activities this quarter:

- A U.S. Marine Corps gunnery sergeant from South Carolina was charged with and pled guilty to his role in a scheme to steal military equipment worth \$124,000 in Iraq.
- An associate of a U.S. Marine Corps contracting officer in Iraq pled guilty to a money-laundering conspiracy charge.

FIGURE 5.1
SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



- A former U.S. Army lieutenant colonel was sentenced to prison for accepting illegal gratuities from contractors in Iraq.
- A former U.S. Army sergeant was indicted for receiving stolen cash.
- A retired U.S. Army colonel was sentenced to 12 months in prison for her role in a bribery scheme in Iraq.
- A former U.S. Army sergeant was sentenced for his role in a theft conspiracy.
- A former U.S. Army Corps of Engineers (USACE) employee was charged with and pled guilty to accepting bribes from Iraqi contractors.
- A contractor was indicted for lying to federal agents.

U.S. Marine Corps Gunnery Sergeant Pleads Guilty to Role in Scheme To Steal Military Equipment in Iraq

On August 10, 2011, Eric Hamilton, a U.S. Marine Corps gunnery sergeant, pled guilty in U.S. District

Court in Greenville, South Carolina, to a criminal information charging him with two counts of conspiracy to steal more than 70 electrical generators from two Marine Corps bases in Iraq in 2008.

From May to September 2008, Hamilton was stationed at Camp Fallujah, Iraq, where he was in charge of a military storage yard containing electrical generators and other equipment for use by U.S. Marine Corps units in Iraq. Hamilton admitted that while he was stationed there, he entered into a scheme with a Marine Corps officer to facilitate the theft of electrical generators from the base by private Iraqi contractors. Hamilton admitted that he identified the generators to be stolen, painted markings on them to designate them for theft by the Iraqi contractors, and facilitated access to the storage yard by the contractors' trucks to load and remove the generators. Hamilton also entered into a separate scheme with a private Iraqi contractor to facilitate that contractor's theft of electrical generators from the base. Both of these theft schemes continued after the Marine Corps closed Camp Fallujah and relocated personnel to Camp Ramadi, Iraq. Hamilton was assigned to Camp Ramadi from October to December 2008.

In pleading guilty, Hamilton admitted that he received more than \$124,000 in payments from the Marine Corps officer and the Iraqi contractor in return for facilitating the theft of more than 70 generators from Camp Fallujah and Camp Ramadi. Hamilton received the funds through cash payments in Iraq, checks issued to Hamilton's wife in the United States by the officer's wife, and wire transfer payments to a bank account in the United States. Hamilton sent home approximately \$43,000 of the cash he received from the thefts at Camp Fallujah by concealing it among American flags contained in foot lockers that he mailed from Iraq to his wife. The investigation into this case continues.

At sentencing, Hamilton faces maximum penalties of five years in prison, a \$250,000 fine, and three years of supervised release following a

prison term. As part of his guilty plea, Hamilton has agreed to pay \$124,944 in restitution to the United States. A sentencing date has not yet been set by the court.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division, and being investigated by SIGIR and the Defense Criminal Investigative Service (DCIS).

Associate of U.S. Marine Corps Contracting Officer Pleads Guilty to Money-laundering Conspiracy Charge

On July 22, 2011, Francisco Mungia III pled guilty in U.S. District Court in Honolulu, Hawaii, to a one-count criminal information filed on July 19, 2011, charging him with conspiracy. Mungia was an associate of a U.S. Marine Corps contracting officer stationed at Camp Fallujah, Iraq, and agreed to launder approximately \$150,000 in bribes the contracting officer had received from two contractors in Iraq.

The money had been received by a U.S. Marine Corps contracting officer in Iraq, between 2005 and 2008, in return for awarding contracts to contractors in Iraq. The associate of the contracting officer established bank accounts to conceal and disguise the nature, location, source, ownership, and control of the funds. These funds were then transferred from the Iraqi contractors to the United States via cash and wire transfers. The associate deducted a 20% share and then transferred the funds back to the contracting officer or a designee. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, the Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), and the Federal Bureau of Investigation (FBI).

Former U.S. Army Lieutenant Colonel Sentenced to Prison for Accepting Illegal Gratuities

On July 29, 2011, David C. Pfluger, a former U.S. Army lieutenant colonel, was sentenced to 18 months in prison for accepting illegal gratuities from

multiple Iraqi contractors and for stealing from Iraqi fuel reserves. Pfluger was also sentenced to three years of supervised release and ordered to pay \$24,000 in restitution. Pfluger pled guilty to a four-count indictment charging him with one count of conspiracy, two counts of accepting gratuities, and one count of conversion of third-party property by a U.S. official.

According to court documents, Pfluger was deployed to Forward Operating Base Ridgway in Iraq and assigned the role of “Mayor” of the base. As the “Mayor,” he was the officer-in-charge of the physical facilities of the base and had extensive contact with the various local contractors doing work on the base. While serving in this role, Pfluger agreed with a U.S. Army translator and various local contractors to accept gratuities in the form of cash, jewelry, and clothing from various contractors. The gratuities were paid in return for official acts Pfluger performed that benefitted the contractors, including encouraging contracts for those contractors, relaxing security procedures for them, and providing them fuel from Iraqi fuel reserves that he had no authority to access. Pfluger received the money, jewelry, and clothing in Iraq and sent it home through the U.S. mail, often hiding the money inside books and letters. In total, Pfluger admitted to receiving approximately \$11,500 in cash from this scheme, plus an unknown amount of clothing and jewelry.

This case was prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ’s Criminal Division. The case was investigated by SIGIR, Army CID-MPFU, DCIS, and FBI.

Former U.S. Army Sergeant Indicted for Receiving Stolen Cash from Iraq

On August 5, 2011, a former U.S. Army sergeant was charged in U.S. District Court in Los Angeles, California, in a one-count indictment with receiving more than \$12,000 in stolen cash from Iraq. According to court documents, the money had been stolen by another U.S. Army soldier—who was deployed to Tallil, Iraq, in 2008—and mailed

to the former sergeant. The funds were a cash payment for pickup by a local contractor who failed to appear for the payment. The cash was then stolen, concealed in a stuffed toy, and sent through the U.S. mail to the former U.S. Army sergeant in California. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and FBI.

Retired U.S. Army Colonel Sentenced to 12 Months in Prison for Bribery Scheme in Iraq

On August 16, 2011, Levonda J. Selph, a retired U.S. Army colonel, was sentenced in U.S. District Court in Washington, D.C., to 12 months in prison for her role in a scheme to pay bribes for contracts awarded in support of the Iraq War. In addition to her prison term, Selph was sentenced to three years of supervised release and ordered to pay a \$5,000 fine and \$9,000 in restitution.

Selph pled guilty in June 2008 to a criminal information charging her with one count of bribery and one count of conspiracy. According to the information, in 2005, then-Lieutenant Colonel Selph served as chair of a selection board for a \$12 million contract to build and operate several Department of Defense warehouses in Iraq. Selph accepted fraudulent bids from a co-conspirator contracting firm and helped that firm to win the contract award. In return for these actions, Selph accepted a vacation to Thailand and other items of value totaling approximately \$9,000. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, FBI, and the Department of Homeland Security’s Bureau of Immigration and Customs Enforcement (ICE).

Former U.S. Army Sergeant Sentenced in Theft Conspiracy

On October 5, 2011, Robert A. Nelson, a former U.S. Army sergeant first class, was sentenced in U.S. District Court for conspiring to steal U.S. Army equipment related to his work as a

non-commissioned officer helping to train Iraqi Army personnel in Mosul, Iraq, in 2008. Nelson was sentenced to serve four years probation, of which the first six months will be home confinement, and ordered to pay restitution of \$44,830 and a special assessment of \$100. Nelson pled guilty to a one-count criminal information charging conspiracy to steal public property. According to court documents, Nelson was deployed to Forward Operating Base Diamondback, Iraq, as the non-commissioned officer-in-charge of the Ninewa Operations Command Military Transition Team. This transition team helped train the Iraqi Army units stationed nearby.

While serving in Iraq, Nelson agreed with a U.S. Army translator to steal eight generators from a lot on base that held various pieces of used equipment. Once the generators were taken off the base, the translator arranged for them to be sold on the black market in Iraq. Nelson admitted that he received half of the proceeds of the sales of stolen equipment, with approximately \$35,000 of the money being wired to Nelson's account by the translator's brother. In total, Nelson admitted receiving approximately \$44,830 from this scheme. The investigation into this conspiracy continues.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division. The case is being investigated by SIGIR, DCIS, and Army CID-MPFU.

Former USACE Employee Pleads Guilty to Accepting Bribes from Iraqi Contractors

On September 19, 2011, Thomas Aram Manok, a former USACE employee stationed in Baghdad, pled guilty in U.S. District Court in the Eastern District of Virginia to conspiring to receive bribes from Iraqi contractors involved in the U.S.-funded reconstruction efforts.

Manok admitted to using his official position to conspire with Iraqi contractors to accept cash bribes in exchange for recommending that USACE approve contracts and other requests for payment submitted by the contractors to the U.S. government. In March and April 2010, Manok agreed to receive a \$10,000 payment from one such contractor who had been involved in constructing a kindergarten and girls' school in the Abu Ghraib neighborhood of Baghdad and had sought Manok's influence in having requests for payment approved by USACE. According to court documents, Manok was to receive an additional bribe payment from the contractor once the contractor's claim had been approved. Manok also admitted that he intended to conceal the payments from authorities by transferring them, via associates, from Iraq to Armenia. Sentencing has been scheduled for December 9, 2011, where Manok faces a maximum penalty of five years in prison.

This case was investigated by the FBI, DCIS, Army CID-MPFU, and SIGIR as participants in the International Contract Corruption Task Force. The case is being prosecuted by the U.S. Attorney's Office for the Eastern District of Virginia and the Fraud Section of DoJ's Criminal Division. Initial prosecutorial work was handled by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division.

U.S. Contractor Indicted for Lying to Federal Agents

On August 9, 2011, a U.S. contractor in Iraq was indicted by a federal grand jury in Waco, Texas, for lying to federal agents during the course of an investigation. The agents are investigating a fraud scheme involving the theft and resale of generators in Iraq to various entities including the U.S. government. The contractor is currently incarcerated in Waco, Texas. The investigation into this case continues.

The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and FBI.

SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) continues to make a substantive impact. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former DoJ prosecutors. They were detailed as a unit to the Fraud Section of DoJ's Criminal Division to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with the SIGIR General Counsel and other DoJ prosecutors on assigned SIGIR cases. SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army CID-MPFU, DCIS, and the U.S. Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the U.S. Army, including those involved

in 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. This quarter, the Army suspended five contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 15 contractors for debarment and finalized eight debarments of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait. The Army has suspended 116 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003; and 172 individuals and companies have been proposed for debarment, resulting in 127 finalized debarments that range in duration from 9 months to 10 years.

PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2011–2012. 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). For a list of debarments, see Table 5.3. For a complete list of suspensions and debarments, see Appendix E. ♦

TABLE 5.2
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

| NAME | CHARGES | DATE OF CONVICTION | SENTENCE |
|--|---|--------------------|--|
| Robert A. Nelson, former USA sergeant | Conspiracy to steal public property | 10/5/2011 | Four years probation with the first six months in home confinement; \$44,830 restitution; and \$100 special assessment |
| Thomas A. Manok, former USACE employee | Conspiracy | 9/19/2011 | Pending |
| Eric Scott Hamilton, USMC gunnery sergeant | Conspiracy | 8/10/2011 | Pending |
| Francisco Mungia | Conspiracy | 7/22/2011 | Pending |
| Barry S. Szafran | Illegally receiving a gratuity | 7/15/2011 | One year probation with the first four months in home confinement; \$7,169 restitution; and \$100 special assessment |
| Justin W. Lee, former DoD contractor | Conspiracy, bribery | 7/15/2011 | Pending |
| Derrick Shoemake, former USA major | Bribery | 6/13/2011 | Pending |
| David Pfluger, former USA Lt. Col. | Conspiracy, accepting gratuities, and converting the property of another to his own use | 3/25/2011 | 18 months in prison; 3 years supervised release; and \$24,000 restitution |
| Charles Bowie, retired USA major | Engaging in monetary transactions in property derived from specified unlawful activity | 5/11/2011 | Pending |
| Richard Razo, former DoS contractor and DoS employee | Wire fraud, wire fraud conspiracy | 2/28/2011 | Pending |
| Maj. Kevin Schrock, USA | Money laundering | 2/8/2011 | Pending |
| Eddie Pressley, former USA major | Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds | 2/8/2011 | Pending |
| Eurica Pressley, former contractor and military spouse | Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds | 2/8/2011 | Pending |
| Osama Ayesh, former U.S. Embassy-Baghdad employee | Theft of public money, engaging in acts affecting a personal financial interest | 2/2/2011 | 42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine |
| Capt. Bryant Williams, USA | Honest services fraud, accepting bribes | 12/17/2010 | Pending |
| Mark Carnes, USAF master sergeant | Bribery | 12/16/2010 | 20 months in prison; 3 years supervised release; and \$4,000 fine |
| Michelle Adams, former DoD contractor | Bribery | 12/7/2010 | 15 months in prison followed by supervised release |
| Frankie Hand, Jr., retired USN lieutenant commander | Fraud, bribery, and receiving illegal gratuities | 12/7/2010 | 3 years in prison and forfeiture of \$757,525 |
| Peter Dunn, former DoD contractor | Bribery | 11/19/2010 | 14 months in prison; 2 years supervised release |
| Salvatore Pepe | Conspiracy to defraud | 11/5/2010 | Pending |
| Precy Pellettieri | Conspiracy to defraud | 11/5/2010 | Pending |
| Maj. Roderick Sanchez, USA | Bribery | 10/27/2010 | 5 years in prison; 3 years supervised release; and \$15,000 fine |
| Maj. Richard Harrington, USMC | Receiving illegal gratuities | 10/18/2010 | 12 months and 1 day in prison; and restitution |
| Lt. Col. Bruce Gillette, USAR | Acts affecting a personal financial interest | 10/6/2010 | 1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm |

Continued on the next page

| NAME | CHARGES | DATE OF CONVICTION | SENTENCE |
|---|--|--------------------|--|
| Mariam Steinbuch, former USMC staff sergeant | Bribery | 10/5/2010 | 5 years probation and \$25,000 restitution |
| Ismael Salinas | Kickbacks | 10/1/2010 | Pending |
| Dorothy Ellis | Conspiracy | 9/2/2010 | 37 months in prison; 3 years probation; and \$360,000 restitution |
| Wajdi Birjas, former DoD contract employee | Bribery, money laundering | 8/11/2010 | Pending |
| Maj. Mark Fuller, USMC | Structuring financial transactions | 8/4/2010 | 1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment |
| Maj. Charles Sublett, USA | False statements | 7/7/2010 | 21 months in prison; 2 years supervised release; and forfeit \$107,900 and 17,120,000 in Iraqi dinar |
| Capt. Faustino Gonzales, USA | Receipt of a gratuity by a public official | 6/24/2010 | 15 months in prison; 1 year supervised release; \$10,000 fine; \$25,500 restitution; and \$100 special assessment |
| MSGT Terrance Walton, USMC | Bribery, graft, failure to obey a direct order | 5/17/2010 | Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement |
| Capt. Eric Schmidt, USMC | Wire fraud, filing a false federal tax form | 5/17/2010 | 72 months in prison; 3 years probation; and \$2,150,613 restitution |
| William Collins, USA civilian | Bribery | 4/21/2010 | 42 months in prison; 3 years supervised release; \$1,725 fine; and forfeit \$5,775 |
| SFC Ryan Chase, USA | Illegal gratuities, money laundering, false statements | 4/21/2010 | 1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution |
| Marcus McClain | Acceptance of illegal gratuities | 4/15/2010 | Pending |
| Kevin A. Davis | Acceptance of illegal gratuities | 4/13/2010 | Pending |
| Janet Schmidt, contractor and military spouse | Filing a false tax return and fraud | 3/18/2010 | 12 months home confinement; 3 years probation; and \$2,150,613 restitution |
| Terry Hall, contractor | Conspiracy, bribery | 2/17/2010 | Pending |
| Theresa Russell, former USA staff sergeant | Money laundering | 1/28/2010 | 5 years probation and \$31,000 restitution |
| Capt. Michael D. Nguyen, USA | Theft and structuring financial transactions | 12/7/2009 | 30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest |
| Ronald Radcliffe | Bribery and money laundering | 10/16/2009 | 40 months in prison and \$30,000 fine |
| Joselito Domingo | Bribery | 11/19/2009 | 39 months in prison; 2 years supervised release; and \$70,000 fine |
| Gloria Martinez | Bribery and conspiracy | 8/12/2009 | 5 years in prison |
| Robert Jeffery | Conspiracy and theft | 8/11/2009 | 4 years in prison |
| William Driver | Money laundering | 8/5/2009 | 3 years probation, to include 6 months home confinement, and \$36,000 restitution |
| Nyree Pettaway | Conspiracy to obstruct justice | 7/28/2009 | 12 months and 1 day in prison; 2 years supervised release; and \$5 million restitution |
| Michel Jamil | Conspiracy | 7/27/2009 | 40 months in prison |

Continued on the next page

SIGIR OVERSIGHT

| NAME | CHARGES | DATE OF CONVICTION | SENTENCE |
|---|--|--------------------|---|
| Robert Young | Conspiracy and theft of government property | 7/24/2009 | 97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution |
| Samir Itani | Conspiracy | 7/21/2009 | 24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment |
| Tijani Saani | Filing false tax returns | 6/25/2009 | 110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS |
| Diane Demilta | Wire fraud | 5/27/2009 | 6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution |
| Benjamin R. Kafka | Misprision of a felony | 5/18/2009 | Pending |
| Elbert W. George III | Theft of government property; conspiracy | 5/18/2009 | 60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution |
| Roy Greene, Jr. | Theft of government property; conspiracy | 5/18/2009 | 3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution |
| Frederick Kenvin | Conspiracy | 4/30/2009 | 3 years probation and \$2,072,967 restitution |
| Stephen Day | Conspiracy to defraud the United States by misrepresentation | 4/13/2009 | 3 years probation; \$41,522 restitution; and \$2,000 fine |
| Jeff Alex Mazon, contractor, KBR | Major fraud against the United States and wire fraud | 3/24/2009 | 1 year probation; 6 months home confinement; and \$5,000 fine |
| Carolyn Blake, Sister of Maj. John Cockerham | Conspiracy and money laundering | 3/19/2009 | 70 months in prison; 3 years of supervised release; and \$3.1 million restitution |
| Michael Carter, Project Engineer, Force Protection Industries | Violating the Anti-Kickback Act | 1/25/2009 | 61 months in prison and 3 years supervised release |
| Harith al-Jabawi, contractor | Conspiracy, bribery, and false statements | 1/22/2009 | Pending |
| Maj. Christopher Murray, USA contracting officer | Bribery and false statements | 1/8/2009 | 57 months in prison; 3 years supervised release; and \$245,000 restitution |
| Maj. Theresa Baker, USAR contracting officer | Conspiracy and bribery | 12/22/2008 | 70 months in prison and \$825,000 restitution |
| Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region | Conspiracy, bribery, and wire fraud | 11/7/2008 | 5 years in prison; 2 years supervised release; and \$16,200 restitution |
| Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor | Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling | 11/7/2008 | 42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment |
| David Ramirez, contractor, Readiness Support Management, Inc. | Bulk currency smuggling and structuring transactions | 10/9/2008 | 50 months in prison; 3 years supervised release; and \$200 special assessment |
| Lee Dubois, contractor, Future Services General Trading and Contracting Company | Theft of government property | 10/7/2008 | 3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme |
| Robert Bennett, contractor, KBR | Violating the Anti-Kickback Act | 8/28/2008 | 1 year probation and \$6,000 restitution |
| Maj. James Momon, Jr., USA contracting officer | Conspiracy and bribery | 8/13/2008 | Pending |

Continued on the next page

| NAME | CHARGES | DATE OF CONVICTION | SENTENCE |
|---|--|--------------------|---|
| Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region | Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns | 7/28/2008 | 30 months in prison; 2 years supervised release; and \$366,640 restitution |
| Capt. Cedar Lanmon, USA | Accepting illegal gratuities | 7/23/2008 | 1 year in prison and 1 year supervised release |
| Jacqueline Fankhauser | Receipt of stolen property | 6/30/2008 | 1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment |
| Maj. John Lee Cockerham, Jr., USA contracting officer | Bribery, conspiracy, and money laundering | 6/24/2008 | 210 months in prison; 3 years of supervised release; and \$9.6 million restitution |
| Melissa Cockerham, Wife of Maj. John Cockerham | Conspiracy and money laundering | 6/24/2008 | 41 months in prison; 3 years of supervised release; and \$1.4 million restitution |
| Lt. Col. Levonda Selph, USAR contracting officer | Conspiracy and bribery | 6/10/2008 | 12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution |
| 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 | 24 months confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000 |
| 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 D. Lane, Jr., 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 "Pete" Peleti, Jr., USA, Army's food service advisor for Kuwait, Iraq, and Afghanistan | Bribery and smuggling cash | 2/9/2007 | 28 months in prison 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. Carlos 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 |

Continued on the next page

| NAME | CHARGES | DATE OF CONVICTION | SENTENCE |
|--|---|--------------------|--|
| Gheevarghese Pappen, USACE civilian | Soliciting and accepting illegal gratuities | 10/12/2006 | 2 years in prison; 1 year supervised release; and \$28,900 restitution |
| Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA-South Central Region | Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency | 8/25/2006 | 21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture |
| Faheem Mousa Salam, interpreter, Titan Corp. | Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions | 8/4/2006 | 3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment |
| Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd. | Violating the Anti-Kickback Act | 6/23/2006 | 51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment |
| | Witness tampering | 8/10/2009 | 15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special 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 restitution; and \$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 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 |

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

TABLE 5.3
DEBARMENT LIST

| NAME | DEBARRED |
|--|------------|
| Chet M. Fazand | 9/13/2011 |
| Chad M. Fazand | 9/13/2011 |
| Fazand International Trading, LLC | 9/13/2011 |
| Al Dalla Co. | 9/13/2011 |
| Faustino L. Gonzales, CAPT, USA | 9/7/2011 |
| Chasib Khazal Mehadi Al Mosawi | 9/7/2011 |
| Quasay Shamran Mehdi Al-Mosawi | 9/7/2011 |
| The Economical Group | 9/7/2011 |
| Jenna International, Inc. | 8/4/2011 |
| Al-Methwad Company | 7/21/2011 |
| Tariq Zadan Dawood | 7/21/2011 |
| Tareq Zaidan Dawod | 7/21/2011 |
| Tariq Zaidan Dawod | 7/21/2011 |
| Tariq Zaidon Dawod | 7/21/2011 |
| Tarik Zaidon Dawood | 7/21/2011 |
| Abd Al Alim Abbod | 7/21/2011 |
| Frankie Joseph Hand | 7/21/2011 |
| Richard Joseph Harrington | 7/21/2011 |
| Janet L. Schmidt | 6/22/2011 |
| Mariam M. Steinbuch | 6/6/2011 |
| Mark Carnes | 6/3/2011 |
| Terence O. Walton | 6/3/2011 |
| Al Aali Future Mario Company | 5/11/2011 |
| Eric K. Schmidt | 4/20/2011 |
| Mark R. Fuller | 4/1/2011 |
| Ammar Tariq Al Jazrawi | 1/10/2011 |
| Ammar Tareq Al Jazrawi General Contracting Company | 1/10/2011 |
| Liberty Al-Ahlia General Trading and Contracting Company | 12/13/2010 |
| Bronze Al-Taqoos Al-Afjan | 12/13/2010 |
| International Quality Kitchens Ardiya | 12/13/2010 |
| John Napolian | 12/13/2010 |
| Joseph Sebastian | 12/13/2010 |
| N.K. Ismail | 12/13/2010 |
| Biju Thomas | 12/13/2010 |
| Combat General Trading Company | 12/13/2010 |
| Jank Singh | 11/24/2010 |
| Blue Marine Services | 11/24/2010 |
| Blue Marines General Trading, LLC | 11/24/2010 |

Continued on next column

| NAME | DEBARRED |
|---|------------|
| Blue Marines | 11/24/2010 |
| Blue Marines Group | 11/24/2010 |
| BMS Logistics | 11/24/2010 |
| BMS Group | 11/24/2010 |
| BMS General Trading, LLC | 11/24/2010 |
| Christopher Murray | 11/10/2010 |
| Curtis Whiteford | 10/22/2010 |
| William Driver | 10/22/2010 |
| Allied Arms Company, Ltd. | 9/28/2010 |
| Allied Arms Company, W.L.L. | 9/28/2010 |
| Shahir Nabih Fawzi Audah | 9/28/2010 |
| Defense Consulting and Contracting Group, LLC | 9/28/2010 |
| Amwaj Al-Neel Company | 9/22/2010 |
| Baladi Company | 9/22/2010 |
| Desert Moon Company | 9/22/2010 |
| Ameer S. Fadheel | 9/22/2010 |
| Oday Abdul Kareem | 9/22/2010 |
| Maytham Jassim Mohammad | 9/22/2010 |
| Michael Dung Nguyen | 8/19/2010 |
| Michael Wheeler | 7/28/2010 |
| Austin Key | 7/14/2010 |
| Ashraf Mohammad Gamal | 4/16/2010 |
| Triple A United General Trading and Contracting | 4/16/2010 |
| Jeff Thompson | 3/29/2010 |
| John Cockerham | 3/17/2010 |
| Melissa Cockerham | 3/17/2010 |
| Carolyn Blake | 3/17/2010 |
| Nyree Pettaway | 3/17/2010 |
| Robert Young | 3/9/2010 |
| Elbert Westley George III | 1/21/2010 |
| Roy Greene | 1/21/2010 |
| Ofelia Webb | 1/21/2010 |
| Patrick Faust | 1/21/2010 |
| 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 |

Continued on next column

| NAME | DEBARRED |
|--|----------------------|
| Dourat Al-Arab | 9/30/2009 |
| Hussein Ali Yehia | 9/30/2009 |
| Amina Ali Issa | 9/30/2009 |
| Adel Ali Yehia | 9/30/2009 |
| Javid Yousef Dalvi | 9/25/2009 |
| 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 Lomeli Chavez | 1/30/2009 |
| Derryl 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, LLC | 9/17/2008 |
| Dewa Europe | 9/17/2008 |
| Dewa Trading Establishment | 9/17/2008 |
| Al Ghannom and Nair General Trading Company | 9/17/2008 |
| Dewa Projects (Private), Ltd. | 9/17/2008 |

| NAME | DEBARRED |
|---|---------------------|
| 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 | 9/26/2006 |
| Diaa Ahmen Abdul Latif Salem | 5/14/2009, 6/2/2006 |
| Jasmine International Trading and Service Company | 5/14/2009, 6/2/2006 |
| 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 |

Continued on next column

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, 2011, the SIGIR Hotline had initiated 863 cases. Of these cases, 834 have been closed, and 29 cases remain open. For a summary of these cases, see Table 5.4.

New Cases

During this reporting period, the SIGIR Hotline received 7 new complaints, bringing the cumulative total to 863 Hotline cases. The new complaints were classified in these categories:

- 4 involved contract fraud.
- 1 involved criminal activity.
- 1 involved personnel issues.
- 1 involved a contract information request.

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 7 new Hotline complaints, 3 were received through the SIGIR website, 3 were received through electronic mail, and 1 was received by telephone.

Closed Cases

During this quarter, SIGIR closed 33 Hotline cases:

- 18 were closed by the SIGIR Investigations Directorate.

TABLE 5.4
SUMMARY OF SIGIR HOTLINE CASES,
AS OF 9/30/2011

| OPEN CASES | | | | | |
|--------------------------------------|--------------|--------------|--------------|-------------|-----------|
| Investigations/Review | | | | | 28 |
| Audits | | | | | 1 |
| Total Open | | | | | 29 |
| CLOSED CASES | 1ST QTR 2011 | 2ND QTR 2011 | 3RD QTR 2011 | CUMULATIVE* | |
| FOIA | 0 | 0 | 0 | 4 | |
| OSC Review | 0 | 0 | 0 | 2 | |
| Assists | 0 | 0 | 0 | 47 | |
| Dismissed | 0 | 1 | 1 | 142 | |
| Referred | 16 | 8 | 2 | 384 | |
| Inspections | 0 | 0 | 0 | 80 | |
| Investigations | 12 | 0 | 18 | 146 | |
| Audits | 0 | 0 | 12 | 29 | |
| Total Closed | 28 | 9 | 33 | 834 | |
| Cumulative* Open & Closed | | | | 863 | |

SUMMARY OF SIGIR HOTLINE PERFORMANCE

| HOTLINE CONTACTS | 4TH QTR 2011 | CUMULATIVE* |
|-------------------------------|--------------|-------------|
| Email | 12 | 407 |
| SIGIR Website | 22 | 187 |
| Walk-In | 0 | 112 |
| Telephone | 5 | 83 |
| Standard Mail | 2 | 30 |
| Referrals | 0 | 26 |
| Fax | 0 | 18 |
| Total Hotline Contacts | 41 | 863 |

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 9/30/2011.

- 12 were closed by the SIGIR Audits Directorate.
- 2 were referred to another inspector general.
- 1 was dismissed as it was not within SIGIR's purview.

Referred Complaints

After a thorough review, SIGIR referred 2 complaints to the Department of Defense Office of Inspector General. ♦

SIGIR WEBSITE

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

- More than 122,900 users visited the SIGIR website—1,336 users per day.
- The Arabic-language section of the site received 3,730 visits.
- The most frequently downloaded documents were SIGIR’s most recent Quarterly Reports.
- The SIGIR website fed more than 36,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers’ computers and can be viewed by feed-reader programs.
- SIGIR’s custom Google Site search has returned more than 10,000 results since inception. The most popular search terms have been “Anham,” “Wamar,” “Mosul,” and “Missan Surgical Hospital.”

For an overview of daily visits to the SIGIR website, see Figure 5.2. ♦

FIGURE 5.2
AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 7/1/2010–9/30/2011



Source: DoD, IMCEN, response to SIGIR data call, 10/12/2011.

LEGISLATIVE UPDATE

This quarter, the Congress continued to act on, but did not complete, FY 2012 appropriations legislation for the Department of Defense (DoD) and for the Department of State (DoS), foreign operations, and related programs. It also passed continuing appropriations acts but took no further action on defense authorization measures. A bill authorizing appropriations for certain foreign assistance and foreign relations programs and making other changes in law was reported in the House.

The House of Representatives passed the “Department of Defense Appropriations Act, 2012,” last quarter; it was reported to the full Senate by the Senate Committee on Appropriations this quarter, but no further action has occurred. Also during this quarter, appropriations measures for DoS, foreign operations, and related programs were considered and passed by both the Senate Committee on Appropriations and the Subcommittee on State, Foreign Operations, and Related Programs of the House Committee on Appropriations. However, no further action in the full Senate or in the full Committee in the House has occurred.

At the end of September and the beginning of October, the Congress passed two different measures entitled the “Continuing Appropriations Act, 2012.” One measure (Public Law 112-33) was in effect for four days, and the other (Public Law 112-36) may be in effect through November 18, 2011 (or sooner if superseded by another statute).

Those measures generally continue funding for activities into FY 2012 at the rate that had been available for such activities in FY 2011, with several exceptions. In particular, pursuant to section 117 of each of Public Laws 112-33 and 112-36, overseas contingency operations expenses are to be funded during the period of effectiveness of the continuing appropriations acts at rates no greater than the rates permitted for such purposes in the House-passed version of the Department of Defense Appropriations Act, 2012 (H.R. 2219, 112th Congress). Notably, section 9005 of that House-passed act provides for funding of the Commander’s Emergency Response Program only for Afghanistan, despite a request from the Administration for \$25 million for the program in Iraq. The report of the Committee on Appropriations on H.R. 2219 makes it clear that the intent of the committee was to specifically deny funding for the program in Iraq.

The Congress took no further action this quarter on the “National Defense Authorization Act for Fiscal Year 2012,” which earlier this year passed the House of Representatives and was reported to the full Senate by the Senate Committee on Armed Services.

The House Committee on Foreign Affairs reported a bill entitled the “Foreign Relations Authorization Act, Fiscal Year 2012,” which contained a number of provisions related to Iraq and SIGIR. The bill has not been scheduled for floor action in the House. ♦