



LESSONS FROM AUDITING U.S.-FUNDED STABILIZATION AND RECONSTRUCTION ACTIVITIES IN IRAQ

OCTOBER 2012

1

A Successful Reconstruction Program Requires a Balancing of Security, Political, and Economic Interests

- Risks of violence must be assessed at the outset of reconstruction activities.
- Risks to human life must be weighed against potential outcomes.
- Costs and benefits of initiating projects requiring high security costs must be carefully weighed.

2

An Integrated Management Structure That Provides Clear Lines of Authority on Program Coordination and Delivery of Projects Is Critical for SRO Success

- Defining roles and missions of all involved U.S. agencies is a necessary prerequisite for effective reconstruction planning.
- Programs require management accountability and effective coordination to avoid waste.

3

An Integrated U.S. Reconstruction Management Information System Is Critical To Promote Accountability

4

Managing Staffing Needs and Reducing Staff Turnover Is Vital for Effective Program Implementation and Oversight

- Obtaining the required number of skilled personnel is essential in managing reconstruction during an SRO.
- Reducing turnover of contract and program management personnel is necessary for effective management.



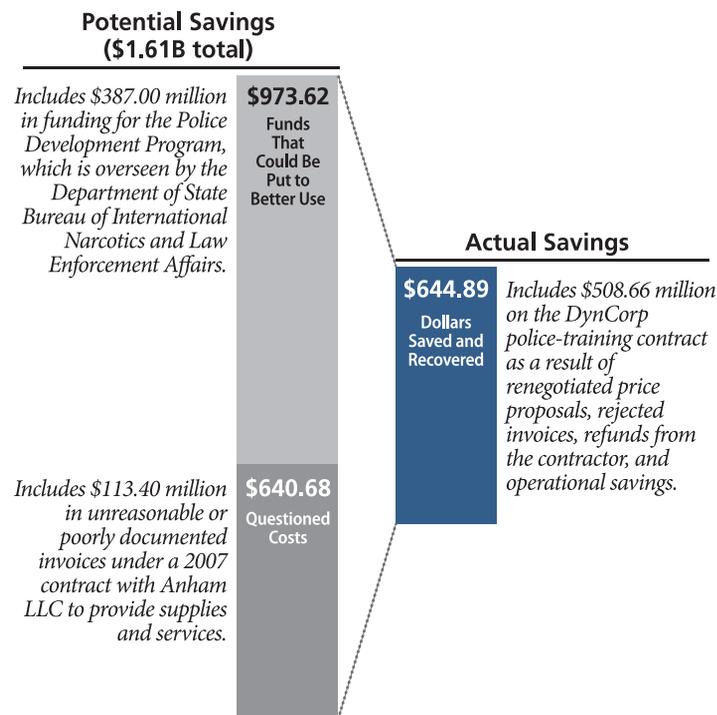
Security issues were major factors in the cost increases and delays in the \$345 million U.S. effort to build more than 130 Primary Healthcare Centers in Iraq. The U.S. government did not complete six centers after spending nearly \$3 million because explosives destroyed portions or all of the buildings during construction. The \$756,000 Hai al-Intisar Primary Healthcare Center (shown above) had to be abandoned when insurgents used explosives to seriously damage the structure. (SIGIR Audit 09-015)

5

Enhanced Oversight of Contracts, Grants, and Other Procurements in SROs Is Necessary To Avoid Fraud and Waste and To Promote Efficiency

- Advance planning reduces opportunities for fraud, waste, and abuse to occur.
- Reviews of contractor invoices and audits of final incurred costs are necessary to ensure payments are correct.
- Close oversight of deliverables and inventory is required to oversee compliance to contract and to deter loss and theft.
- Close oversight of cash transactions is necessary to deter fraud and abuse.
- Grants awarded in SROs require stronger oversight than those awarded in peaceful areas.
- Maintaining comprehensive contract and project records is crucial to effective oversight.

SIGIR Potential and Actual Financial Accomplishments \$ Millions



6

Reconstruction Programs Need Clear and Measurable Goals and Objectives

7

Working Closely with Host Governments Is Essential to the Long-term Success of U.S. Investments in Reconstruction Projects

- Host governments must be involved in identifying sustainable reconstruction priorities and needs.
- Obtaining host-government cost sharing is the best way to ensure long-term sustainment.

On a positive note, DoD successfully managed construction of the \$37.8 million Tikrit Location Command for the Iraqi Army. SIGIR found that DoD had an asset-transfer plan in place and was working with the GOI to address several training and sustainment issues, including securing an adequate power supply for the facility and training Iraqi operators. DoD was planning to deploy a logistics military advisory team to the site after transfer, and U.S. officials planned to conduct capability assessments to track the GOI's progress in base services, water treatment, and other areas. (SIGIR Audit 09-024)

8

Accountability and Oversight of Private Security Contractors Is Vital in Politically Sensitive Contingency Operations

- Establishing core standards and immediately investigating possible breaches are essential steps in ensuring that use of private security contractors does not adversely affect the mission.
- Obtaining an accurate accounting of private security contractor costs is essential for planning and budgeting operations.

9

Linking an Inspector General's Authority to the Mission, Rather Than Funding, Is Critical To Ensure Complete Coverage



SIGIR found significant gaps in reviews of contractors' business systems and associated internal controls in 35 DoD contractors sampled. Of the 21 contractors that had at least one business system reviewed, less than a third had their estimating and purchasing systems reviewed. (SIGIR Audit 12-019) Weaknesses in government oversight of the \$119.1 million contract with Anham left the government at risk of paying excessive costs: SIGIR questioned 39% (\$4.4 million) of the costs it reviewed, prompting a recommendation to question all contract costs. Anham billed a PVC elbow at \$80 and charged \$20,000 for installation of the "Plug and Play" Voice System shown above. (SIGIR Audit 11-022)