

## DETAILED SUMMARY OF OTHER AGENCY OVERSIGHT

This appendix provides a detailed summary to the audits and investigations listed in Section 4. All information provided is current as of June 30, 2006.

### Other Agency Audits

#### Department of Defense Office of Inspector General

This quarter, DoD OIG performed audit activities related to Iraq relief and reconstruction. The DoD OIG field office in Qatar provides oversight, audit, inspection, and investigative support to ongoing DoD operations in Southwest Asia. In addition, a DoD OIG evaluator is assigned full-time in Baghdad to assist the Ministry of Defense Inspector General.

#### COMPLETED AUDITS

DoD OIG did not report any completed audits this quarter.

#### ONGOING AUDITS

Ten audits and reviews are ongoing, four of which started this quarter.

#### Audit of Equipment Status of Deployed Forces within U.S. Central Command (PROJECT NUMBER D2006-D000LA-0092.00)

The project was announced on November 17, 2005. The objectives of this audit are to determine whether units deployed to Iraq have been equipped in accordance with mission requirements. Specifically, auditors will evaluate whether units were provided the required equipment and whether equipment modifica-

tions satisfied mission requirements. Auditors will review the management control program as it relates to the overall objective. The audit team was in Kabul, Afghanistan, from May 7 through May 26, 2006. The team also traveled to Kuwait (Camp Arifjan) and Baghdad to evaluate the status of equipment of deployed forces.

#### Information Operations in Southwest Asia (PROJECT NUMBER D2006-D000LA-0139)

The project was announced on February 7, 2006. This audit is a congressional request. The overall objective of the audit is to evaluate Information Operations activities of U.S. Central Command and U.S. Special Operations Command. Specifically, auditors will review the use of private contractors, including the Lincoln Group, in conducting information operations activities.

#### Antideficiency Act Investigation of the Operation and Maintenance Appropriation Account 2142020 and 2152020 (PROJECT NUMBER D2005FD-0300)

The investigation was requested by the Army Inspector General on a potential Antideficiency Act (ADA) violation that occurred when Army personnel funded a prison in Camp Bucca, Iraq. The objective is to determine whether an ADA violation occurred. The team completed interviews of all the witnesses and is currently drafting an audit report.

#### Audit of Iraq Security Forces Fund (PROJECT NUMBER D2006LH-0184)

The project was announced on March 31, 2006.

The overall objective of the audit is to evaluate whether the \$5.7 billion provided in the FY 2005 Supplemental for the equipping; facility and infrastructure repair, renovation, and construction; supplying; and training of the Iraqi Security Forces was used for the intended purposes and whether transfers to other DoD appropriations followed congressional intent and applicable appropriation law. The team continues to collaborate closely with GAO and SIGIR on this project.

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

(PROJECT NUMBER D2006FL-0208)

Announced on May 23, 2006, the project was performed in conjunction with Defense Criminal Investigative Service. The objective is to determine whether internal controls over out-of-country payments supporting the Global War on Terrorism (GWOT) provide reasonable assurance that payments are properly supported and recorded.

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

(PROJECT NUMBER D2006CK-0210)

The project was announced on May 15, 2006. This audit is a congressional request. The audit objective is to review the procurement history for armored vehicle contracts to Armor Holdings, Inc., and Force Protection, Inc., in support of the GWOT.

#### **The Army Small Arms Program that Relates to Availability, Maintainability, and Reliability of Small Arms Support for the Warfighter**

(PROJECT NUMBER D2005LH-0232)

The project was announced June 29, 2005. The overall objective is to evaluate the initiatives of the Joint Service Small Arms Program office to support and sustain the warfighter in the current operating environment. Specifically, the auditors will determine the availability of small arms for meeting current requirements, as well as whether adequate control measures were in place to ensure maintainability and reliability of fielded small arms. The auditors expect to issue a draft report for comment in late July 2006.

#### **Audit of the Acquisition of the Pacific Mobile Emergency Radio System**

(PROJECT NUMBER D2006AS-0069)

The project was announced on November 4, 2005. The audit objective is to review the acquisition of Pacific Mobile Emergency Radio System. The draft report went out for comment on May 26, 2006.

#### **Detainee Abuse Oversight Review**

(PROJECT NUMBER IPO2004-Co05)

This is a review of all closed DoD criminal investigations into all allegations of detainee abuse. The objective is to evaluate the investigative sufficiency of the investigations initiated into allegations of detainee abuse, including death cases. The formal draft was distributed on March 1, 2006. As of June 23, 2006, all comments have been received except those from

the Office of General Counsel and the Deputy Assistant Secretary of Defense for Policy (Detainee Affairs). After their comments are received, the final report will be published.

### **Review of Detainee/Prisoner Abuse Investigations and Reviews**

(PROJECT NUMBER D2004-DINT01-0174)

DoD OIG continues to provide oversight of the investigations and reviews conducted into detainee abuse allegations and detention operations in Iraq. The auditors have completed an assessment of the 13 senior-level reports on detainee abuse. DoD OIG distributed a formal draft on May 25, 2006, with comments expected from the Joint Staff, Under Secretaries of Defense for Policy and Intelligence. DoD OIG expects to publish the final report in August 2006.

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

(DOS REPORT NUMBER ISP-IQO-05-72/DOD REPORT NO. IE-2005-002)

This follow-up evaluation will assess progress toward implementation of the 30 recommendations in the original July 15, 2005, interagency report. DoD is responsible for 21 recommendations, DoS for 7, and 2 are shared responsibility between DoD and DoS. DoD OIG received management's responses to all DoD-related recommendations on May 26, 2006. The follow-up team is reviewing and analyzing those responses to measure outcomes and impact on the Iraqi police training program.

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

(PROJECT NUMBER D2006-DIPoE3-0038.000)

This long-term project provides expert advice, mentoring, assistance, and training to the Iraqi Ministry of Defense Inspector General and his staff on IG duties, operations, and activities. Integral to the project is the DoD IG's assistance to the Ministry of Defense and the development of the processes to cooperate and collaborate with other Iraqi IG offices, as well as the U.S. Embassy Anticorruption Working Group and the Iraq Reconstruction Management Office. In April 2006, three contract advisors for Human Rights, Military IG system, and Investigations were added to the Multi-National Security Transition Command-Iraq (MNSTC-I) Advisory Staff. The DoD OIG representative will coordinate with these additional mentors to effect a more robust assistance program for the Iraqi Ministry of Defense.

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

(PROJECT NUMBER D2005-DINTEL-0122)

The objective is to respond to a request from the House Appropriations Committee. Specific objectives are classified. DoD OIG issued a final report on Phase One of the project regarding compromise of information, sources, and methods, on June 12, 2006.

## Department of State Office of Inspector General

Since the SIGIR April 30, 2006 Report, DoS OIG has completed one audit. One other project is still ongoing. As of June 30, 2006, DoS OIG had no auditors in Iraq.

### COMPLETED AUDITS

#### Survey of Status of Funding for Iraq Programs Allocated to the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, as of December 31, 2005

(AUD/IQO-06-06-30)

DoS OIG and SIGIR performed a joint survey to determine funding for Iraqi-related activities by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL). The primary objectives were to: (1) identify funding received and expended by INL that was earmarked for Iraq, and (2) evaluate INL accounting procedures for those funds. The survey scope covered funding received, obligated, and expended from October 1, 2002, through December 31, 2005.

### ONGOING AUDITS

#### Agreed-upon Procedures Related to Selected DynCorp Invoices

DoS OIG is performing agreed-upon procedures related to selected DynCorp invoices. The objectives of this attestation are to determine whether INL has a process to effectively review and approve invoices from DynCorp for the support of the Jordan-Iraq Police Training Center (JIPTC); to identify best practices

for reviewing and approving invoices that other organizations use, which INL could adopt to improve operations; and to determine whether invoices provided by DynCorp in FY 2005 for the support of JIPTC are adequately supported. Fieldwork is almost complete, and a final report is expected in June.

#### Audit of the National Endowment for Democracy

(PROJECT CODE: 06AUD3026)

The National Endowment for Democracy (NED) Act (Public Law 102-138), as amended, mandates that the DoS OIG audit the annual financial transactions of NED. Congress established NED in 1980 as a private non-profit organization to plan and administer grants promoting the development of democratic goals and institutions around the world. Through annual appropriations, NED received about \$41 million for FY 2003 and \$39 million for FY 2004. For FY 2005, NED requested and received \$80 million, a \$40-million increase to support programs in its Greater Middle East Democracy Initiatives. The primary objectives of the audit are to (1) determine whether NED and its grantees adequately accounted for federal funds and complied with laws and regulations and terms of agreements and (2) determine whether NED and its grantees had adequate internal controls over the management of grant funds. In assessing how well NED and its core grantees (American Center for International Labor Solidarity, Center for International Private Enterprise, International

Republican Institute, and National Democratic Institute for International Affairs) have spent federal funds, DoS OIG will focus on assistance programs to Iraq for FYs 2003-2005.

Currently, DoS OIG auditors are conducting audit fieldwork at NED and the four Core Institutes. Fieldwork should be completed by the end of July 2006. DoS OIG expects to provide a draft report to the agency for comment by the end of September 2006. Concurrently, DoS OIG has contracted with an independent accounting firm to conduct separate reviews of the indirect cost rates of NED and three of the four core grantees. The indirect cost reviews should begin before the end of July 2006.

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

Since the SIGIR April 30, 2006 Report, USAID OIG's Baghdad office completed one audit. Four audits started in previous quarters are still ongoing. USAID OIG had seven auditors in Iraq, as of June 30, 2006.

### **COMPLETED AUDITS**

USAID OIG's Baghdad office completed audit work on USAID/Iraq's Security Controls Over Financial Management and General Support Systems during this period. This work was done to support an Agency-wide audit being conducted by USAID's Information Technology and Special Audits Division. Defense Contract Audit Agency completed five financial audits on behalf of USAID/OIG for cost incurred under various contracts that USAID OIG issued to USAID Iraq with a transmittal

letter. These audits covered \$92.6 million in USAID funds. These audits contained questioned costs of \$17.9 million. At the end of the reporting period, 12 DCAA audits were in process, which were being performed at the request of USAID OIG.

### **ONGOING AUDITS**

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

The objective of the audit is to determine whether USAID/Iraq's local governance is achieving the intended outputs.

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

The objective of the audit is to determine whether USAID transition initiatives in Iraq achieve the intended outputs.

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

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

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

The objective of the audit is to determine whether USAID/Iraq's civil society activities are achieving the intended outputs.

## Government Accountability Office

Since the SIGIR April 30, 2006 Report, GAO has issued 5 reports and has 19 ongoing audits on Iraq reconstruction, one of which is a new audit.

### COMPLETED REPORTS

**Rebuilding Iraq: Governance, Security, Reconstruction, and Financing Challenges**  
(GAO-06-697T), ISSUED APRIL 25, 2006

The United States, along with coalition partners and various international organizations, has undertaken a challenging and costly effort to stabilize and rebuild Iraq following multiple wars and decades of neglect by the former regime. This enormous effort is taking place in an unstable security environment, concurrent with Iraqi efforts to transition to its first permanent government.

In November 2005, President Bush issued the *National Strategy for Victory in Iraq*. According to the strategy, victory will be achieved when Iraq is peaceful, united, stable, secure, well-integrated into the international community, and a full partner in the global war on terror.

In this testimony, GAO discusses the key challenges that the United States, the international community, and Iraq face in rebuilding and stabilizing Iraq.

This statement is based on four reports that GAO has issued to the Congress since July 2005 and recent trips to Iraq. Since July 2005, GAO issued reports on (1) the status of funding and reconstruction efforts in Iraq, the progress achieved, and challenges faced in

rebuilding Iraq's infrastructure; (2) U.S. efforts in the water and sanitation sector; (3) U.S. assistance for the January 2005 Iraqi elections; and (4) U.S. efforts to stabilize the security situation in Iraq (a classified report).

**United Nations: Lessons Learned from Oil-for-Food Program Indicate the Need To Strengthen UN Internal Controls and Oversight Activities**  
(GAO-06-330, APRIL 25, 2006)

The 2005 Defense Authorization Act mandated that GAO review the Oil-for-Food program. GAO reviewed how the UN adhered to five key internal control standards in its stewardship of the program. GAO assessed (1) the program's control environment and (2) key elements of the other internal control standards. GAO also reported on the UN Compensation Commission's progress in paying reparations from Iraq's invasion of Kuwait.

GAO recommends that the Secretary of State and the Permanent Representative of the U.S. to the UN work with member states to encourage the Secretary General to (1) ensure that UN programs with considerable financial risk apply internationally accepted internal control standards and (2) strengthen internal controls throughout the UN, based on lessons from the Oil-for-Food program. DoS and the UN responded that they are taking steps to strengthen internal controls at the UN.

**United Nations: Oil-for-Food Program Provides Lessons Learned for Future Sanctions and Ongoing Reform**  
(GAO-06-711T, MAY 1, 2006)

In 1996, the United Nations and Iraq began the Oil-for-Food program after sanctions were imposed in 1990. The program was intended to allow the Iraqi government to sell oil to pay for humanitarian goods and prevent it from obtaining goods for military purposes. More than \$67 billion in oil revenue was obtained through the program, with \$31 billion in assistance delivered to Iraq.

Internal controls serve as the first line of defense in preventing fraud, waste, and abuse and in helping agencies achieve desired outcomes.

GAO assesses (1) the control environment the UN established for managing the sanctions and Oil-for-Food program and (2) other key internal control elements. In addition, GAO provides observations on the lessons learned from the program.

GAO recommends that the Secretary of State and the Permanent Representative of the U.S. to the UN work with member states to (1) ensure that UN programs with considerable financial risk apply internationally accepted internal control standards and (2) strengthen internal controls throughout the UN, based on the lessons from the Oil-for-Food program. DoS and the UN responded that they are taking steps to strengthen internal controls at the UN.

**Rebuilding Iraq: Actions Still Needed To Improve Use of Private Security Providers**  
(GAO-06-865T, MAY 13, 2006)

GAO was asked to address (1) the extent to which coordination between the U.S. military and private security providers has improved

since GAO's 2005 report, (2) the ability of private security providers and the DoD to conduct comprehensive background screenings of employees, and (3) the extent to which U.S. or international standards exist for establishing private security provider and employee qualifications. For this testimony, GAO drew from its July 2005 report on private security providers and its preliminary observations from an ongoing engagement examining contractor screening practices.

**Defense Logistics: Lack of a Synchronized Approach between the Marine Corps and Army Affected the Timely Production and Installation of Marine Corps Truck Armor**  
(GAO-06-274, MAY 22, 2006)

The increasing threat of improvised explosive devices (IEDs) in Iraq has led to widespread interest by Congress and the public regarding the availability of critical force-protection equipment. GAO initiated a series of engagements under the Comptroller General's authority to address these concerns. In March 2006, GAO reported on factors that affected the production and installation of armor for the Army's medium and heavy trucks. This engagement examines issues affecting the production and installation of armor for the Marine Corps' medium and heavy trucks. The objectives were to (1) determine the extent to which truck armor was produced and installed to meet identified requirements, (2) identify what factors affected the time to provide truck armor, and (3) identify what actions the Marine Corps and DoD have taken to improve the timely availability of truck armor.

GAO is recommending that DoD (1) establish a process for sharing information on developing materiel solutions and (2) clarify the point at which the joint requirements process should be utilized. DoD concurred with the second recommendation but believes communication is sufficient to satisfy the first recommendation. GAO disagrees. DoD also provided comments related to the context and accuracy of the report, which GAO incorporated as appropriate.

## ONGOING AUDITS

### Mental Health Care for Veterans

(290437, INITIATED OCTOBER 2005)

This engagement aims to address these key questions:

- What health insurance benefits does DoD provide for Operation Enduring Freedom/Operation Iraqi Freedom veterans, and what VA health care services are available to OEF/OIF veterans?
- How many OEF/OIF service members may be at risk for developing post-traumatic stress disorder, and how many of these service members were referred for further mental health evaluations?
- What information does DoD have that allows the reasonable assurance that OEF/OIF service members who need further mental health evaluations receive referrals for these evaluations?

### Contract Award Procedures for Iraq Reconstruction Contracts

(120547, INITIATED MARCH 2006)

This engagement aims to answer this key question:

- What actions have DoD, DoS, and USAID taken to ensure that contracts and task orders for Iraq reconstruction were competitively awarded from FY 2004 to the present?

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

(350829, INITIATED MARCH 2006)

With the ongoing military operations in Afghanistan and Iraq, DoD is increasingly reliant on civilian personnel to accomplish the mission. This engagement aims to answer these key questions:

- To what extent has DoD established health surveillance and medical treatment policies for DoD civilians deployed, what policies have the military services and selected defense agencies implemented, and how have these policies been carried out?
- How do the compensation and benefits for deployed DoD civilians compare with those for active-duty military members deployed to Afghanistan and Iraq?
- What lessons has DoD learned in deploying DoD civilians in support of contingency operations in Afghanistan and Iraq?

### **Iraqi Contract Cost Questioned or Unsupported**

(INITIATED APRIL 2006)

This engagement aims to address these key questions:

- What are the DCAA audit findings on questioned or unsupported costs in contracts for security and reconstruction activities in Iraq and Afghanistan?
- What actions have been taken by DoD to resolve disputes with contractors regarding questioned and unsupported cost audit findings?
- To what extent have funds been withheld from contractors?

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

(350810, INITIATED MARCH 2006)

GAO has been asked to assess the U.S. Army's mandated report to Congress broadly covering these issues:

- What are the operational capabilities of the prepositioning program, and are there any significant shortfalls?
- Is the level of funding adequate to maintain readiness?
- Have any other shortfalls or issues reported by the Army or GAO been addressed?

### **Iraq Energy**

(320383, INITIATED NOVEMBER 2005)

Restoration of the oil and power sectors in Iraq is central to the development of a stable society. This engagement will address these key questions:

- What is the nature and extent of funding

devoted to oil and electricity sector reconstruction?

- What are U.S. program goals, and how does the U.S. measure progress in achieving these goals?
- What factors have affected the implementation of the U.S. program?
- What challenges have affected the Iraqi government's ability to develop the oil and electricity sectors?

### **National Strategy for Iraq**

(320401, INITIATED DECEMBER 2005)

The President issued a new national strategy for Iraq in November 2005. This engagement will assess the strategy's goals, scope, performance measures, and costs. This engagement aims to address these key questions:

- What is the U.S. government strategy for stabilizing and rebuilding Iraq?
- To what extent does the new strategy include the desirable elements of an effective strategy?
- What key challenges could affect the implementation of the U.S. strategy?

### **Management of Iraq Reconstruction**

(320402, INITIATED DECEMBER 2005)

In 2004, Congress appropriated \$18.4 billion to support stabilization and rebuilding efforts in Iraq. Some of this money was awarded to 12 U.S. design-build contractors to repair and rebuild key infrastructure. Recent DoS reports indicate that a large share of the remaining work will be shifted to local Iraqi firms to reduce costs and accelerate project comple-

tions. This engagement aims to address these key questions:

- What is the status of U.S. efforts to rebuild key infrastructure in Iraq?
- What challenges have been encountered in this rebuilding effort?
- What alternative strategies, if any, are being used to complete work in each sector?

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

(320366, INITIATED SEPTEMBER 2005)

DoD has reported that the criteria for withdrawing coalition forces from Iraq are conditions-based, including the development of Iraqi security forces and progress in developing national governance and economic structures and the rule of law. This engagement aims to address these key questions:

- What is the current multi-national force strategy for transferring security missions to Iraqi security forces?
- What progress is being made in meeting the conditions for the transition, and what are the challenges?
- What are current trends in the security situation in Iraq?

## Use of Contractors on the Battlefield

(350739, INITIATED SEPTEMBER 2005)

Contractors are known to be providing a wide array of support to U.S. forces in Iraq. In a June 2003 report, GAO identified a number of issues associated with the use of contractors on the battlefield and recommended actions to

improve oversight of and planning for the use of contractors. This effort will update the June 2003 report and assess DoD actions to address both the recommendations and congressional reporting requirements. This engagement aims to address these key questions:

- What progress has DoD made in addressing the issues raised in the June 2003 report?
- What is DoD doing to address the issues and concerns raised in legislative requirements in past National Defense Authorization Acts, as well as in Title XVI of the House version of this year's bill?
- How much visibility do commanders have over the contract support they are receiving? Beyond the Logistics Civilian Augmentation Program (LOGCAP), what types of support are being provided by contractors (e.g., weapons system maintenance and intelligence analysis)?
- Have contractors been able to provide the needed numbers of workers with the right skills to get the job done and, if not, what are the workarounds, and what has been the impact of any staffing shortfalls?
- What do commanders see as unresolved issues/problems associated with contractor support?

## Vetting Processes Used by Contractors Who Support Deployed Forces

(350732, INITIATED SEPTEMBER 2005)

The military is increasingly reliant on contractors to provide support for deployed forces. This engagement aims to address these key

questions:

- To what extent do DoD contracts require that contractor employees supporting deployed U.S. forces be vetted, and what standards and procedures has DoD established?
- How do contractors vet their employees and consider key factors, such as identifying individuals who pose a national security risk, have a criminal history, or have been convicted or accused of human rights violations?
- What difficulties, if any, do contractors encounter when vetting Americans, nationals from European Union countries, and host-country nationals, and what role does the U.S. government play in assisting contractors?

### **Logistics Support for the Stryker Vehicle and Stryker Brigade**

(350742, INITIATED SEPTEMBER 2005)

DoD has deployed Stryker Brigades to Operation Iraqi Freedom (OIF) and may make additional deployments. GAO will review their logistics support. This engagement aims to address these key questions:

- To what extent did the maintenance and supply support for the Stryker vehicle during OIF meet the U.S. Army's performance goals and contractual requirements?
- What are the changes the Army is planning to make to the Stryker Brigade support concept?
- What are the challenges the Army faces in implementing its planned changes for the Stryker Brigade support concept?

### **Accountability, Maintenance, Utilization, and Strategy for OIF Stay-Behind Equipment**

(350737, INITIATED NOVEMBER 2005)

During OIF, vast amounts of equipment items were used in theater and are being retained for possible use by follow-on forces. The Army National Guard alone has reportedly left more than \$1.5 billion worth of its equipment, consisting of 80,000 items. Prepositioned Army equipment is also still in use. This engagement aims to address these key questions:

- Do DoD, CENTCOM, and the military services have visibility over stay-behind equipment?
- What is the condition of the equipment, and is it being maintained to meet CENTCOM's and the services' requirements?
- What is DoD's strategy for utilizing or disposing of the equipment?

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

(350770, INITIATED NOVEMBER 2005)

After the 2003 invasion of Iraq, concerns were raised about the security of sensitive sites that contained high explosives and other lethal materials. For example, the International Atomic Energy Agency reported that 350 tons of explosives were missing from an Iraqi facility that was supposedly under U.S. control. This engagement aims to address these key questions:

- To what extent does DoD include securing sensitive sites containing high explosives and other lethal materials in operational

planning, doctrine, and concepts of operations?

- What assumptions, priorities, and options did DoD adopt about the security of such sites during the Iraqi invasion and previous operations?
- What lessons has DoD learned related to these sites, and how can those lessons be applied in future operations?

### **Iraqi Support Capabilities**

(350790, INITIATED FEBRUARY 2006)

According to the *National Strategy for Victory in Iraq*, U.S. troop levels in Iraq will decrease over time as Iraqis assume more responsibilities for themselves. Critical to this effort is the development of an Iraqi Security Force (ISF) logistical, command and control, and intelligence capability. This engagement aims to address these key questions:

- What is the status of efforts to develop ISF logistical, command and control, and intelligence capabilities?
- How is U.S. planning synchronized with plans for the drawdown of U.S. forces?
- What metrics are in place to measure progress?

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

(350794, INITIATED FEBRUARY 2006)

U.S. ground forces and their equipment are being attacked with nontraditional weapons, such as improvised explosive devices. GAO and others have reported on the lack of protective equipment—body armor and armored

vehicles—to effectively protect U.S. forces in Iraq from this threat. Future operations will more than likely include more of these types of threats. This engagement aims to address these key questions:

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

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

(320411, INITIATED MARCH 2006)

This engagement aims to address these key questions:

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

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

(350801, INITIATED MARCH 2006)

GAO is undertaking a series of reviews on the costs of operations in support of the GWOT. This engagement will examine the adequacy of GWOT funding in FY 2006. These key questions will be addressed:

- What progress has been made in improving the reliability of reported war costs since GAO's September 2005 report (GAO-05-882)?
- How does supplemental appropriations funding intended for GWOT in FY 2006 compare to the military services' projected obligations?

### **Army and Marine Corps Readiness**

(350853, INITIATED APRIL 2006)

This engagement aims to address these key questions:

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

### **Defense Contract Audit Agency**

The Defense Contract Audit Agency plans and performs work on a fiscal year basis. Table L-1 shows both the Iraq-related audits closed during FY 2005 and the audits closed, opened, and planned in FY 2006 (as of June 30, 2006).

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

In addition to DCAA's involvement in the negotiation and award of contracts, significant resources are also dedicated to overseeing the allowability, allocability, and reasonableness of incurred and billed costs. Procedures that govern the costs incurred in-country are also tested through reviews of contractor time-keeping, subcontract management, and cash management/disbursement. Finally, to ensure that adequate internal controls are in place for the contractor's policies and procedures, DCAA performs audits associated with critical internal control systems, with an emphasis on estimating, subcontract management, and billing systems.

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

U.S. Army Audit Agency (USAAA) has completed three audits since the SIGIR April 30, 2006 Report and has one audit in progress. The agency has 11 auditors in Iraq and Kuwait working on the LOGCAP audit, as of June 30, 2006.

## DCAA AUDITS RELATED TO IRAQ FOR FY 2005 AND FY 2006, AS OF JUNE 30, 2006

DESCRIPTION OF AUDIT	FY 2005	FY 2006		
	CLOSED	CLOSED	OPEN	PLANNED
Price Proposals (1)	186	90	11	1
Agreed-upon Procedures Price Proposal (2)	50	18	0	0
Other Special Requested Audits (3)	190	110	133	7
Incurred Cost (4)	8	7	98	2
Labor Timekeeping (5)	82	61	32	8
Internal Controls (6)	59	26	46	13
Preaward Accounting Survey (7)	20	15	4	0
Purchase Existence and Consumption (8)	19	9	16	4
Other (9)	92	73	109	12
<b>Total</b>	<b>706</b>	<b>409</b>	<b>449</b>	<b>47</b>

Notes:

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

TABLE L-1

### COMPLETED AUDITS

#### Retrograde Operations (Task Order 87)

#### — Audit of Logistics Civil Augmentation

#### Program Operations in Support of

#### Operation Iraqi Freedom

(AUDIT REPORT A-2006-0083-ALL DATED MARCH 21, 2006)

This report addresses the audit of retrograde operations performed in Kuwait under Task Order 87 of the Logistics Civil Augmentation Program (LOGCAP) contract. USAAA conducted this audit as part of a multi-location audit of LOGCAP Operations in Support of

Operation Iraqi Freedom. USAAA performed the audit at the request of the Commander, Multi-National Forces-Iraq).

Task Order 87 requires the LOGCAP contractor to provide the services, resources, and management for the theater supply support missions. The operations performed under this task order are performed at Camp Arifjan, Kuwait and cover four main areas: Theater Distribution Center operations, retrograde operations, general supply support operations, and Defense Reutilization and Marketing Office operations. The purpose of the audit was

to determine whether the Army was acquiring the services performed under Task Order 87 in the most cost-effective manner.

Overall, the LOGCAP contractor was fulfilling the requirements of the mission set forth under task Order 87. USAAA observed the contractor performing the required tasks stated in the statement of work and discussed the contractor's performance with personnel from U.S. Army Materiel Command—the main customer of retrograde operations. Although the auditors believe the retrograde operation mission in Kuwait is currently being effectively performed under the task order, the auditors believe the work could be acquired in a more cost-effective manner by transferring the work to a firm-fixed-price sustainment contract. Task Order 87 is a cost-plus-award-fee contract, which is suitable for use when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy. Government personnel agreed that the work performed in Kuwait under this task order could be estimated with sufficient accuracy and should transition to a sustainment contract. LOGCAP personnel had already transitioned some work under the task order to sustainment, and the remaining parts were being reviewed for transition at a later date.

During the review, USAAA also identified a systemic problem with the accountability and visibility of government-furnished equipment that the Army transferred to the LOGCAP contractor. Coalition Forces Land Component Command was drafting policy and procedures

to improve the accountability and increase the visibility of government-furnished equipment transferred to the LOGCAP contractor in both Iraq and Kuwait. The policy will require the Army Property Book Officer to transfer all equipment issued to a contractor from the unit property book to the theater property book. This will provide the visibility of the equipment transferred to the LOGCAP contractor that the Army currently does not have.

Note: Information on the report was inadvertently omitted from prior USAAA input to SIGIR covering the period January 1–March 31, 2006.

**Theater Transportation Mission (Task Order 88)—Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom**  
(AUDIT REPORT A-2006-0091-ALL, ISSUED APRIL 4, 2006)

This report addresses the audit of the theater transportation mission performed under Task Order 88 of the LOGCAP contract. USAAA conducted this audit as part of a multi-location audit of LOGCAP Operations in Support of Operation Iraqi Freedom. USAAA performed the audit at the request of the Commander, MNF-I.

Task Order 88 requires the LOGCAP contractor to provide all resources and management necessary to support the Coalition Forces Land Component Command's theater transportation movement requirements. These requirements address (i) Postal Joint Military

Mail Terminal and Postal Transportation, (ii) Theater Movement Control Operations, (iii) Bulk Fuel Transportation, (iv) Border Customs Inspection Station, (v) Materiel Handling Equipment, (vi) In-Transit Visibility, (vii) Communications, (viii) Dispatch Operations, (ix) Recovery Operations, (x) Vehicle Maintenance Facilities, (xi) Disposition Activity Operations, and (xii) Class III Operations. The estimated cost to provide these requirements was about \$576 million. The operations performed under this task order were performed primarily in Kuwait, but some work was performed in Iraq. The purpose of the audit was to determine whether work performed under the task order for the theater transportation mission (Task Order 88) was performed effectively and acquired in the most cost-efficient manner.

Overall, USAAA concluded that the work performed under the task order for the theater transportation mission was satisfying force requirements. However, some of the work performed under the task order is performed in Iraq and could be managed more effectively under Task Order 89, which covers most work performed in Iraq under the LOGCAP contract. Transferring this work to Task Order 89 would allow the Army to provide better command and control over the work because it would be fully managed by personnel in the same theater where the work is performed.

In addition, the auditors believe that work requirements under the task order for work performed in Kuwait can be estimated with sufficient accuracy to allow the work to be obtained in a more cost-efficient manner by

transitioning the work to firm fixed-price contracts. Task Order 88 is a cost-plus-award-fee contract, which is suitable for use when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of firm fixed-price contract. Contracting personnel agreed work performed under the task order in Kuwait can be estimated with sufficient accuracy and should transition to firm fixed-price contracts.

LOGCAP Team personnel were also in the process of reviewing all requirements and starting to develop a method to transition all requirements in Task Order 88—except those requirements in which the work is primarily performed in Iraq—to a firm fixed-price contract. They stated that this type of contract will normally result in savings to the government because firm fixed-price contracts traditionally result in lower prices compared to the prices paid under cost-reimbursable contracts.

#### **Program Management in the Iraq Area of Operations—Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom**

(AUDIT REPORT A-2006-0099-ALL DATED APRIL 25, 2006)

This report addresses the audit of the program management for the Logistics Civil Augmentation Program (LOGCAP) contract in the Iraq area of operations. USAAA conducted this audit as part of a multi-location audit of LOGCAP Operations in Support of Operation Iraqi Freedom. USAAA performed the audit at the request of the Commander, MNF-I.

LOGCAP is a program of the U.S. Army to use civilian contractors to provide the Army with additional means to adequately support the current and programmed force on the battlefield by performing selected services in wartime and other operations. The principal objective of the program is to provide combat support and combat service support augmentation to combatant commanders and Army service component commanders, primarily during contingency operations, throughout the full range of military operations to include reconstitution and replenishment within reasonable cost. As of May 24, 2005, approximately \$22.7 billion of work had been negotiated (rough-order-of-magnitude value) under the LOGCAP III contract. The purpose of the audit was to determine whether the government's current management structure over LOGCAP operations is conducive to ensuring that the program is managed in the most effective and efficient manner.

Overall, the auditors concluded that the current management structure over LOGCAP operations in the Iraq area of operations is not conducive to ensuring that the program is managed in the most effective and efficient manner. Both the in-country and CONUS offices involved, as well as the prime contractor, continue to make improvements in the overall management of the program. However, the current management structure over the program within the Iraq area of operations is not fully conducive to ensuring the program is managed in the most effective and efficient manner to provide the greatest potential for

being a force-multiplier for the battle space commander. Specifically, contracting activities in the theater have been fragmented and too understaffed to effectively furnish overall integrated support to the MNF-I and Multi-National Corps-Iraq commands. At the same time, more centralized control over LOGCAP operations is needed within MNF-I to ensure that requirements are properly managed and contract support is effectively integrated into the command's combat service support mission.

These issues and operational fragmentation among the key management offices, along with the dispersed location and high turnover of personnel responsible for managing work under the contract, make it difficult to ensure that new requirements are fully necessary or being obtained in the most cost-efficient manner and that ongoing work is properly managed in accordance with cost, schedule, and performance principles.

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

(PROJECT CODE A-2005-ALS-0340.000):

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

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

This is an “umbrella” project for various ongoing audits that are underway on LOGCAP issues in support of OIF. As work is completed on individual projects and reports are issued, information on the reports will be made available to SIGIR as completed audits.

The auditors are traveling to operating bases in Iraq, principal sites of contractor operations in Kuwait, and the prime contractor’s home office in Houston, Texas. USAAA has received authority from DoD OIG (Auditing) to audit DCAA in relation to its LOGCAP contract administration operations in Iraq and Kuwait, and Defense Logistics Agency in relation to its food service operations in support of the Iraq area of operations. USAAA has issued or is completing reports focusing on conversion of LOGCAP statements of work to sustainment contracts; unliquidated obligations for

Task Order 59; and program management in operations, base closure process, non-tactical vehicles, distribution operations, food supply operations, clothing issue facilities, warehouse staffing, and dining facility operations. USAAA has ongoing audits of sustainment contracting practices in Kuwait, contract administration management, controls over bulk petroleum inventories, and management of contract labor assigned to supply operations.

## Department of the Treasury

The Department of Treasury did not start or complete any audits relating to Iraq relief and reconstruction since SIGIR’s April 30, 2006 Report. As of June 30, 2006, Treasury has no auditors in Iraq, and it has no ongoing audits in this area.

## Department of Commerce

During this period, the Department of Commerce did not initiate any new cases and did not close any cases involving Iraq relief and reconstruction projects. As of June 30, 2006, Commerce does not have any auditors in Iraq, and it has no ongoing audits related to Iraq. SIGIR regularly coordinates with other government agencies conducting investigations in Iraq.

## Other Agency Investigations

### U.S. Agency for International Development

#### CLOSED INVESTIGATIONS

USAID closed three cases during this quarter. These bullets provide a brief summary of the closed cases:

- Referral from DCAA outlining suspected indirect cost mischarging for contracts. OIG investigation found no evidence of intent to defraud USAID and referred matter to agency management for collection of the overcharged amount from the contractor.
- Information was received regarding irregularities on USAID contracts in Iraq. OIG review found no evidence of false claims.
- Allegations of kickbacks having been paid to and accepted by a former USAID employee. OIG inquiry found no evidence to substantiate the allegation.

#### ONGOING INVESTIGATIONS

USAID has five ongoing investigations carried over from last quarter and opened five new cases during this period. As of June 30, 2006, USAID has one investigator in Iraq. These are brief descriptions of each case:

#### Opened Cases

- Referral from USAID OIG audit regarding suspicious payments that it found a U.S.

contractor had made to Iraqi government officials.

- Referral from DCAA regarding billing irregularities by a subcontractor providing security services to a USAID prime contractor in Iraq.
- Referral from DCAA outlining suspected indirect cost mischarging for contracts.
- Referral from SIGIR alleging that a former USAID employee accepted a bribe and travel expenses from a source seeking a USAID contract.
- Allegation that a USAID employee submitted false claims for Temporary Duty travel.

#### Ongoing Cases

- A USAID contractor is alleged to have submitted false and/or fraudulent costs associated with work in Iraq. In addition, information was developed indicating that this contractor may have used USAID funds to make improper payments to Iraqi government officials.
- Employees of a USAID contractor are alleged to have solicited kickbacks in exchange for the awarding of subcontractors for work in Iraq.
- An anonymous source claimed that the owner of a local Iraqi company had inflated the cost of a contract financed by USAID.
- Information was received that an employee of a USAID contractor may have misallocated project funds and converted them to private use.
- Allegations of misconduct were received

involving a USAID employee stationed in Iraq.

### Defense Criminal Investigative Service

Defense Criminal Investigative Service, in coordination with SIGIR, is continuing investigations regarding Iraqi reconstruction funds and activities. In addition, DCIS continues investigations on the expenditure of DoD funds in the region. DCIS currently has two open cases, with four special agents supporting operations in Iraq. No cases were closed during the quarter. Table L-2 provides a summary of cases, categorized by status and category.

### Department of State Inspector General

During this reporting period, DoS OIG did not open any new investigations into activities relating to the IRRF. The two open cases

reported to SIGIR last quarter were closed, and no referrals were made during the reporting period. One of the closed cases was a joint investigation with SIGIR. DoS OIG closed its investigation with no action and has nothing to report. The second case was closed during preliminary investigation with no action because the allegation was unsubstantiated.

Based on a review of SIGIR’s open case files in June 2006, DoS OIG has obtained copies of eight open cases for review that may or may not involve investigative assistance by DoS OIG. The results of DoS OIG’s review will be reported to SIGIR next quarter. A manager and agent are assigned as contact point for the Department of Justice taskforce relating to SIGIR cases. DoS OIG has no criminal investigators assigned to Iraq and is providing investigative support locally from its office in Rosslyn, Virginia.

**STATUS OF DCIS INVESTIGATIONS**

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

TABLE L-2

## **Federal Bureau of Investigation**

SIGIR continues to work closely with the FBI as a partner in the Special Investigative Task Force for Iraq Reconstruction (SPITFIRE).

### **CLOSED INVESTIGATIONS**

No cases were closed this quarter.

### **ONGOING INVESTIGATIONS**

The former director of operations for a subcontractor firm pleaded guilty to paying \$133,000 in kickbacks to a major U.S. contractor employee to secure contracts worth \$14.4 million and \$7.4 million for work in Iraq.