

# SIGIR OVERSIGHT

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# 5

## SIGIR LESSONS LEARNED

### *Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities*

In October 2012, SIGIR published *Iraq Reconstruction: Lessons from Auditing U.S.-funded Stabilization and Reconstruction Activities*. A key aspect of SIGIR's work has been to capture lessons learned from the Iraq experience that could be applied to other contingencies, including Afghanistan, and those that may arise in the future. In July 2008, SIGIR issued an initial audit capping report that identified key recurring systemic management issues. This report builds on that prior work and documents lessons learned from the SIGIR Audit Directorate's experience from 2004 through 2012. The numerous problems uncovered in SIGIR's audits contributed significantly to reduced program effectiveness and increased potential for fraud, waste, and abuse. If the causes and effects of these problems are not fully understood—and if actions are not taken to forestall their recurrence—then similar negative outcomes could resurface in future stability and reconstruction operations (SROs).

During the course of conducting 217 audits of reconstruction and stabilization programs, contracts, grants, and other activities, SIGIR identified a number of critical deficiencies in reconstruction planning, implementation, and oversight. The problems ranged from the absence of assessments on the security situation and the risks to life and construction projects such as dangerous conditions posed, to inadequate internal controls that would ensure that the U.S. received the goods and services it was buying and at a reasonable price. These problems adversely affected the efficiency and effectiveness of U.S. assistance and contributed to creating a climate where fraud, waste, and abuse could occur.

The principal lessons learned from such failings are provided below.

1. **A Successful Reconstruction Program Requires a Balancing of Security, Political, and Economic Interests**
  - a. Risks of violence must be assessed at the outset of reconstruction activities.
  - b. Risks to human life must be weighed against potential outcomes.
  - c. 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**
  - a. Defining roles and missions of all involved U.S. agencies is a necessary prerequisite for effective reconstruction planning.
  - b. 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**
  - a. Obtaining the required number of skilled personnel is essential in managing reconstruction during an SRO.
  - b. Reducing turnover of contract and program management personnel is necessary for effective management.

5. **Enhanced Oversight of Contracts, Grants, and Other Procurements in SROs Is Necessary To Avoid Fraud and Waste and To Promote Efficiency**
  - a. Advance planning reduces opportunities for fraud, waste, and abuse to occur.
  - b. Reviews of contractor invoices and audits of final incurred costs are necessary to ensure payments are correct.
  - c. Close oversight of deliverables and inventory is required to oversee compliance to contract and to deter loss and theft.
  - d. Close oversight of cash transactions is necessary to deter fraud and abuse.
  - e. Grants awarded in SROs require stronger oversight than those awarded in peaceful areas.
  - f. Maintaining comprehensive contract and project records is crucial to effective oversight.
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**
  - a. Host governments must be involved in identifying sustainable reconstruction priorities and needs.
  - b. Obtaining host-government cost sharing is the best way to ensure long-term sustainment.
8. **Accountability and Oversight of Private Security Contractors Is Vital in Politically Sensitive Contingency Operations**
  - a. 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.
  - b. 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 AUDITS

Since March 2004, SIGIR has issued 217 audit reports. From August 1 to October 30, 2012, SIGIR issued three audits addressing the following reconstruction issues:

- the effectiveness and sustainability of U.S. government corrections and judicial reform efforts in Iraq
- Department of State (DoS) management of the Quick Response Fund (QRF) in 2007 and 2008
- U.S. Army Corps of Engineers (USACE) accounting for, and management of, \$2.4 billion in Iraqi Development Fund for Iraq (DFI) monies

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

SIGIR’s three ongoing, and final, audits are scheduled to be issued in January 2013. The first audit is addressing the lessons derived from managing Iraqi reconstruction funds, and the second audit addresses the lessons learned from implementing the Commander’s Emergency Response Program. Finally, SIGIR is conducting an audit to determine how the more than \$60 billion appropriated or otherwise made available for Iraq relief and reconstruction has been spent. SIGIR is performing these audits under generally accepted government auditing standards.

### SIGIR Audits Completed This Quarter

*Sustaining the Progress Achieved by U.S. Rule of Law Programs in Iraq Remains Questionable*  
(SIGIR 13-001, 10/2012)

#### Introduction

Between 2003 and June 2012, the United States government spent about \$560.3 million to develop and reconstitute the corrections and judicial components of the Rule of Law (RoL) system in Iraq. RoL in a modern state comprises, among other things, a constitution, a legislature, a court system, police, prisons, due process and equal protection under the law, a commercial code of laws, and meaningful anticorruption systems. U.S. government entities—including DoS, the Department of Justice (DoJ), the Department of Defense (DoD), and the U.S. Agency for International Development (USAID)—as well as international agencies and others, have provided assistance to the Government of Iraq (GOI) in developing a new RoL system. DoS’s Bureau of International Narcotics and Law Enforcement Affairs (INL) managed

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 8/1/2012

REPORT NUMBER	REPORT TITLE	DATE ISSUED
13-001	Sustaining the Progress Achieved by U.S. Rule of Law Programs in Iraq Remains Questionable	10/2012
13-002	Final Review of State Department’s Management of Quick Response Funds In 2007 and 2008	10/2012
13-003	Development Fund for Iraq: U.S. Army Corps of Engineers Has Missing Receiving Reports and Open Task Orders	10/2012

the overall effort. INL assistance efforts chiefly focused on three functional RoL areas: corrections programs, judicial programs, and police training. This report examines the major corrections and judicial programs implemented by DoJ, INL, and USAID. SIGIR performed this audit to determine the programmatic and financial status of the corrections and judicial programs in Iraq.

## Results

The corrections and judicial systems in prewar Iraq were corrupt, supporting Saddam Hussein's brutal regime. Initial postwar assessments in 2003 found the systems in chaos, with facilities destroyed, personnel ill-equipped to carry out the mission, and corruption rampant across the government.

Since 2003, INL has spent about \$209.3 million to develop and establish an effective corrections system, reform pretrial detention programs, and modernize the prisons. For the most part, this effort was led by DoJ. According to DoJ officials SIGIR interviewed, the Iraqi Corrections Service (ICS) has progressed from near non-existence into a functional institution requiring minimal technical assistance and mentoring. Correctional system facilities appear to be operated in a safe and humane manner, in accordance with standardized operating procedures, and overseen by trained and experienced correctional managers. The Iraqi Deputy Minister of Justice, who oversees the ICS, complimented DoJ's efforts to improve the service and to provide assistance to the ministry. A DoJ end-of-mission report provided an extensive summary of the eight-year effort, documenting what was accomplished.

During the same period, INL spent about \$197.9 million to develop the Iraqi judiciary, establish judicial security, and reform court administration. USAID started a program in 2010 to educate the Iraqi people on their access to the justice system, particularly for the disadvantaged. SIGIR requested reports on the INL-funded judicial programs, similar to the one that DoJ prepared for the corrections program, but

received just two reports on relatively small initiatives because INL officials do not consider any other RoL programs complete. However, many of the interagency agreements that funded the programs have ended, and reports on the program at the end of the agreement could provide insights into the program at that point in time. Absent end-of-program and end-of-mission reports on these programs, there is no documented means to know the success of the U.S. initiatives, such as the extent to which U.S. agencies completed the tasks they were given, how the funding was used, and what successes and challenges were documented as the program progressed. As a result, SIGIR was unable to conduct any meaningful analysis to determine the effectiveness of the programs.

SIGIR did find some evidence that INL's programs contributed to a reasonably well-functioning judicial system in Iraq. But lasting institutional reform of the judicial system—and the entire RoL system—is a generational undertaking, requiring a sustained commitment by the GOI to ensure effective progress.

## Recommendations

SIGIR makes three recommendations to the Assistant Secretary of State for International Narcotics and Law Enforcement Affairs:

1. Require an end-of-program report for all INL-funded assistance programs at the end of each interagency agreement or other funding mechanism.
2. Require an end-of-mission report, comparable to the end-of-mission report for the corrections program, at the end of each mission.
3. Retain those reports centrally for future use.

## Management Comments

The Department of State provided written comments, stating that it concurred with the report's findings and recommendations. Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## ***Final Review of State Department's Management of Quick Response Funds in 2007 and 2008***

*(SIGIR 13-002, 10/2012)*

### **Introduction**

In April 2011, SIGIR issued an audit on DoS management of the QRF program, which was implemented between 2007 and 2011 at a total cost of about \$258.2 million. DoS initiated the program to provide Provincial Reconstruction Teams (PRT) in Iraq with a flexible means to pay for local projects that supported community-based leaders and local Iraqi organizations and institutions to improve access to public services, employment, and education. The PRT program was a U.S.-led, civil-military effort to assist Iraq's provincial and local governments to govern effectively and deliver essential services. DoS spent QRF funds through grants, microgrants, direct procurements, and micropurchases. DoS expended much of its QRF funds in the early years of the program. DoS's Bureau of Near Eastern Affairs-Iraq (NEA-I) was responsible for the QRF program.

In the April 2011 audit, SIGIR reported that recordkeeping on fund use and project results and outcomes for micropurchases made in 2007 and 2008 was poor, and that documentation in seven project files suggested possible fraud. SIGIR recommended that NEA-I improve its recordkeeping and review all micropurchases initiated during 2007–2008 to determine if other examples of possible fraud, waste, and abuse exist.

For SIGIR's follow-up audit, issued in April 2012, NEA-I officials stated that they had located almost all documentation that SIGIR found missing from the official files, and that their review of payment vouchers did not indicate that any fraudulent transactions had occurred. However, the officials did not directly address the seven instances of possible fraudulent activities that SIGIR had found.

Because there was no evidence that NEA-I had reviewed and assessed the identified cases of possible fraud, SIGIR initiated this review.

### **Results**

SIGIR examined documentation on 185 judgmentally selected micropurchases initiated during 2007–2008 that were collectively valued at about \$3.5 million. From the available records, SIGIR could generally determine how funds were intended to be used but could not assess whether all of the goods and services were actually purchased, received, or transferred to beneficiaries.

Of the 185 files documenting the micropurchases, 157 contained project proposals that described items to be purchased, cost estimates, invoices, and various forms used to document the receipt and use of cash. A few of the files contained additional information, such as handwritten receipts in Arabic, and photos of completed projects (such as attendees at a training seminar). Most of the files also contained forms signed by multiple PRT officials describing and attesting to the receipt and use of QRF cash.

Despite the existence of forms documenting the receipt and planned use of funds and other project details, the absence of information on the results of the sampled projects makes it difficult to determine if the QRF funds were actually used as intended. In its review, SIGIR found that 90 of the 185 micropurchases (or about 49%) lacked such information. As a consequence, for those 90 cases, which totaled \$1.63 million, SIGIR cannot be certain that individuals used the cash they received to purchase goods and services and that the intended beneficiaries of these goods and services actually received them.

For the other 95 micropurchases (or 51%), SIGIR found project results in the form of emails, memoranda, photographs, and other written information. Among these, SIGIR also found that written project results for seven micropurchases questioned whether some purchases were made and ultimately received by Iraqi beneficiaries. In response to SIGIR's request that NEA-I officials examine these seven micropurchases for possible fraudulent actions, the officials stated that without further documentation, they were unable to determine whether fraud actually took place. Furthermore, because the

QRF program has ended and the PRTs are closed, they cannot find the personnel involved with those questioned micropurchases to make inquiries. Finally, they stressed that the lack of documentation does not mean that fraud occurred.

This review again demonstrates the vulnerability of cash transactions to theft and misuse and the need to be vigilant in ensuring that the intended purpose of the cash payments is actually achieved. While DoS took some measures to enhance its oversight and documentation of activities toward the end of the program, earlier activities appear to have suffered from a lack of sufficient internal controls. Specifically, DoS may never know what it got out of those micropurchases made in the early years because of the lack of documentation showing that the goods or services were delivered. Consequently, it is highly possible that some portions of QRF funds were not used as intended.

## Recommendations

This report contains no recommendations.

## Lesson Learned

Requisite internal controls must be included in the design of any cash-transaction assistance program. Attempts to institute them after activities have begun may be too late to ensure that the transactions are not vulnerable to fraud, waste, and abuse.

## Management Comments

The Department of State provided written comments that included the steps taken to address SIGIR's concerns. Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## *Development Fund for Iraq: U.S. Army Corps of Engineers Has Missing Receiving Reports and Open Task Orders*

(SIGIR 13-003, 10/2012)

### Introduction

The Coalition Provisional Authority (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 full responsibility for managing it. The DFI comprised revenues from Iraqi oil and gas sales, certain remaining Oil for Food deposits, and repatriated national assets. It was used, in part, for Iraq relief and reconstruction efforts.

In 2003, the CPA committed to restoring Iraq's oil and electricity infrastructures, both of which suffered from neglect under Saddam Hussein's regime and the Iraq war. USACE was assigned responsibility for managing the restoration activities known as Restore Iraqi Oil (RIO) and Restore Iraqi Electricity (RIE). USACE received about \$2.4 billion in DFI funds for reconstruction activities and administered four major DFI-funded contracts—one oil and three electricity.

SIGIR initiated this audit to determine whether: (1) USACE properly accounted for the \$2.4 billion in DFI funds it received for reconstruction activities in Iraq, (2) USACE properly managed the contract closeout process for the DFI-related task orders that it administered, and (3) contractors completed work as planned under the DFI-funded contracts.

### Results

USACE did not establish effective internal controls to document that goods and services paid for using DFI funds were received in Iraq. SIGIR sampled 12 DFI payments, totaling about \$1.1 billion, made to USACE and found that two key financial documents—public vouchers and vendor invoices—were in the payment files. However, a third key document—the receiving report—was missing from more than 95% of the files. Receiving reports

document the government's inspection and acceptance of products delivered or services performed. Missing receiving reports involved commodities vulnerable to fraud and theft, such as fuel, televisions, and vehicles. SIGIR has not concluded that fraud or theft occurred, but the absence of receiving reports raises questions.

Fuel deliveries alone accounted for \$1.3 billion (54.2%) of the \$2.4 billion in DFI funds that USACE received for reconstruction activities in Iraq. Instead of using the required receiving reports to document fuel deliveries in Iraq, USACE officials told SIGIR that they maintained a fuel delivery log book. However, the log book is missing. In the absence of receiving reports and the fuel delivery log book, USACE has no evidence that shows whether fuel products paid for with DFI funds were received. This problem was compounded by the lack of metered trucks to document how much fuel was being delivered and the proliferation of fuel delivery points from 12 official sites to more than 100 sites. A Defense Contract Audit Agency report noted that, due to these two conditions alone, the contractor had no way to confirm fuel deliveries and to establish a basis for paying the subcontractor. However, USACE officials noted that fuel was delivered by military-escorted convoys, which they believe decreased the probability of fraud or theft, and that there is no evidence that theft occurred.

USACE has not been able to determine the status of the DFI monies because key financial audits of contractors have not been completed. Without these audits, USACE cannot close out these contracts and task orders and assess whether the contractor owes the U.S. government money,

whether the U.S. government owes the contractor money, and ultimately, whether the U.S. government needs to return unused DFI funds to the GOI. The six RIO task orders that SIGIR reviewed have been closed, and the three RIE task orders remain open, although the work was completed almost eight years ago. To date, USACE has returned \$17.7 million in unused DFI funds to the GOI and, pending closeout of the RIE task orders, there may be more money to return.

The RIO and RIE work was completed in 2004 and, for the most part, work performed under the non-fuel-related task orders that SIGIR reviewed was successfully completed. Construction work on one RIO task order was terminated before completion. However, USACE awarded two new contracts to complete the projects and paid for them with U.S.-appropriated funds rather than DFI funds.

## Recommendations

SIGIR recommends the Secretary of Defense direct the Chief of Engineers, USACE, and the Director, Defense Contract Audit Agency, to work together to:

1. Take those actions necessary to expedite the incurred cost audits and contract close-out procedures for the three RIE DFI-funded task orders.
2. Return any unused DFI funds to the GOI.

## Management Comments

The Department of State provided written comments, stating it concurred with SIGIR's recommendations. Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil). ♦

## SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 77 active investigations. During this reporting period, SIGIR had 1 investigator assigned in Baghdad; 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, Missouri, and California; and 5 investigative personnel at SIGIR headquarters in Arlington, Virginia. Investigative accomplishments this quarter included 5 indictments, 3 convictions, and 1 sentencing.

FIGURE 5.1  
SIGIR CONVICTIONS, BY AFFILIATION OF WRONGDOER, AS OF 9/30/2012

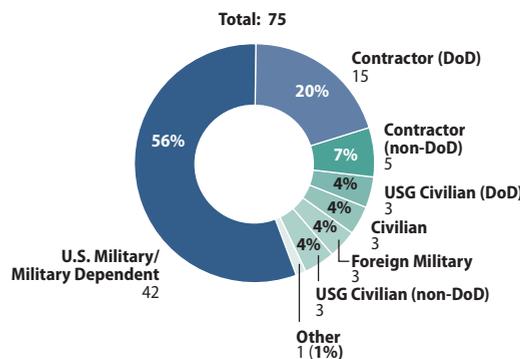
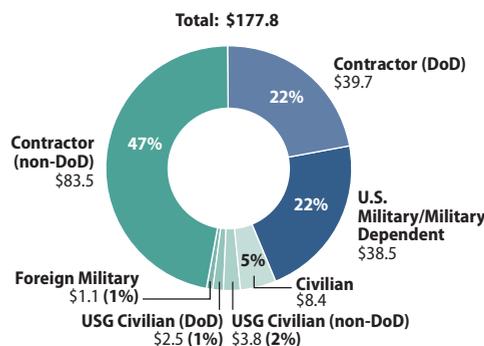


FIGURE 5.2  
SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 9/30/2012  
\$ Millions



Note: Numbers affected by rounding.

As of October 30, 2012, the work of SIGIR investigators had resulted in 97 indictments, 75 convictions, and more than \$180 million in fines, forfeitures, recoveries, restitution, and other monetary results. For SIGIR convictions, by affiliation of wrongdoer at the time of criminal activity, see Figure 5.1. For the monetary results of SIGIR investigations, by affiliation of wrongdoer, see Figure 5.2.

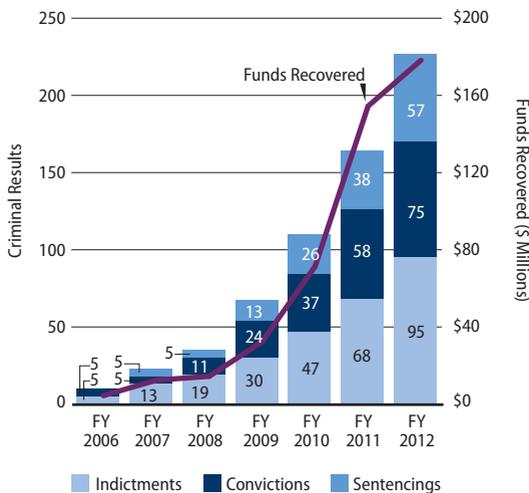
Investigative accomplishments this quarter also included 4 suspensions, 7 proposals for debarment, and 7 debarments. As of September 30, 2012, the work of SIGIR investigators had resulted in 96 suspensions, 149 proposals for debarment, and 110 debarments.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of these investigations, 19 defendants were awaiting trial, and an additional 16 defendants were awaiting sentencing at the end of the quarter. Figure 5.3 shows the cumulative number of judicial actions and monetary results resulting from 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 former chief of party for the United States Institute of Peace was charged and pled guilty to wire fraud conspiracy, and a co-conspirator was charged and arrested in Great Britain.
- A former co-owner of a government contracting company was charged and pled guilty to fraud charges.

**FIGURE 5.3**  
**SIGIR INVESTIGATIONS CRIMINAL RESULTS AND FUNDS RECOVERED, CUMULATIVE TO DATE, BY FISCAL YEAR**



- A U.S. Army master sergeant was charged and pled guilty to defrauding the U.S. government.
- A former U.S. Army officer was indicted and arrested for theft of government property.
- Two U.S. contractors were sentenced for conspiring to defraud the U.S. government.
- A former employee of a U.S.-based construction firm was sentenced in a kickback conspiracy.
- A U.S. Army captain was charged with conspiring to accept illegal gratuities.
- A former U.S. Army sergeant was re-indicted, arrested, and pled guilty to receiving stolen cash from Iraq.

### Former USIP Chief of Party Pleads Guilty to Wire Fraud Conspiracy; Co-conspirator Arrested in Great Britain

On August 6, 2012, the criminal information and subsequent guilty plea of Robert N. Boorda, the former chief of party in Baghdad for the United States Institute of Peace (USIP), were unsealed by the U.S. District Court for the District of Columbia. Boorda was charged by information on September 19, 2011, with one count of conspiring to commit wire fraud, and he pled guilty to the

charge on October 7, 2011. According to plea documents, Boorda admitted that, from about April 2009 through about June 2009, he and the owner of a security-services contracting firm conspired to enrich themselves through Boorda’s recommendation that USIP award a \$1.165 million contract for the lease of a villa in Baghdad and security services to that company at a fraudulently inflated price. For his role, Boorda received a purported consulting and marketing agreement with the company for a monthly fee of \$20,000 for the term of the USIP contract. Boorda admitted that he concealed this agreement from USIP. According to plea documents, some of that fee was made possible by representing to USIP headquarters that the villa owner would not agree to a monthly rental payment of less than \$22,000, when the owner had actually agreed to \$13,000.

An arrest warrant was issued for Boorda’s co-conspirator, the owner of the security-services firm, as the result of an eight-count sealed indictment by a grand jury for the U.S. District Court for the District of Columbia. The charges included wire fraud and gratuities conspiracy, wire-fraud scheme, agreement to pay a gratuity to a public official, and payment of a gratuity to a public official. The contractor was arrested on July 6, 2012, by British law-enforcement authorities and is currently awaiting extradition to the United States to face charges.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ’s Criminal Division. The case was investigated by SIGIR and Department of State Office of the Inspector General (DoS OIG).

### Former Co-owner of Contracting Company Pleads Guilty to Defrauding the Government

On August 9, 2012, Jill Charpia, former co-owner of a U.S. civilian contracting company, pled guilty before the U.S. Magistrate for the Western District of Texas in San Antonio, Texas, to a criminal information charging her with one count of providing false statements to a government agency in

connection with Iraq reconstruction government contracts.

From 2008 through 2009, according to court documents, Charpia was the co-owner of Sourcing Specialists, LLC, a privately owned company that contracted with the U.S. government to provide services in Iraq. In September 2008, her company contracted to provide a turnkey housing facility located outside Iraq's International Zone to facilitate the introduction of multinational firms desiring to develop business opportunities in Iraq. That same month, Charpia signed and submitted to the Department of Defense (DoD) Joint Contracting Command-Iraq/Afghanistan a false invoice, purportedly for mobilization costs, in the amount of \$1,270,075.40 for payment through the contract. She followed up with two invoices: one representing that she had paid \$700,000 for the rental of two villas in Baghdad, and the other representing that she had paid \$570,075.50 for the purchase of three armored vehicles from an Iraqi company. In October 2008, as a result of her false and fraudulent statements, DoD caused \$1,270,075.50 to be wired to Charpia's bank account. Charpia admitted that she fabricated both invoices and forged the signatures on the documents. She also admitted that she did not purchase any armored vehicles and paid only half the submitted cost for the villas.

At sentencing, scheduled for December 20, 2012, Charpia faces a maximum penalty of five years in prison, a maximum fine of the greater of \$250,000 or twice the pecuniary gain or loss, and up to three years of supervised release. As part of her plea agreement, Charpia agreed to pay \$920,000 plus interest in restitution to the United States.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Western District of Texas. The case is being investigated by SIGIR, the Internal Revenue Service-Criminal Investigation (IRS-CI), and U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU).

### **U.S. Army Master Sergeant Charged and Pleads Guilty to Defrauding U.S. Government**

On August 29, 2012, retired U.S. Army Master Sergeant Julio Soto, Jr., pled guilty in the U.S. District Court of South Carolina to a criminal information charging him with one count of conspiracy to accept illegal gratuities.

According to court documents, Soto was deployed to Forward Operating Base (FOB) Hammer in Iraq as a field ordering officer (FOO). FOO funds are used to purchase miscellaneous items and supplies, such as paint, lumber, and plywood, from local vendors. It is a violation of federal law for FOOs to accept gratuities from contractors dependent on them for contracts.

In or about March 2007 through October 2008, Soto, along with an alleged U.S. Army co-conspirator, was involved with the construction of a government building at FOB Hammer by local Iraqi contractors. Soto and his alleged co-conspirator unlawfully sought, received, and accepted illegal gratuities for helping Iraqi contractors gain U.S. government contracts, and then purchased U.S. postal money orders with the illegal proceeds and mailed them back to the United States.

At sentencing, Soto faces a maximum penalty of five years in prison, a fine of the greater of \$250,000 or twice the pecuniary gain or loss, and up to three years of supervised release. As part of his plea agreement, Soto agreed to pay \$62,542 plus interest in restitution to the United States.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of South Carolina. The case is being investigated by SIGIR, the Defense Criminal Investigative Service (DCIS), and Army CID-MPFU.

### **Former Army Officer Indicted for Theft of Government Property**

On August 15, 2012, a former U.S. Army captain was arrested in Los Angeles, California following the return of an indictment in Texas alleging

wire fraud, theft of government property, money laundering, and false statements in connection with his military service in Iraq. He was charged in a nine-count federal indictment, returned July 30, 2012, and unsealed after his arrest by SIGIR and DCIS special agents in Los Angeles, California.

According to the indictment, the former captain was deployed to Iraq as an artillery officer in late 2006. While there, he was designated as a pay agent with responsibilities to receive receipts and invoices from Iraqi contractors who worked at Forward Operating Base Justice in performing jobs for the U.S. Army. He was responsible for processing the invoices to be sure they were properly paid.

The former captain allegedly changed or caused to be changed certain invoices by increasing the total amount due for the invoice. The indictment alleges he then paid the contractor the original invoice amount and kept the difference in cash. After leaving Iraq in late 2007, and following his arrival in Germany, he allegedly deposited some of the money into bank accounts in Germany and instructed certain amounts to be sent via wire transfer to his account in the United States. As a result of the scheme he created, the indictment alleges he stole approximately \$110,000.

If convicted on all charges, he faces maximum fines of up to \$250,000 per count and prison sentencing as follows:

- up to 20 years for each of the two counts of wire fraud
- 10 years for each of three counts of theft of government property
- 10 years for each of two counts of money laundering
- 5 years for each of two counts of making false statements

The investigation is being conducted by SIGIR and DCIS.

## Two U.S. Contractors Sentenced for Conspiring To Defraud U.S. Government

On October 9, 2012, Gaines Newell, Jr., was sentenced in U.S. District Court for the Northern District of Alabama to 27 months in prison followed by 3 years supervised release, ordered to pay restitution of \$861,027 to the U.S. Army Corps of Engineers (USACE) and \$241,088 to the IRS, and ordered to pay a special assessment of \$200. In addition, the judge issued a forfeiture notice against Newell in the amount of \$861,027 to be applied against his restitution. On October 10, 2012, Billy Joe Hunt was sentenced in the same district to 15 months in prison followed by 3 years supervised release and ordered to pay restitution of \$66,212 to the IRS and forfeit \$236,472. The sentencing are the result of guilty pleas by Newell and Hunt to conspiring to commit the federal offenses of kickbacks, wire fraud, and mail fraud, and to filing false tax returns.

According to court documents, USACE's Huntsville Engineering and Support Center awarded a prime contract in connection with the Coalition Munitions Clearance Program (CMCP) to Newell and Hunt's company, an international engineering and construction firm headquartered in Pasadena, California. The CMCP worked to clear, store, and dispose of weapons that were seized or abandoned in Iraq from 2003 through November 2008. Ahmed Kazzaz, a British citizen, paid more than \$947,500 in unlawful kickbacks to Newell (the prime contractor's program manager) and Hunt (the deputy program manager) to obtain lucrative subcontracts for himself and his company, Leadstay.

Beginning in or about March 2006, Kazzaz entered into a kickback agreement with Newell and Hunt, who arranged for the award of subcontracts to Kazzaz and Leadstay to provide materials, heavy equipment, and equipment operators for the CMCP. Kazzaz also obtained multiple funding increases to those subcontracts. From April 2006 through August 2008, Kazzaz and Leadstay

received more than \$23 million in U.S. funds for services under the CMCP.

Kazzaz pled guilty on May 21, 2012, to the federal offenses of conspiracy, kickbacks, wire fraud, and mail fraud, and he is scheduled to be sentenced on October 29, 2012.

The case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Northern District of Alabama.

The case was investigated by SIGIR, DCIS, IRS-CI, the Federal Bureau of Investigation (FBI), and Army CID-MPFU.

### **Former Employee of U.S. Construction Firm Sentenced in Iraq Reconstruction Kickback Conspiracy**

On September 12, 2012, Ismael Salinas was sentenced in U.S. District Court, Houston, Texas, for receiving hundreds of thousands of dollars in illegal kickbacks from subcontractors in Iraq. Salinas was sentenced to time served (9 months), 2 years of supervised release, a fine of \$7,500, forfeiture of \$807,904, and a special assessment of \$300.

On October 1, 2010, Salinas, a former employee of a U.S. construction company, pled guilty to a criminal information filed in U.S. District Court for the District of New Mexico that charged him with conspiracy to defraud the United States by accepting kickbacks from subcontractors whom he helped to get contracts on government building projects in Iraq between April 2005 and March 2008. According to court documents, between 2004 and 2008, Salinas arranged for subcontracts—awarded by the construction company and paid by the U.S. government—to be inflated by the kickback amounts that he was to receive. Salinas overbilled DoD by \$847,904, taking at least \$424,000 in kickbacks from six companies. Salinas admitted to using his position with the construction company to give subcontracts to certain businesses and to rate their performance highly in return for money. Salinas said that he would also have the subcontractors submit inflated invoices,

but accept less money so he could take some of the difference—much of which he smuggled back into the United States

This case continues and is being conducted jointly by SIGIR, DCIS, and the FBI.

### **U.S. Army Captain Charged with Conspiring To Accept Illegal Gratuities While Serving in Iraq**

On October 4, 2012, a U.S. Army captain was charged in a two-count criminal information filed in U.S. District Court, Oklahoma City, Oklahoma with conspiracy.

According to court documents, the captain served in Baghdad from November 2007 to January 2009 working with U.S. government pay agents and Iraqi contractors on U.S.-funded projects. During this time, two Iraqi contractors offered gratuities to the captain in exchange for official acts performed in connection with the contracting process. One of the contractors offered gratuities and favors, including approximately \$25,000 in cash payments, in exchange for the captain assisting on an Iraqi construction contract. The captain was also offered jewelry, a vacation to a private island, and approximately \$10,000 in cash payments in exchange for influence and ability to steer generator contracts to one of the contractors. The direct cash payments and the value of the jewelry received by the captain from the two contractors totaled approximately \$45,000. The captain sent the money in envelopes through the mail to his ex-wife in Louisiana.

Additionally, the captain allegedly provided one of the contractors with the login and password information for an email account assigned to the unit for Pay Agents to receive and review bids. Access to the email account allowed the contractor to review bids submitted by other contractors.

The case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Western District of Oklahoma.

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

### **Former U.S. Army Sergeant Re-indicted, Arrested, and Pleads Guilty to Receiving Stolen Cash from Iraq**

On August 3, 2012, Daniel Hutchinson, a former U.S. Army sergeant, was arrested as the result of an April 13, 2012, one-count indictment for receiving more than \$12,000 in stolen cash from Iraq. Hutchinson was placed in a Pretrial Diversion (PTD) program by the U.S. District Court, Los Angeles, California, on October 21, 2011; however, he did not comply with the PTD provisions and was subsequently re-indicted.

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 Hutchinson. 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 animal, and sent through the U.S. postal system to Hutchinson in California. Hutchinson pled guilty on September 14, 2012, and is scheduled to be sentenced on November 26, 2012. The investigation into this case continues. The case is being investigated by SIGIR, DCIS, Army CID-MPFU, and the FBI.

## **Other Agency Investigations**

### **Former USACE Employee Pleads Guilty to Bribery and Kickback Scheme**

On September 7, 2012, John Alfy Salama Markus, a former USACE employee deployed to Tikrit during Operation Iraqi Freedom admitted taking at least \$3.7 million in bribes and kickbacks in connection with more than \$50 million in USACE contracts awarded to foreign companies in Gulf Region North, Iraq. Markus pled guilty in U.S. District Court, Newark, New Jersey, to three counts of a 54-count indictment returned in July 2011 charging him with wire fraud, conspiracy to commit bribery and to defraud the U.S. government, money laundering, and tax offenses. Two other

USACE employees and two foreign contractors also were charged in the July 2011 indictment.

According to court documents, from July 2007 to June 2008, Markus accepted at least \$3.7 million in bribe and kickback payments in connection with USACE contracts awarded to multiple companies associated with two foreign contractors named in the indictment. From September 2005 to July 2008, Markus was assigned to Tikrit as a project engineer, where he and a coworker were involved in the review and award process for USACE contracts in the Gulf Region North District and also in the administration, oversight, and modification of such contracts.

Markus admitted that he and the coworker participated in a scheme to provide favorable official action and assistance to co-conspirators for the benefit of their associated companies, including by obtaining and disseminating confidential bid and internal USACE pricing information to individuals seeking the award of contracts to their companies and by approving lucrative payments for these companies. All of these actions were taken in exchange for bribes and kickbacks that Markus and the coworker accepted from foreign contractors.

Markus opened or established control over multiple foreign bank accounts in Jordan and Egypt to receive illegal bribe and kickback payments that he took from foreign contractors in connection with the USACE contracts. He created, maintained, and sent via email to foreign contractors spreadsheets and other records detailing the value of USACE contracts awarded, the percentage of those contracts that Markus solicited and demanded, the payments (whether by installment or lump sum) made to Markus by foreign contractors, and in some cases, the date on which these illegal payments were accepted in cash or deposited into Markus's foreign bank accounts. A spreadsheet created by Markus in July 2008 reflected his demand and acceptance of bribe payments from a co-conspirator totaling \$1,958,500, or 10% of the value of a contract awarded to the company al-Fahal and its partner companies for the construction

of segments of the Baghdad-to-Baiji Pipeline. As part of the scheme, Markus used the foreign bank accounts under his control to receive and transfer bribe and kickback payments from foreign contractors to at least 11 bank accounts opened, established, and controlled by Markus in New Jersey and Pennsylvania. Markus also transferred bribe and kickback money to a co-conspirator.

Markus also admitted that, with the proceeds of his wire-fraud scheme and bribery offenses, he paid for the construction of a custom-built home in Nazareth, which was worth approximately \$1,110,000. Markus admitted that on October 16, 2008, the date of settlement, he obtained a cashier's check, drawn on a Bank of America account, of approximately \$850,807.54 made out to a title company in connection with the construction of the Nazareth home.

Markus also admitted that, for calendar year 2009, he failed to file with the U.S. Department of the Treasury a Report of Foreign Bank and Financial Accounts (FBAR), disclosing that he had a financial interest in, and signature and other authority over, certain financial accounts in foreign countries, including Jordan.

Markus agreed to the entry of a forfeiture money judgment in the amount of at least \$3.7 million, a portion of which will be satisfied by forfeiture of his Nazareth residence, as well as five vehicles and two motorcycles.

The wire-fraud count to which Markus pled guilty is punishable by a maximum penalty of 20 years in prison and a fine of the greater of \$250,000 or twice the gross pecuniary loss or gain. The money laundering is punishable by up to 10 years in prison and a fine of the greater of \$250,000 or twice the gross pecuniary loss or gain, but not more than twice the amount of the criminally derived property involved in the transaction. The FBAR count to which Markus pled guilty is punishable by up to five years in prison and a fine of not more than \$250,000. Sentencing is scheduled for January 8, 2013.

This case is being conducted by DCIS, IRS, Immigration and Customs Enforcement, and Army CID-MPFU.

## SIGPRO Update

Under the SIGIR Prosecutorial Initiative (SIGPRO), which began in late 2009, SIGIR has hired highly experienced prosecutors and detailed them as a unit to the Fraud Section of DoJ's Criminal Division to prosecute SIGIR investigation cases. These prosecutors are firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They handle their own DoJ caseloads and work closely with SIGIR's General Counsel and other DoJ prosecutors assigned to SIGIR cases. 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. In line with SIGIR reductions in staff, the SIGPRO unit now comprises two prosecutors and one legal analyst.

## Suspensions and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army 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 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 9 contractors based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 10 contractors for debarment and finalized

1 debarment of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait.

The Army has suspended 176 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003, and 212 individuals and companies have been proposed for debarment, resulting in 165 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 2012. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported by 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 F. ♦

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

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Daniel Hutchinson	Receiving stolen funds from Iraq	9/14/2012	Pending
John Markus	Wire fraud, money laundering, and failure to report foreign bank and financial accounts	9/7/2012	Pending
Julio Soto	Conspiracy to accept illegal gratuities	8/29/2012	Pending
Jill A. Charpia	Providing false statements to a government agency	8/9/2012	Pending
Robert N. Boorda	Conspiracy to commit wire fraud	8/6/2012	Pending
Crystal Martin	Conspiracy and money laundering	6/25/2012	Pending
Richard Evick	Conspiracy, bribery, money laundering, and obstructing an agency proceeding	6/25/2012	Pending
Ahmed Kazzaz	Conspiracy, kickbacks, wire fraud, and mail fraud	5/21/2012	Pending
Nicole Luvera	Theft of government property	5/17/2012	Pending
Billy Joe Hunt	Conspiracy and filing false tax returns	5/8/2012	15 months in prison; 3 years supervised release; \$66,212 in restitution to the IRS; \$200 special assessment; and forfeiture of \$236,472
Gaines Newell, former DoD contractor employee	Conspiracy and filing false tax returns	4/10/2012	27 months in prison; 3 years supervised release; \$1,102,115 restitution (\$861,027 to USACE and \$241,088 to the IRS); \$200 special assessment; and forfeiture of \$861,027
Maj. Christopher G. Bradley, USA	Gratuities	4/9/2012	6 months in prison; 1 year supervised release; \$20,000 restitution; and \$200 special assessment
David J. Welch, former DoD contractor employee	Conspiracy to steal government property	4/2/2012	2 years in prison; 3 years supervised release; and \$160,000 restitution
Capt. Michael G. Rutecki, USA	Gratuities	3/7/2012	3 years probation; \$10,500 restitution; \$2,000 fine; and \$100 special assessment
Sgt. Amasha M. King, USAR	Conspiracy to defraud	2/14/2012	3 months in prison; 5 years probation; \$20,500 restitution; and \$100 special assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
John F. Hayes	Conspiracy	11/10/2011	5 months in prison; 2 years supervised release; and \$12,000 restitution
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; \$1,000 fine; and \$100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	4 years probation with the first 6 months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of \$73,500; and \$100 special assessment
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	\$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	18 months in prison; 3 years supervised release; and \$124,944 restitution
Francisco Mungia III	Conspiracy	7/22/2011	4 months in prison; 3 years supervised release; and \$30,000 restitution
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	1 year probation with the first 4 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, retired USA lieutenant colonel	Bribery	6/13/2011	41 months in prison; 2 years supervised release; forfeiture of \$68,100; and \$181,900 restitution
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	2 years in prison; 3 years supervised release; \$400,000 restitution; and \$100 special assessment
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	12 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
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	3/1/2011	6 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; \$106,820 restitution; and \$200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	3 years probation; and \$47,241 restitution
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	3 years in prison; 3 years supervised release; forfeiture of \$57,030; and \$200 special assessment
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

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# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison and 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	\$18.7 million in criminal penalties; civil settlement of \$50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
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	1 year 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
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	9 months in prison (time served); 2 years supervised release; \$7,500 fine; forfeiture of \$807,904; and \$300 special assessment
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 forfeiture of \$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 forfeiture of \$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	1 year home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	39 months in prison; 1 year supervised release; and forfeiture of \$15,757,000
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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	1 year and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
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	2 years 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

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# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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
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	2 years 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

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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
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
Ashleigh Woods	9/17/2012
MACR Construction, LLC	9/17/2012
Al Batat Construction Co.	8/24/2012
Hayder Al Batat	8/24/2012
Yahya Al Batat	8/24/2012
Ahmed Alssabari	8/24/2012
Hawks of Iraq	8/24/2012
Richard Lopez Razo	8/24/2012
Charles J. Bowie, MAJ, USA	7/12/2012
Peter D. Dunn	6/14/2012
Global Procurement, Inc.	6/14/2012
World Wide Procurement and Construction, LLC	6/14/2012
Michelle Lynn Adams	6/14/2012
Matrix International	5/17/2012
Jose Flores	5/17/2012
Barry Steven Szafran	5/17/2012
Jossey V. Varghese	5/17/2012
Specialised Security Systems	5/17/2012
Thomas Aram Manok	5/17/2012
SIMA International	5/17/2012
Ali Amer Huissein	5/17/2012
Majeed Sahdi Majeed	5/17/2012
Al Sald Company for General Contracts	5/17/2012
C Building	5/17/2012
Al Andalus/A- Cap Company	5/17/2012
Al Baqier Company	5/17/2012
Mohammed Baqier	5/17/2012
Frederick Manfred Simon	5/17/2012
Manfred Otto Simon	5/17/2012
Railway Logistics International, Inc.	5/17/2012
Engineering International Corporation	5/17/2012
Eric Hamilton	4/30/2012
Mike Atallah	2/25/2012
Marta Atallah	2/25/2012
Theresa J. Baker, MAJ, USA	2/25/2012
Theodore Q. Williams	2/17/2012
Ozgen Kacar	2/17/2012
Mezin Kacar	2/17/2012
Ayfer Atilan	2/17/2012

*Continued on next column*

NAME	DEBARRED
Al Amal Al Mushrig Company	2/15/2012
Charles E. Sublett, MAJ, USA	1/19/2012
Ali Hatham Soleiman	12/15/2011
Al Anbar Trucking Association	12/15/2011
Abed Errazak Soleiman	12/15/2011
Saad Soleiman	12/15/2011
Taleb Alirfan	12/15/2011
Shalan Alirfan	12/15/2011
David Pfluger, LTC, USA (Ret.)	12/6/2011
Ehsan Hassan Al-Ameli	11/29/2011
Al AALI General Contracting Co.	11/28/2011
Mahmoud Shakier Mahmoud	10/14/2011
Ahmad Muhammed Hassan	10/13/2011
Al Ula Iraq	10/12/2011
Al Ula FZCO	10/12/2011
Al Ula Global Trading, LLC	10/12/2011
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

*Continued on next column*

NAME	DEBARRED
Eric K. Schmidt	4/20/2011
Mark R. Fuller	4/1/2011
Ahmad Mustafa	1/25/2011
Mubarek Hamed	1/25/2011
Ali Mohammed Bagegni	1/25/2011
Abdel Azzim El-Saddig	1/25/2011
Mark Deli Siljander	1/25/2011
Precy Pellettieri	1/12/2011
Salvatore Pepe	1/12/2011
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
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

*Continued on next column*

NAME	DEBARRED
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
Marko Rudi	5/26/2010
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 Tareh	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
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

*Continued on next column*

NAME	DEBARRED
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
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

*Continued on next column*

NAME	DEBARRED
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

## 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, 2012, the SIGIR Hotline had initiated 881 cases. Of these cases, 863 have been closed, and 18 cases remain open. For a summary of these cases, see Table 5.4.

TABLE 5.4  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 9/30/2012

OPEN CASES				
Investigations				17
Audits				1
<b>Total Open</b>				<b>18</b>
CLOSED CASES				
	1ST QTR 2012	2ND QTR 2012	3RD QTR 2012	CUMULATIVE*
FOIA	–	–	–	4
OSC Review	–	–	–	2
Assists	–	–	1	48
Dismissed	1	1	1	147
Referred	2	2	1	397
Inspections	–	–	–	80
Investigations	–	–	1	156
Audits	–	–	–	29
<b>Total Closed</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>863</b>
<b>Cumulative* Open &amp; Closed</b>				<b>881</b>

\*Cumulative total covers the period since the SIGIR Hotline began operations—from 3/24/2004 to 9/30/2012.

### New Cases

During this reporting period, the SIGIR Hotline received 3 new complaints, bringing the cumulative total to 881 Hotline cases. The new complaints were classified in these categories:

- 1 involved contractual issues.
- 1 involved personnel issues.
- 1 involved SIGIR website issues.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and email. Of SIGIR's 3 new Hotline complaints, 2 were received through the SIGIR Hotline website and 1 was received over the Hotline telephone.

### Closed Cases

During this quarter, SIGIR closed 4 Hotline cases:

- 1 was referred to another inspector general agency.
- 1 was closed by assisting the complainant with the SIGIR website.
- 1 was dismissed because it did not fall under SIGIR's purview.
- 1 was reviewed and closed by SIGIR Investigations.

### Referred Complaints

After a thorough review, SIGIR referred 1 complaint to the Special Inspector General for Afghanistan Reconstruction for resolution. ♦

## SIGIR WEBSITE

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

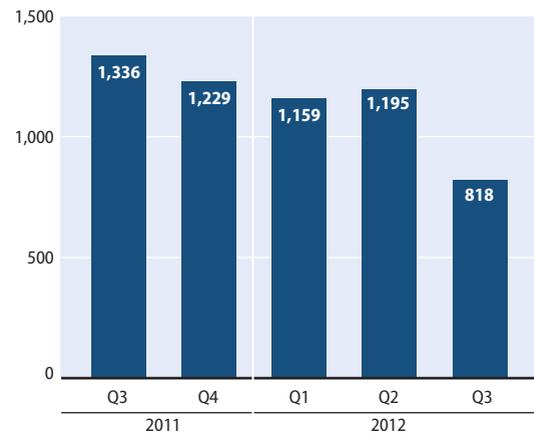
- More than 75,000 users visited the SIGIR website this quarter—818 users per day.
- The Arabic-language section of the site received just under 3,000 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 25,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.

Since its inception, SIGIR's custom Google site search has returned more than 17,200 results.

For an overview of daily visits to the SIGIR website, see Figure 5.4.♦

FIGURE 5.4

**AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 7/1/2011–9/30/2012**



Source: DoD, IMCEN, response to SIGIR data call, 10/5/2012.

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## LEGISLATIVE UPDATE

During this quarter, the Congress did not take further action on authorization and appropriations legislation related to SIGIR or Iraq reconstruction.

The Congress passed and, on September 28, the President signed into law House Joint Resolution 117—the Continuing Appropriations Resolution, 2013 (Public Law 112-175). As a general rule, the continuing resolution provided interim FY 2013 appropriations for most programs of the federal government, including programs to reconstruct Iraq, at the levels that had been provided in FY 2012 increased by 0.612%. That funding is available through March 27, 2013, unless altered by a law passed before that date.

In the case of programs designated for Overseas Contingency Operations/Global War on Terrorism that had been funded in the FY 2012 Department of Defense Appropriations Act or the Military Construction Appropriations Act, funding is provided at the level in the President’s FY 2013 budget request.

The Congress enacted several additional special provisions, known colloquially as “anomalies,” that excepted certain programs from the rule that they should be funded at prior-year levels or that amended, waived, or otherwise affected other provisions of law. However, these anomalies do not appear to relate materially to the reconstruction of Iraq. ♦