SIGIR OVERSIGHT

SIGIR AUDITS
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**SIGIR AUDITS**

From November 1, 2007, to January 30, 2008, the Special Inspector General for Iraq Reconstruction (SIGIR) completed seven new audit products. Since March 2004, SIGIR has issued 108 audit products. Details on SIGIR audits are presented throughout this Report.

This quarter, SIGIR audits addressed a diverse range of issues and programs, including:

- two in a continuing series of focused contract audits dealing with outcome, cost, and oversight associated with major reconstruction contracts in Iraq
- two reports involving issues related to contract management fees
- two reports providing updated information on efforts to implement a financial-management information system and strengthen anticorruption efforts in Iraq
- a report addressing trends in funding of large construction projects under the Commander’s Emergency Response Program (CERP)

Table 3.53 lists these audit products.

SIGIR has ten ongoing audits, and others are planned to start next quarter. SIGIR performs audit work under generally accepted government auditing standards.

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

**SIGIR Final Audit Products, since November 1, 2007**

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Table 3.53
For information on all SIGIR audit work completed as of January 30, 2008, and for the full text of all final audit products, see Appendix J, Table J-1, and the SIGIR website: www.sigir.mil.

For information on the implementation status of SIGIR recommendations from its audit reports and recommendations that remain open, see Appendix J, Table J-2.

SIGIR’s audit work is well coordinated with other audit entities engaged in Iraq-related work. Representatives of these entities meet quarterly on the Iraq Inspectors General Council (IIGC) to formally coordinate audit activities to prevent duplication of effort and to share information gained from ongoing audit activity. The IIGC met on November 14, 2007, at SIGIR headquarters in Arlington, Virginia; some members participated by phone from Baghdad and other U.S. locations. The meeting was attended by representatives from:

- SIGIR
- Army Inspector General (Army IG)
- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- Defense Contract Audit Agency (DCAA)
- U.S. Army Audit Agency (USAAA)
- Air Force Audit Agency
- Naval Audit Service
- Government Accountability Office (GAO)

Final SIGIR Audit Products
Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center
(SIGIR-08-004, JANUARY 2008)

Introduction
A December 2006 amendment to SIGIR’s enabling legislation requires that, before its termination, SIGIR prepare a final forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund. To help meet this requirement, SIGIR is undertaking a series of focused contract audits examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, another in the series, examines reconstruction work contracted for by the U.S. government and performed by Parsons Infrastructure & Technology Group, Inc. (Parsons) of Pasadena, California. It complements other SIGIR audit work related to Iraq reconstruction under other Parsons contracts. In some cases, including this one, contractors have completed their work and been paid. Future reports will address other Iraq reconstruction projects.

In January 2004, at the request of the Coalition Provisional Authority,598 the Air Force Center for Environmental Excellence—now known as the Air Force Center for Engineering and the Environment (AFCEE)—awarded a cost-plus fixed-fee task order under an existing contract to Parsons. Under the task order, Par-
sons was to renovate and replace facilities and provide infrastructure repairs at the Taji Military Base and the recruiting stations in Hilla, Kirkuk, and Ba’quba. Parsons was also to construct a logistical support facility at the Kirkush Military Training Base in Diyala.

Subsequent modifications to the task order eliminated the requirements to renovate the three recruiting stations and the logistical support facility at the Kirkush base. Modifications also increased the scope of work at the Taji Military Base and added a requirement to renovate the Baghdad Recruiting Center, which had recently been bombed. As a result, the final scope of work comprised rebuilding the Taji base and the Baghdad Recruiting Center.

Results
Between May and June 2004, Parsons and its subcontractors largely completed facility construction and repair work at the Taji Military Base (costing about $36.5 million) and the renovation of the Baghdad Recruiting Center (about $922,000). The government expressed satisfaction with the overall project—particularly the work of AFCEE. The cost of these two projects was about $11.1 million more than estimated for the original five projects; the increase was caused by several factors, including changes in the scope of work and security issues, according to AFCEE.

Information obtained by SIGIR indicates that there were significant limitations to full-and-open competition in awarding subcontracts. The absence of such competition can make the government vulnerable to inflated subcontract prices.

Government oversight was also a concern, and at the time of construction, weaknesses in the Parsons contract-billing system increased the risk of erroneous billings. These deficiencies have since been corrected. In addition, although construction work has been completed, the task order remains open because of inventory discrepancies, leaving the government vulnerable to undetected loss or theft. The value of this inventory is about $859,000.

Construction Outcome and Cost
Work under the task order was completed to the government’s general satisfaction. By May 2004, Parsons and its subcontractors finished reconstruction of the Baghdad Recruiting Center; by June 2004, reconstruction of the Taji Military Base was completed as well. Although the total cost of this competitively awarded task order was originally estimated at $26.3 million, the actual cost rose by approximately 42%, from $11.1 million to $37.4 million. Reconstruction of the Taji base used $36.5 million of these funds. Initially, Parsons was to perform work at five sites, but subsequent modifications reduced the number of
sites to two and made other scope changes. As a result, the final project comprised rebuilding Taji and the Baghdad center. For the planned and actual construction locations, see Figure 3.48.

According to Parsons and AFCEE officials, a number of factors caused cost increases during execution of the task order, including:
- task-order scope changes
- late delivery of subcontractor materials and equipment
- changes in work priority
- difficulty in getting Iraqis on and off the base
- the deteriorating security situation on the ground
- security travel restrictions (lockdowns)

**Contract Administration and Oversight**

According to information obtained by SIGIR, there were significant limitations to full-and-open competition in awarding subcontracts, which account for almost three-quarters of the cost of reconstruction. These conditions created risks, especially to ensuring fair and reasonable subcontract prices. Parsons officials acknowledge that competition was limited by several factors:
- the lack of means, such as newspapers, radio, the Internet, or common mail service, for distributing solicitations to a large supplier base
- the inability of subcontractors to assume additional workloads
- the inability of many potential subcontractors to prepare proposals

Also, as a result of the dangers of working in Baghdad and at Taji and the urgent need to begin construction quickly, Parsons said that using suppliers known by the company was essential to ensuring that it would be capable of performing the work.
Given the operational environment in Iraq at the time, Parsons’ performance under this task order was for the most part positive, according to an AFCEE contracting official. AFCEE’s own performance was considered very positive by the commander of the Multi-National Security Transition Command-Iraq (MNSTC-I). However, Parsons reportedly did not properly manage one of its subcontractors, resulting in a poorly constructed water-storage tank. In addition, government quality assurance (QA) oversight was a concern. As a result, AFCEE subsequently contracted with a private firm specializing in QA. An AFCEE official commented that, “A Professional set of QA personnel helps ensure project success. Using augmentees and untrained personnel to provide construction oversight is a recipe for disaster.”

The Defense Contract Audit Agency (DCAA) examined Parsons’ contract-billing system as of April 2004 and concluded that it was inadequate. After construction was completed and payments were made, Parsons corrected its deficiencies to DCAA’s satisfaction. Construction work on this task order was, for the most part, completed by mid-2005. However, the task order remains open because accountability for inventory valued at about $859,000 has not been transferred to the government. Delays in reconciling inventory-record discrepancies and transferring property accountability to the government leave inventory vulnerable to undetected loss or theft. This inventory includes bulletproof vests, cameras, radios, televisions, trailers, and other items.

**Recommendation**

SIGIR recommends that MNSTC-I direct AFCEE to work with Parsons, DCAA, and the Defense Contract Management Agency (DCMA), to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order.

**Lessons Learned**

Because work under the task order has been completed and the contractor has been paid, SIGIR also identified lessons learned that may be applicable to future contract-management strategies in similar environments. These practices are vital to reducing the opportunities for fraud, waste, and abuse:

- using existing contracts to speed up task-order execution
- increasing competition for subcontracts
- providing sufficient and competent QA staff
- implementing procedures to account for government-furnished equipment
- accomplishing pre-construction planning

**Management Comments and Audit Response**

MNSTC-I concurred with SIGIR’s recommendation. It directed AFCEE to work with Parsons, DCAA, and DCMA to establish milestones and timeframes to reconcile inventory-record discrepancies and close the task order. It established an estimated completion date of March 15, 2008.
Differences in Services and Fees for Management and Administration of Iraq Reconstruction Contracts
(SIGIR-08-005, JANUARY 2008)

Introduction
After the U.S. government discovered that Iraq’s infrastructure was in far worse condition than pre-war assessments had indicated, billions of dollars were appropriated to assist in reviving the infrastructure and economy. These funds were allocated among a number of U.S. agencies, but most funds went to the Department of Defense (DoD), which has responsibility for oversight of military construction programs. Two primary U.S. military organizations currently providing management and administration of Iraq reconstruction contracts are the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers (USACE) and the Air Force Center for Engineering and the Environment (AFCEE), a field operating agency of the Air Force Civil Engineer. Officials involved in reconstruction efforts have expressed interest in an analysis of the two organizations’ management and administration procedures, particularly the fees they charged. These were SIGIR’s reporting objectives:
• compare and contrast GRD and AFCEE management and administration of Iraq reconstruction projects, including the services provided and fees charged
• determine the extent to which DoD has assessed the efficiency and cost-effectiveness of these activities

Results
Collectively, as of September 30, 2007, USACE-GRD and AFCEE have managed and administered more than $10.3 billion of Iraq reconstruction contracts and charged about $535 million in fees for their services. GRD managed and administered about $6.3 billion—more than 60% of the total amount—and charged about $418 million in fees. AFCEE had about $4.0 billion of reconstruction contracts and charged about $117 million in fees.

Both USACE-GRD and AFCEE provided construction services that included project management and design, contract administration, fiscal and administrative management, and quality assurance (QA); however, they used differing approaches to managing and administering U.S.-funded reconstruction projects. GRD’s work on design-build contracts required more direct and extensive involvement in the design and construction phases, and AFCEE’s approach did not include detailed design. As another distinction between the business models of these organizations, GRD depended primarily on its military and civilian employees for QA and other management and administrative services, while AFCEE relied on contractors to provide many of its services.

SIGIR’s ability to make a full comparative analysis was limited by insufficient data on the differences in fee structures and services provided and a lack of comparability and transparency in the fees and services. However, SIGIR found that DoD has not conducted an analysis of
the two organizations’ business models, services provided, or fee structures and that such an analysis could provide the basis for enhanced policy guidance.

**USACE-GRD and AFCEE Differ in Approaches, Services, and Fees**

Most of GRD’s early project management and contract administration work involved major design-build, cost-plus contracts that were awarded by its predecessor organization and employed large multi-national firms. In 2004, USACE-GRD began to move away from these types of contracts to ones with local and regional firms for smaller, shorter-term projects. With the shift, GRD began to engage more directly in reconstruction contracting, as opposed to its previous role, which was largely confined to project management and QA. As of September 29, 2007, **GRD Reconstruction Snapshot** reported that 3,641 projects have been completed, including 424 projects in the electricity sector, 76 in the oil sector, 667 in the water sector, and others in the transportation and communication, health and education, and security and justice sectors.

Initially, AFCEE’s role in Iraq reconstruction was to meet an urgent reconstruction requirement—estimated at $238.6 million—for the New Iraqi Army. Later, AFCEE took on an expanded role and began awarding task orders for reconstruction of schools, government office buildings, and other projects. A 2004 SIGIR report addressed this expanded scope and, based on the report’s recommendation, AFCEE revised the agreement governing this work. As of September 30, 2007, AFCEE had awarded 245 task orders for 590 projects (a task order may involve multiple projects) and completed more than 4,217 facilities—including barracks, schools, border forts, and police stations—with more than 60 million total square feet.

Both GRD and AFCEE provided such services as project and cost management, contract administration, construction QA, and construction fiscal and administrative management. However, the specific services provided varied based on customer needs and the project and contract type. Those variances made side-by-side comparison between GRD and AFCEE difficult. However, major differences in management and administration of Iraq reconstruction projects were most evident in the pre-design and construction phases of their projects. GRD’s initial work involved design-build contracts that required more direct and extensive involvement in the design and construction phases. AFCEE, on the other hand, provided none of the detailed design services and used indefinite delivery, indefinite quantity contracts and cost-plus fixed-fee task orders to expedite reconstruction projects. It accomplished the construction through the use of conceptual work plans without detailed design packages. For QA efforts, AFCEE used contractor services; GRD relied on its military and civilian employees.

In a gross comparison, GRD’s fees appeared much higher than AFCEE’s. GRD’s fees ranged from 4% to 9.2%, but it charged 6.5% for full contract supervision and administrative services.
AFCEE’s initial fee for comparable services was 1.5% of project cost, but its fee in the past year has increased to just more than 3%. In general:

- Both charged fees intended to recover costs.
- Both recognized that costs would be higher than the fee on some projects and lower on others, with total fees adjusted to recover costs.
- Neither recorded actual costs on individual projects.
- Neither recovered security and life-support costs in their fees. However, there is little comparability and transparency of the fees charged and services provided by the two organizations.

DoD Has Not Assessed Differences
The Under Secretary of Defense for Acquisition, Technology and Logistics is responsible for monitoring the execution of military, emergency, and contingency construction programs to ensure their efficient, expeditious, and cost-effective accomplishment. However, SIGIR found that no analysis exists at that level to determine the merits of the differing USACE-GRD and AFCEE approaches, services, and fees.

USACE and AFCEE each made limited and incomplete assessments, highlighting the benefits of their approaches. But these comparisons were based mostly on generalizations rather than specific analysis, and SIGIR found that each contained unsubstantiated claims and did not fully resolve questions related to differences in approaches, services, and fees.

A more thorough analysis could provide lessons learned to improve the efficiency of project management and administration, reduce costs, and use reconstruction funds more efficiently and effectively. It could also provide the basis for enhanced policy guidance concerning the use of the organizations and their approaches. The issues that could be addressed go beyond a comparison of services and fees and extend to the business models used by the organizations to award, manage, and administer construction contracts and to account for and report on costs and fees. A comparative analysis could also consider the benefits of a managed degree of competition between the organizations. Without competition, USACE and AFCEE have less incentive to rigorously manage costs.

Recommendation
Because of the potential for involvement and interest of several DoD organizations and the military departments, SIGIR recommends that the Secretary of Defense direct a thorough and detailed comparative analysis of the construction administrative and management services provided by USACE-GRD and AFCEE. The analysis should examine the business models used, types of services provided and means by which they are provided, the fees charged and means by which costs are recovered and accounted for, and the elements of costs that are being recovered.

Management Comments and Audit Response
The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics and USACE-GRD provided written comments on
a draft of this report, and AFCEE provided informal comments. The Office of the Under Secretary of Defense stated that the SIGIR effort justified further study of how best to meet reconstruction and contingency construction requirements and that a “best practice” approach will be undertaken. The Office non-concurred with the overall report, suggesting it lacked a comparative analysis to support the report’s recommendation. SIGIR reported that a full comparative analysis was not done, but believed the work completed and the issues identified justified a recommendation for further DoD analysis. DoD agreed with the need for further analysis.

USACE-GRD’s comments contained suggestions for technical changes in the report. SIGIR considered these comments in preparing this final report and made changes as appropriate. AFCEE, in informal comments, generally concurred with the report.

Commander’s Emergency Response Program in Iraq Funds Many Large-Scale Projects
(SIGIR-08-006, JANUARY 2008)

Introduction
In May 2003, the Coalition Provisional Authority formalized the Commander’s Emergency Response Program (CERP) in Iraq, authorizing U.S. field commanders to use available funds to respond to urgent humanitarian, relief, and reconstruction requirements within a commander’s area of responsibility by executing programs that immediately assist Iraqis and achieve “focused effects.” CERP guidance directs commanders to focus funds on projects that improve water and sanitation, electricity, and civic cleanup and that employ the most Iraqis over an extended period of time. Selection of a project is expected to be based on how quickly it can be executed, how many Iraqis would be employed, how many would benefit, and the “visibility” of the project.

Initial funding for CERP came from seized Iraqi assets and the Development Fund for Iraq.\textsuperscript{6} By late 2003 the United States began to appropriate U.S. dollars to the CERP program in Iraq, and by the end of FY 2007, the Congress had appropriated more than $2.3 billion.

Multi-National Corps-Iraq (MNC-I) is the overall program coordinator for CERP. MNC-I publishes \textit{Money as a Weapon System (MAAWS)}, a policies and procedures manual that directs program execution and establishes the goals for CERP funding.

This SIGIR report contrasts funding devoted to small-scale projects, typically associated with the CERP program, with funding devoted to more expensive, large-scale CERP projects. It also provides observations about the applicability of selected management issues identified in prior SIGIR reviews and lessons learned noted in this review that could be important to managing such projects.

Results
Improved management controls over CERP projects, particularly those that are costly, will help ensure each project’s long-term benefit and viability, as well as the effective investment
of U.S. funds. Since the inception of CERP in Iraq in 2003, more than 18,000 projects have been initiated, and more than 14,000 have been completed. According to CERP guidelines, the program’s undertakings should primarily be small-scale, urgent humanitarian relief and reconstruction projects for the benefit of the Iraqi people—and to some extent, that has been the case. For example, since FY 2004, CERP projects estimated to cost at most $25,000 have represented more than 44% of total CERP projects in Iraq—but just 4% of total dollars obligated for the program. Conversely, since FY 2004, CERP projects estimated to cost $500,000 or more have represented less than 3% of all CERP projects, but nearly 37% of total dollars obligated. Most large-scale CERP projects have been in the water sector, which has received about $567 million—more than 28% of all CERP-obligated funds. Electricity projects and transportation projects have also been heavily funded.

In several reports on CERP program management, SIGIR has identified management weaknesses, including:

- coordination of program activities
- maintenance of project folders
- planning for the transition of completed projects to the Iraqi government

The third of these issues includes both the physical handover of completed projects and planning for their long-term maintenance and sustainment. SIGIR included the issues in this report because of their importance to the long-term success of large-scale projects.

SIGIR has previously reported that the Iraqi government is not yet fully prepared to take over the near- or long-term management and funding of many U.S.-funded infrastructure projects, and additional efforts are needed to ensure their viability. Although MNC-I has said that it has increased emphasis on transition and sustainment issues, SIGIR is concerned that the MAAWS guidance still contains little specific direction on unit responsibilities in these areas. These issues take on greater importance for Iraq reconstruction projects because most funding from the principal source of reconstruction funding, the Iraq Relief and Reconstruction Fund, has been obligated, leaving CERP as a significant source.

During SIGIR’s review, CERP program officials discussed important lessons learned that, if adequately documented, could benefit future program managers. These lessons focus primarily on giving greater emphasis to transfer and sustainment issues. However, MNC-I has no formal process for collecting and documenting these lessons.
Recommenda tions
SIGIR recommends that the Commanding General, MNC-I, direct that these actions be taken:
• Reinforce the importance of documenting project files, especially for large-scale projects that are considered high-cost, technologically complex, and maintenance-intensive.
• Include more specific guidance in the MAAWS to address both transition and sustainment of CERP projects above an established value—particularly those projects that are considered high-cost, technologically complex, and maintenance-intensive.
• Develop an appropriate process for developing and disseminating lessons learned from the CERP program to assist future program officials as unit rotations occur to reduce learning curves and facilitate continuity in program management.

Management Comments and Audit Response
SIGIR received written comments on a draft of this report from MNC-I. The MNC-I Chief of Staff concurred with all recommendations and has identified corrective actions that have been initiated or planned. According to the comments, they have implemented a records recovery/reconstruction policy to remedy missing project files. MNC-I agreed that while lessons learned were captured and disseminated in various media, a more formal process would be helpful. They agreed to explore more formal options, including the Center for Army Lessons Learned (CALL). The comments are included in the Management Comments section of this report.

Efforts To Implement a Financial-Management Information System in Iraq
(SIGIR-08-007, January 2008)

Introduction
In early summer 2003, the Coalition Provisional Authority (CPA) and the International Monetary Fund (IMF) conducted assessments that identified a need for improvements in the budget and financial control system for the Government of Iraq (GOI). These assessments found that the GOI financial structure provided limited ability to monitor Iraqi ministerial budgets and expenditures, leaving the ministries vulnerable to fraud, waste, and misappropriation of funds. According to a senior advisor with the CPA, “the Iraqi Ministry of Finance had been completely looted and burned…There were no computers…Everything was paper-intensive.” The CPA, which then managed the budget, conceived the Iraq Financial Management Information System (IFMIS) as a solution to manage and oversee the GOI budget.

When instructed by CPA to implement an Iraqi financial management information system, the U.S. Agency for International Development (USAID) entered into a broad-based contract with BearingPoint, Inc., for that purpose. That contract had numerous other tasks related to economic and financial reforms. IFMIS represented only a small part of the total effort and estimated cost under the contract, which was known as Economic Governance I (EG-I). In September 2004, USAID awarded to BearingPoint a follow-on contract for the continuation of the economic and financial reforms. That contract, known as Economic Governance II
(EG-II), continued to fund IFMIS, which again was only a small part of the total effort and cost. Both contracts were cost-plus fixed-fee level of effort.

In September 2006, the Joint Contracting Command-Iraq/Afghanistan issued to BearingPoint two concurrent contracts for the Iraq Reconstruction Management Office—now the Iraq Transition Assistance Office. The first had three components: two related to IFMIS, and one related to fiscal policy reforms. The second contract was to integrate a procurement module into IFMIS.

In July 2007, the U.S. Embassy in Iraq ordered the suspension of the IFMIS project because the BearingPoint project leader and his security detail had been kidnapped, and the GOI lacked support for the system. To provide timely information on economy and efficiency issues and respond to a request for assistance from the U.S. Embassy, SIGIR issued an interim report on the IFMIS contracts. SIGIR recommended that the Embassy establish a working group to evaluate a number of factors impacting the way forward and that further work on a financial management system be contingent on the GOI’s commitment to such a system and an independent assessment of GOI needs. This report presents SIGIR’s overall review results of the IFMIS project.

SIGIR’s overall objective for this report was to assess the U.S. government efforts to improve GOI budgeting and financial management through IFMIS. Specifically, SIGIR looked at:

- U.S. funding for IFMIS development and implementation
- the extent to which IFMIS development and implementation objectives and schedule were achieved
- operational issues that impacted the success and acceptability of IFMIS
- USAID’s actions with regard to the recommendations in SIGIR’s interim report

**Results**

Before it was shut down in June 2007, IFMIS had achieved limited functionalities. Its costs at that time were estimated at $26 million. Lack of GOI support for the system and security issues were the key contributing factors to the shutdown. In November 2007, USAID began initiatives to ensure GOI support for the system in the future. In mid-January 2008, the Iraqi Minister of Finance and Acting Mission Director of USAID signed a Memorandum of Understanding to restart the system. These initiatives are in line with SIGIR’s prior recommendation to secure the GOI’s commitment to a financial management information system. They also align with SIGIR’s prior recommendation that USAID undertake an independent, third-party assessment of the GOI’s management-system requirements and capabilities.

Although deteriorating security conditions and competing demands no doubt adversely impacted IFMIS development, there was also a lack of clear direction based on user requirements. Neither the USAID EG-I and EG-II contracts nor BearingPoint’s work plans provided that direction. Information was not available to clearly assess progress on the system in relation to available benchmarks, making it difficult for
USAID to assess BearingPoint’s performance.

Cost is an important factor in managing any system’s development, and the USAID contracts did not require the identification of IFMIS costs. SIGIR considers that a weakness in the contract requirements. SIGIR also believes that the use of the cost-plus fixed-fee level of effort contracts was not the best choice for a system development and implementation effort because it placed greater cost risk on the U.S. government.

SIGIR recognizes that Iraq was and still is a complex and difficult environment in which to operate and that policy considerations drove many of the early decisions on how to help improve the GOI’s financial management information. Because IFMIS development and implementation has ceased and SIGIR previously provided recommendations for improving the system, SIGIR makes no further recommendations. However, SIGIR believes that valuable lessons—with broader applicability—can be gleaned from the course followed by the IFMIS development project.

**Management Comments and Audit Response**

USAID strongly disagreed with SIGIR’s positions and information on the status and cost of the system and the type of contract used. SIGIR believes that its positions are sound and that the information in the report is accurate. SIGIR addresses these differences in this report, where applicable. Further, SIGIR added recent information pertaining to the GOI’s commitment to IFMIS. A copy of USAID’s detailed comments is included in the Management Comments section of this report.

**U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment Is a Key to Success**

(SIGIR-08-008, January 2008)

**Introduction**

This report is the latest in a series of SIGIR reports on U.S. government anticorruption efforts in Iraq. SIGIR instituted reviews of anticorruption programs in recognition of the importance that eliminating corruption plays in promoting the economic, social, and political reconstruction of Iraq. SIGIR has described the impact that corruption has had on Iraq as the “second insurgency.” Previous SIGIR reports concluded that U.S. efforts lacked a comprehensive plan that tied program activities to an overall strategy as well as baselines from which progress could be measured. Moreover, SIGIR found that U.S. anticorruption efforts have gone through periods of high activity and also through periods when they have languished. SIGIR’s objective for this report was to review U.S. Department of State (DoS) progress in implementing SIGIR’s prior recommendations to improve the management of U.S. anticorruption efforts in Iraq.

**Results**

SIGIR found that the U.S. Embassy in Iraq has taken or planned steps to address SIGIR’s concerns that if effectively implemented would address all recommendations contained in previous SIGIR reports. Most notably, the Ambassador has identified actions to improve the oversight and coordination of the U.S.
anticorruption effort and in December 2007 proposed to the Secretary of State a reorganization of personnel to elevate the importance of anticorruption programs.

SIGIR supports these actions but notes that past efforts to revitalize and coordinate U.S. anticorruption efforts have been largely ineffective. These efforts suffered from a lack of management follow-through on planned actions. Therefore, the success of these new efforts will largely depend on sustained management commitment, particularly in terms of day-to-day leadership and senior management oversight.

The recent U.S. Embassy actions include proposals to revamp the U.S. anticorruption strategy, elevate its priority within the Embassy’s areas of responsibility, and better manage and oversee activities. To that end, the Ambassador approved a reorganization that calls for a senior official, reporting directly to the Deputy Chief of Mission, who would be responsible for coordinating all U.S. anticorruption policy and programs. On December 7, 2007, the Ambassador requested Secretary of State support for the plan, to include recruiting a senior official for the coordinator position. Pending the Secretary’s approval of the program, the Embassy has taken initial management actions, such as restarting the Anticorruption Working Group and beginning to develop an inventory of all U.S.-funded anticorruption programs. On January 9, 2008, the Secretary of State notified the Embassy of DoS’s support for the reorganization. Accordingly, SIGIR makes no recommendations in this report.

Management Comments and Audit Response
SIGIR provided DoS a draft of this report for comment, and DoS agreed with it.

Appropriate Award Fee Conversion Scales Can Enhance Incentive for Contractor Performance
(SIGIR-08-009, January 2008)

Introduction
In March 2004, the U.S. government issued seven cost-plus award-fee contracts, providing program-management support services for reconstruction efforts in Iraq. On October 29, 2007, SIGIR issued a report that broadly addressed the use and performance of these contracts in managing Iraq relief and reconstruction projects. SIGIR decided to separately address the issue of using conversion scales in determining contractor performance-award fees. Accordingly, this follow-on report discusses the extent to which these contracts followed the U.S. Army’s recommended best practices in using conversion scales in the award-fee process.

Each of the seven contracts was awarded on a cost-plus award-fee basis, and contractor costs were reimbursed. The contractor also received a base fee of 3% of budgeted cost and was eligible for an award fee of up to 12% of the budgeted cost. SIGIR noted one exception—the electricity sector, in which award-fee eligibility ranged from 9-13%, depending on the year.
The contracts and related guidelines did not specify the type of award-fee conversion scale that was to be used in calculating award fees under these contracts. The government agencies involved in managing the contracts used the same scale for calculating award fees for all sectors and all award-fee periods. However, this conversion scale was not recommended by the U.S. Army because it did not provide proper incentives for contractors to strive for better-than-expected results. For example, the scale awarded no fee for a performance score of less than 60, but did award a fee of at least 60% of the fee pool for a score of at least 60. Thus, a performance score of 65, which is in the “Good” range and barely above the award threshold, would earn the contractor 65% of the award-fee pool. Use of this scale represented a departure from the best practices recommended by the Army and reduced the incentive for improved contractor performance.

In September 2003, the Army Contracting Agency (ACA) Award Fee Contracts Handbook was issued to provide information and guidelines for developing and administering this type of contract. The ACA handbook is intended to be a “living” document—updated to reflect current best practices and policy on award-fee contracts and to respond to the needs of the ACA acquisition community. The handbook suggests different types of conversion scales that could be used to create incentives for the contractor to achieve superior results. However, a common characteristic of effective incentives on all of the recommended scales is that the percentage of the fee awarded for meeting the minimum threshold begins at 0, not 60. For example, one of the conversion scales recommended by the ACA is the cubic-distribution award-fee scale, by which a score of 70 would translate to an award of only 19% of the fee pool.

The value of using a more appropriate, Army-approved conversion scale is best illustrated through the example of the fees awarded to one of the sector contractors. Over a 15-month period, the contractor received performance ratings ranging from 61.79 to 81.23. These scores were converted to award fees totaling $3,239,178. If the cubic-distribution award-fee scale had been used, the authorized fees would have been $1,085,700—a difference of $2,153,478. Because the contractor received high fees for a relatively modest performance, SIGIR concluded that using a recommended conversion scale might have provided greater incentive for the contractor to achieve superior results at perhaps less cost to the government.

Because work on the support contracts that SIGIR reviewed has ceased or will end soon, SIGIR made no new recommendations. On September 23, 2007, SIGIR advised officials of the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) of these findings. A senior JCC-I/A official responded that the U.S. government had transitioned to a strategy of awarding more firm-fixed-price contracts for Iraq reconstruction and was relying less on cost-plus award-fee contracts. However, when cost-plus award-fee contracts are used, government agencies can expect to achieve...
superior results by adopting an appropriate conversion scale and writing it into the award-fee plan.

Management Comments
The U.S. Army Corps of Engineers, Gulf Region Division (GRD), in commenting on a draft of this report, indicated that it agreed with SIGIR’s “lesson learned” regarding the use of appropriate conversion scales as an incentive for greater performance. The Office of the Assistant Deputy Assistant Secretary of the Army (Policy and Procurement)-Iraq/Afghanistan noted that the Army’s Award-Fee Contracts Handbook does not mandate the use of a particular conversion scale and that, in the absence of evidence to the contrary, it is presumed that the Contracting Officer determined that the incentive structure provided in the contract was the one that would best motivate the contractor under the difficult circumstances of working in Iraq.

The Assistant Deputy also referenced Office of the Secretary of Defense policy guidance issued in 2006, which emphasizes that award-fee contracts must be structured in ways that will focus the government and contractor’s efforts on meeting or exceeding cost, schedule, and performance requirements. The response suggested that the Army’s handbook and the OSD policy guidance would be used in the development of future award fee plans. The SIGIR report provides a discussion of best practices and notes that the conversion scale used for contracts included in this report was never identified in the award-fee plans for these contracts. This is the basis for the lesson learned. SIGIR did not receive comments from the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) or the Iraq Transition Assistance Office (ITAO).

Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006 (SIGIR-08-010, JANUARY 2008)

Introduction
In March 2004, the U.S. Army Corps of Engineers, on behalf of the Coalition Provisional Authority, awarded Parsons Delaware, Inc. (Parsons) a cost-plus award-fee contract (W914NS-04-D-0006) to provide design and construction services. This contract was one of ten design-build construction contracts approved by the Deputy Assistant Secretary of the Army (Policy and Procurement) to provide an overarching framework for procuring design-build construction services to restore the Iraq infrastructure. The contracts were issued in defined work sectors, such as the electric sector and the water resources and sanitation sector. This Parsons contract was awarded for projects in the buildings, housing, and health care sectors. The statement of work for each contract was generic and performance based; however, the Parsons contract identified three objectives:

- repair and renovate selected Iraqi ministry buildings that suffered severe looting, vandalism, and some fire damage in 2004
- renovate and repair Iraq hospitals to improve functions and cleanliness required of hospitals
- build new primary healthcare clinics throughout Iraq
These objectives were to be accomplished by issuing task orders against the basic contract. The government subsequently issued a total of 14 task orders against the contract’s $500 million ceiling; 11 task orders for construction projects, and 3 task orders for mobilization, program support services, and contract close-out. These were the 11 construction task orders:
- 2 construction task orders to renovate or repair 3 Iraqi ministry facilities
- 6 task orders to renovate 20 existing Iraqi hospitals
- 3 task orders to design and construct 150 Primary Healthcare Centers (PHCs)

The objectives of this audit were to assess (1) the outcome of work initiated under this contract, and (2) adequacy of the internal controls used for contract management.

Results
As of August 15, 2007, $365,217,336 has been obligated and $342,088,911 disbursed against the contract’s $500 million construction ceiling. Final contract costs are pending required incurred-cost audits of the contractors’ work by the Defense Contract Audit Agency (DCAA) and the settling of contractor claims. Of the 11 construction task orders under the Parsons contract, 3 were completed and 8 were terminated for the convenience of the government with some work completed. When a contract is terminated for the convenience of the government, specific reasons for the termination are not identified. However, in a written response to an earlier SIGIR report on PHCs, Gulf Region Division (GRD) identified a number of concerns, including a lack of control of subcontractors, poor construction management and supervision, and a lack of cost control. According to GRD officials:
1. Parsons successfully completed all work on two task orders (Task Orders 2 and 5) to renovate and repair three Iraqi ministerial buildings at a total cost of $9,744,964. Both task orders had changes in scope but were completed within definitized costs.
2. Parsons successfully completed all work on one task order (Task Order 10) to rehabilitate eight maternity and pediatric hospitals in northern Iraq at a cost of $16,182,230. This task order had 18 modifications, including 8 modifications to the task order’s statement of work. The task orders were completed within definitized costs.
3. Parsons had four task orders (Task Orders 3, 6, 8, and 9) to rehabilitate 12 maternity and pediatric hospitals terminated for the convenience of the government. At the time of termination, work was completed on four hospitals, and between 78% and 98% of the work was completed on the remaining eight.
   - Task order 3 (for one hospital) had a definitized cost of $14,193,200 and obligations of $9,585,023. The task order was 80% completed and was one year past its planned completion date.
   - Task Order 6 (for three hospitals) had
a definitized cost of $19,399,885 and obligations of $16,755,944. One hospital was completed and two hospitals were estimated at six weeks from their planned completion date and 87-88% complete.

- Task Order 8 (for four hospitals) had a definitized cost of $13,505,103 and obligations of $11,066,849. Three hospitals were completed, and the remaining hospital was 82% completed but six months past its planned completion date.

- Task Order 9 (for one hospital) had a definitized cost of $5,072,730 and obligations of $4,412,859. The hospital was 90% completed but was six months past its planned completion date.

4. Parsons had three task orders (Task Orders 4, 11, 12) for the design and construction of 150 PHCs terminated for the convenience of the government. Work was completed on 6 PHCs, and between 9% and 99% of the required work was completed on 135 PHCs. Eight PHCs were dropped after consultations with the Iraqi Ministry of Health. One PHC was dropped, but construction was continued through direct contracting. The total government estimated costs for construction and equipment for the PHCs was approximately $186,030,873, as of August 15, 2007.

5. The three mobilization program support services and contract close-out task orders (Task Orders 1, 7, and 14) had total obligations of $124,808,083, or 34% of total contract obligations. Approximately $115,846,799 (32%) funded program support services (life support, security management, information technology, in-country project management staff, travel, project office costs, insurance, warranty, and Defense Base Act insurance). GRD cited high contract administrative costs as one reason for terminating contract work.

SIGIR examined the management and contract oversight structure for this contract and found numerous weaknesses. Most of these problems were originally identified in SIGIR’s earlier report on PHCs, and to the extent they are discussed in this report, they are only to illustrate problems that affected the contract before it was terminated. GRD and Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) have taken steps to resolve many of these issues. Some of the weaknesses identified in the report include:

- The contracting and program management offices suffered from a heavy rotation of personnel. Moreover, the contracting office personnel had limited construction contracting experience.

- GRD was not responsive to contractor requests for equitable adjustments and excusable delays based on unplanned site conditions, design or scope changes, or site access restrictions or security. For example, many PHC sites were selected by “map spot,” and some were not suitable for building. At the same time, the contractor accepted unrealistic schedules and costs for delivering projects and failed to accurately report project status as it fell behind.
SIGIR OVERSIGHT

• The security environment and a limited number of U.S. government quality assurance personnel affected government oversight of the task orders. For example, GRD officials reported that its South region was responsible for more than 400 projects but employed fewer than 40 military and civilian field engineers and construction inspectors.
• The contract was not specific on the data requirements of the cost performance report, and the government did not require Parsons to produce the monthly reports required by the contract.

During the course of this review, SIGIR identified some additional oversight issues:
• Parsons did not provide adequate oversight of its subcontractors. GRD provided numerous documents referencing inconsistent and infrequent site visits to the project sites by the contractor’s personnel. As a result, there was an overall lack of “ground truth” in reporting construction progress.
• Contractor invoices were not reviewed before payment. Instead, the invoices were sent directly to DCAA, creating a potential for payment for work that was not performed or not performed to the contract standards.

Management Actions
U.S. government officials took steps to address some of the issues that SIGIR identified.
• The U.S. government has committed to complete as many projects as possible. GRD has continued the work via direct contracting with local Iraqi companies and has completed many of the projects since Parsons’ work was terminated. According to GRD officials, since termination, construction has been completed on an additional 68 PHCs and 2 hospitals.
• On July 18, 2005, JCC-I/A issued a letter of concern to Parsons “regarding certain shortfalls and non-compliance issues with quality, safety, schedule and performance criteria that must be immediately addressed and rectified.” The letter referred to issues raised as a result of a Project and Contracting Office (PCO) site visit to PHCs in the Baghdad area.
• In the fall of 2005, JCC-I/A assigned an overall interim unsatisfactory performance evaluation to the contractor because of unmet milestones, schedule slippages, and elusive administrative task order costs.
• Lacking confidence in the Parsons Global Services, Inc. weekly cost performance reports, the contracting officer requested the monthly cost performance reports as prescribed by contract section 2.3.5. On October 23, 2005, the government and Parsons agreed upon a format for the new reports. Subsequently, Parsons has produced monthly cost performance reports in the new format.
• On October 24, 2005, the contracting officer informed PCO and Parsons Global Services, Inc., that required procedures for “constructive changes” to the project would be enforced. The contracting officer required that future constructive changes be properly definitized. He also pushed the formal
process to bring the outstanding request for equitable adjustment (REA) to resolution. On December 21, 2005, negotiations commenced to reconcile Parsons’ $39 million REA. As of February 24, 2006, 50 of 58 items had been resolved for $22 million. An agreement was signed, and the task orders were funded. The eight remaining items were resolved under a unilateral agreement and the contract modification was signed on March 17, 2006.

- On December 21, 2005, Parsons Global Services, Inc., and the U.S. government began negotiation of Parsons’ submission of excusable delays. An agreement was reached, and schedules were adjusted in February 2006.
- On February 4, 2006, GRD-PCO convened a teleconference with both U.S. government officials and Parsons representatives to determine a workable solution for how many PHCs should be completed by Parsons and how many PHCs should be descoped. The conference led to the plan where Parsons would complete 20 centers by April 3, 2006, and the other 121 centers would be descoped. According to GRD, it is exploring options to complete the remaining 121 PHCs.

**Lessons Learned**

The U.S. reconstruction program in Iraq has been exceedingly difficult. From the beginning, there have been planning and deployment issues, resulting in delays in the start-up of projects and increased contractor overhead costs. Rising security problems also made pre-award site assessments difficult to perform, created problems in defining project requirements, and, in some cases, prevented project site selection. The security environment also affected the delivery of supplies and affected both the government’s ability to successfully oversee its contractor’s work and the contractor’s capacity to properly supervise its subcontractors.

In this environment, it is not unexpected that individual project costs would increase and projects would be delayed. What is not expected, however, is the inability of management to remedy problems in a timely manner. This contract demonstrates multiple problems:

- The statements of work for task orders were poorly defined.
- The contractor accepted an unrealistic schedule, falling steadily behind that schedule and failing to accurately report project status.
- The government failed to take effective action to remedy the problems.

Although government visits to project sites were clearly difficult, oversight and surveillance of service and construction contracts is a fundamental element of acquisition and is the collective responsibility of the requiring and contracting activities. For this contract, there were clearly problems on both sides. However, SIGIR believes that the preeminent lesson learned is that the government is responsible for ensuring that the contractor satisfies the contract requirements for cost, schedules, and performance. For this contract, there appears to be a lack of effective action to resolve the myriad problems encountered.
Ongoing and Planned Audits
SIGIR conducts primarily performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits of major Iraq reconstruction contracts that will enable SIGIR to respond to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction.

Ongoing Audits
SIGIR is currently working on these ongoing audits:

- SIGIR-7018: Review of Spending and Performance under Blackwater Contracts (focused contract review)
- SIGIR-7022: Review of Spending and Performance under FluorAMEC Joint Venture Contracts—Electric & Public Works/Water Sectors (focused contract review)
- SIGIR-7023: Review of Spending and Performance under Research Triangle Institute (RTI) Contracts
- SIGIR-7027: Review of Spending and Performance under Perini Corp Contracts—Electric Sector (focused contract review)
- SIGIR-7029: Survey of Iraq Reconstruction Projects Terminated for Convenience or Terminated for Default
- SIGIR-8001: Survey of Iraq Security Forces Fund (ISFF)
- SIGIR-8002: Survey of Economic Support Fund (ESF)

- SIGIR-8003: Review of Spending and Performance under Kellogg Brown & Root Services, Inc. (KBR) Reconstruction Projects—Oil Sector (focused contract audit)
- SIGIR-8004: Review of 100 SIGIR Audits (capping report)
- SIGIR-8006: Review of Spending and Performance under Parsons Reconstruction Projects—Security and Justice
- SIGIR-8010: Development Fund Iraq Cash Accountability
- SIGIR-8011: Review of ISF Force Strength Accounting

Planned Audits
During FY 2008, SIGIR will continue its series of focused contract audits to respond to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction. When the series is complete, SIGIR plans to prepare a capping report summarizing the results of that work. Next quarter, SIGIR will reassess the timing for completing this work based on changes in expected legislation affecting its tenure and the scope of its work.

During the remainder of this fiscal year and beyond, as appropriate, SIGIR expects to complete periodic update assessments of U.S. strategy, progress, and status related to fostering Iraq’s anticorruption efforts. Also, SIGIR expects to continue providing periodic update assessments of U.S. efforts to foster effective planning, programming, and budgeting for the transfer of reconstruction projects to the Iraq government. This will ensure adequate maintenance and long-
Recently, the Congress passed the National Defense Authorization Act for FY 2008, which would expand the scope of SIGIR’s work and extend the tenure of the organization beyond the previously anticipated 2008 end-date. However, the President vetoed the legislation because of concern over an unrelated provision. As this Quarterly Report was being prepared, the Congress and the Administration were engaged in discussions over potential changes to the legislation. At this point, SIGIR can only presume that any revised legislation would likely retain the previously approved expanded authority and tenure for SIGIR. The focus of SIGIR’s previous work has been on construction projects funded through two congressional appropriations referred to as the Iraq Relief and Reconstruction Fund (IRRF 1) and (IRRF 2), and specifically, on appropriations made through FY 2006.

As provided for in the recently vetoed legislation, SIGIR would have been given oversight over all funds appropriated for the reconstruction of Iraq without regard to fiscal year and without being limited to specific appropriation accounts. SIGIR will be making more complete assessments of how the requirements of any revised legislation subsequently enacted will affect its work. Absent changes in the legislative provisions affecting it, SIGIR would expect the legislation, at a minimum, to expand its workload in these directions:

**Non-construction Projects.** The focus of much of SIGIR’s work to date has been on construction projects. SIGIR would shift its focus to activities and programs that are funded with reconstruction funds but which are supporting other than “traditional” construction efforts. The United States has expended hundreds of millions of reconstruction dollars on critical programs, including democracy-building activities, USAID’s Community Action, economic governance activities, private-sector development, refugee support, and human rights. SIGIR’s planned work would include assessments of those programs, their costs, and outcomes.

**Capping Reports.** SIGIR plans to present a series of performance audit capping reports, summarizing the accomplishments within each of these reconstruction sectors:

- security and law enforcement
- justice, public safety infrastructure, and civil society
- electric
- oil
- water resources and sanitation
- transportation and telecommunications
- roads, bridges, and construction
- private sector development
- education, refugees, human rights, democracy, and governance

These reports will build on the information obtained in the focused contracting reviews conducted in FY 2008 and provide detailed descriptions of the projects completed within each sector and the associated costs. SIGIR would also assess how well the projects are being
maintained by the Iraqis and the impact of each project on the local communities.

Economic Support Fund (ESF). SIGIR currently has authority to review FY 2006 funds, which total approximately $1,485 billion. It is anticipated that SIGIR will be given authority over FY 2007 and FY 2008 ESF funding, and SIGIR will perform audits focused on financial controls and how outcomes are tracked and reported.

Iraq Security Forces Fund (ISFF). SIGIR recently gained authority to review expenditures of FY 2006 funds, and it expects its authority will be extended to cover the remaining funds. SIGIR's projected audit workload for activities funded by the ISFF will include reviews of infrastructure built with ISFF funding, training, operations conducted, and equipment and transportation purchases.

Recovery of Contract Overpayments. Under OMB Memorandum M-03-07, this audit will determine whether agencies involved in Iraq reconstruction have taken action to establish a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. This requirement was mandated in Section 831 of the Defense Authorization Act for FY 2002 by adding a new subchapter to the U.S. Code (31 USC 3561-3567). The new subchapter requires agencies that enter into contracts with a total value of more than $500,000,000 in a fiscal year to carry out this error identification and recovery program.

Other. SIGIR will also continue completing reviews of the Commander's Emergency Response Program for fiscal years in which it has oversight authority.

Additionally, the vetoed legislation would have given SIGIR a lead role in developing a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq, in consultation with other affected inspectors general. If its inclusion in legislation is ultimately enacted, SIGIR will consult with the Congress to ensure a thorough understanding of congressional expectations in completing this work.
This quarter, SIGIR assessed and reported on six projects. Four of the six were assessments of relief and reconstruction work funded under the Commander’s Emergency Response Program (CERP)—two construction and two sustainment projects. SIGIR also assessed two projects under construction that are funded by the Iraq Security Forces Fund (ISFF).

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

These were the general objectives of SIGIR’s construction assessments:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor’s quality control (QC) and the U.S. government’s quality assurance (QA) programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

The key objectives of the ISFF assessments were to answer these questions:

- Was the planning for construction and sustainability adequate?
- Were the contract execution and construction management practices adequate?
- Will asset transfer to the GOI likely be completed in a timely manner?

Since the Inspections program began in the summer of 2005, SIGIR has completed 108 project assessment reports, 96 limited on-site inspections, and 425 aerial assessments.

As in previous quarters, insecurity in parts of the country impedes Iraq reconstruction projects and SIGIR assessments, significantly limiting access to the project sites. Because of insurgent activity in the Mahalla and Karadah neighborhoods of Baghdad, both the private security contractor and the U.S. Army denied the Inspection team’s requests for escorts to the Mahalla 824 Sewer Collapse Project and the Al Escandrona School Project. Consequently, SIGIR was unable to perform on-site assessments of two of the four CERP projects this quarter. The two ISFF projects were still in progress at the time of SIGIR’s assessment. The Erbil Police Academy was approximately 24% complete. The Iraqi Army Facility at Diyanah was 14% complete; Debecha, 17% complete. However, based on the assessment results, both projects should result in complete and adequate facilities.
Table 3.54 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix K.

Figure 3.49 shows the approximate location of each project assessed this quarter, as well as in previous quarters.

**SIGIR Project Assessments**
This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, [www.sigir.mil](http://www.sigir.mil).

**Al Escandrona School, Baghdad, Iraq**
SIGIR PA-07-110
The overall objective of the project was to rehabilitate the Al Escandrona School in the Karadah district of the city of Baghdad to benefit approximately 450 children. On March 12, 2006, a firm-fixed-price contract for $86,615 was awarded to a local contractor. The Al Escandrona School rehabilitation project was completed in May 2006, and the final payment to the contractor was paid in June 2006.

**Project Assessment Objectives**
The objective of this project assessment was to determine whether the project was operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the government, when transferred to Iraqi operators, and during the U.S. Army Corps of Engineers (USACE) inspection on November 5, 2007.

**Conclusions**
The SIGIR inspection of the Al Escandrona School included a review and analysis of contract documentation, including the contract itself, related contract documentation, the Statement of Work, the design package (drawings and specifications), QC reports, QA

### Six Projects Assessed this Quarter ($ millions)

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Assessment Type</th>
<th>Province</th>
<th>Budgeted Cost</th>
<th>Executing Agency</th>
<th>Funding Source</th>
<th>Contractor</th>
<th>GRD Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Al Escandrona School</td>
<td>Sustainment</td>
<td>Baghdad</td>
<td>$0.866</td>
<td>GRD</td>
<td>CERP</td>
<td>Local</td>
<td>Central</td>
</tr>
<tr>
<td>Rehabilitation of the Mansour Pump Station</td>
<td>Sustainment</td>
<td>Baghdad</td>
<td>$0.123</td>
<td>GRD</td>
<td>CERP</td>
<td>Local</td>
<td>Central</td>
</tr>
<tr>
<td>Mahalla 824 Sewer Collapse Project</td>
<td>Construction</td>
<td>Baghdad</td>
<td>$0.629</td>
<td>GRD</td>
<td>CERP</td>
<td>Local</td>
<td>Central</td>
</tr>
<tr>
<td>Iraqi Army Facilities located in Diyanah and Debecha</td>
<td>Construction</td>
<td>Erbil</td>
<td>$9.3</td>
<td>AFCEE</td>
<td>ISFF</td>
<td>Toltest, Inc.</td>
<td>North</td>
</tr>
<tr>
<td>Erbil Police Academy</td>
<td>Construction</td>
<td>Erbil</td>
<td>$10.0</td>
<td>GRD</td>
<td>ISFF</td>
<td>Tigris Company</td>
<td>North</td>
</tr>
<tr>
<td>Repair of the Al Ghazaliyah G-7 Sewage Lift Station</td>
<td>Construction</td>
<td>Baghdad</td>
<td>$0.329</td>
<td>GRD</td>
<td>CERP</td>
<td>Local</td>
<td>Central</td>
</tr>
</tbody>
</table>

*Table 3.54*
Because of increased insurgent activity in the Karadah district of Baghdad, both the U.S. Army and the private security contractor denied the assessment team’s requests for escorts to the school. Consequently, the assessment team was unable to perform a site assessment. However, the USACE documentation confirmed that contract provisions were met and that the school was operational. In addition, USACE provided photos from a visit on November 5, 2007, which reconfirmed the documentation and also provided photographs of the school’s current condition.

**Rehabilitation of the Mansour Pump Station, Baghdad, Iraq**

SIGIR’s report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. However, USACE provided clarifying information for the photos it included for the report and corrected the type of contract cited.

The objective of the project was to rehabilitate the Mansour Pump Station in Baghdad, Iraq, to improve the sewer system in the Al Amerea area. In Iraq, the wastewater systems use gravity to transport wastewater from homes
and businesses to central treatment facilities. The city of Baghdad has many changes in elevation, which require lift stations to pump wastewater to higher elevations. A sewer lift station pumps the effluent to a collection area, ensuring that the wastewater from lower elevation areas is processed. According to contract file documentation, before this contract was issued, the Mansour Pump Station was overflowing with raw sewage, which ran through the streets of the neighborhood. On August 23, 2006, a firm-fixed-price contract of $122,950 for the Mansour Pump Station rehabilitation was awarded to a local contractor.

Project Assessment Objective
The objective of this project assessment was to provide real-time project information on a relief and reconstruction project to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether the project was operating at the capacity stated in the original contract. To accomplish the objective, SIGIR determined whether the project was at full capability or capacity when accepted by the government, when transferred to Iraqi operators, and during the site inspections on November 9 and November 29, 2007.

Conclusions
The project intent was to rehabilitate the Mansour Pump Station to make it fully serviceable and functioning. The rehabilitation of the Mansour Pump Station lacked a comprehensive vision and a thorough facility inspection to identify specific problems before the contract was issued. As a result, four separate contracts, with a total value of $683,400, were awarded to different contractors to rehabilitate the facility. However, after reviewing the available contracts, SIGIR found that there was duplicative work. For example, the Phase 2 contract required the installation of a 350-millimeter (mm) vertical pump, but the Phase 3 contract required the contractor to “disconnect the existing burned 350 [mm] vertical pump and install a new pump supplied by the Government…” The contract file lacked any documentation to indicate why the 350-mm vertical pump, which was installed in January 2006, needed to be replaced with a new pump less than one year later.

Further, the Phase 4 contract required the contractor to “completely service” the same 350-mm vertical pump. Consequently, in less than two years, the 350-mm vertical pump has been replaced twice and serviced once.

The apparent duplication of effort and materials in the four awarded contracts appears to be the result of a lack of a comprehensive vision to rehabilitate the pump station. For example, an engineer with the U.S. Army Corps of Engineers (USACE) for the Phase 3 contract stated that his Statement of Work was “deficient to achieve robust function of this facility.” Additionally, at the conclusion of the Phase 3 work, USACE determined that the 600-mm and 800-mm pumps could not be operated because the “750-kilovolt (kV) ampere generator is not working [and] not
Previously flooded streets in the Al Amerea area were dry when SIGIR revisited the site on November 29, 2007.

SIGIR oversIGHT

Previously flooded streets in the Al Amerea area were dry when SIGIR revisited the site on November 29, 2007.

covered by this [Statement of Work]” and the “350 [mm and] the 500 [mm pumps] have mechanical problems which are not covered by this [Statement of Work].” Consequently, at the conclusion of the first three contracts, valued at $432,900, the Mansour Pump Station was still not operational—the objective of all three contracts. As a result, a fourth contract for $250,500 was awarded one month after the turnover of Phase 3 to correct problems identified in the first three contracts.

The lack of an extensive assessment of the pump station by USACE resulted in the failure of each of the contracts’ Statements of Work to identify and correct the problems necessary to make it fully serviceable and functioning. Without the fourth contract awarded to address the pump station’s mechanical problems, the pump station would remain non-operational.

SIGIR made two visits to the project site. During the first visit, the team observed that sewer water was backed up in the Al Amerea area; however, the backup did not appear to be as rampant as described before the four contracts were issued. During the first visit, only the 500-mm vertical pump was operational.

According to the pump station operator, there was not sufficient power to run the other three vertical pumps because of a fuel shortage and a broken transformer.

During SIGIR’s second site visit, sewer water was not backed up on the streets as identified on the previous visit. During the second visit, the 350-mm and 500-mm vertical pumps were operational.

SIGIR determined that the contractor did not install the 600-mm and 800-mm vertical pump control panels required by the contract; instead, the two vertical pumps and motors are directly tied to the 750-kV generator for power, creating a potentially dangerous situation. The 750-kV generator requires a step-down transformer to properly power the vertical pumps and motors; however, the current transformer on site does not work. Therefore, the 600-mm and 800-mm vertical pumps remain non-operational.

SIGIR determined that the contractor did not install the 100-mm submersible pump required by the contract. Instead, SIGIR found a severely rusted and corroded submersible pump that is approximately 20 to 30 years old.

SIGIR confirmed the operability of the 350-
mm and 500-mm vertical pumps and motors; however, the operability of the 600-mm and 800-mm vertical pumps and motors could not be determined.

Further, two different contracts required the repair or replacement of check valves and gate valves. SIGIR determined that the contractors simply painted over the pre-existing check valves and gate valves.

The execution of the Phase 3 contract was not consistent with the project objective of rehabilitating the Mansour Pump Station to make it fully serviceable and functional. SIGIR determined that at least two vertical pumps need to be operated concurrently to eliminate backed-up sewer water in the neighborhood. However, the Phase 3 contract failed to provide the pump station with adequate power to operate more than one vertical pump at a time. The Phase 4 contract identified this problem and attempted to correct it by servicing the existing on-site generators. However, the pump station needs appropriately sized step-down transformers to take advantage of both the on-site 750-kV generator and the 5 to 7 hours of daily grid power available to operate the two large, vertical pumps (600-mm and 800-mm).

During preparation for visits to the Mansour Pump Station, SIGIR observed approximately 20 vertical pumps, motors, and accessories at the Gulf Region Central facility. Gulf Region Central representatives told SIGIR that the equipment had been procured in 2005 for use at other pump stations. Although this critical equipment is not intended for the Mansour Pump Station, SIGIR is concerned that it has been sitting idle at Gulf Region Central since 2005. Pump stations throughout Iraq are in need of vertical pumps and motors. In addition, SIGIR observed that the vertical pump motors were lying on their sides, which over time will result in degrading of the equipment. Several million dollars in equipment is not being used for its intended purposes, and it is not protected from the elements.

**Recommendations**

SIGIR recommended that the Commander, Gulf Region Central:

1. Provide and install a step-down 11-kV/3.3-kV (850-kV Ampere) transformer with all required cables, main power panel, breakers, sub-panels, distribution panels, and control panels for the Mansour Pump Station to capture and use available power from the national grid to operate the 600-mm and 800-mm vertical pumps.

2. Determine whether the various existing vertical pumps, motors, and associated components outside the Gulf Region Central living quarters are still functional. If they are functional, house them in an area safe from environmental conditions and determine an appropriate project for them.

**Management Comments**

SIGIR received comments on the draft report from the Gulf Region Division of the United States Army Corps of Engineers concurring with the recommendations and provided clarifying information for the final report.

**Evaluation of Management Comments**

Management comments addressed the issues raised in the report. The Gulf Region Division’s planned actions are responsive and should...
identify and correct any potential problems. SIGIR reviewed the information, documentation and clarifying comments provided by the Gulf Region Division and revised the final report as appropriate.

**Indications of Potential Fraud**

During this inspection, SIGIR found indications of potential fraud and referred these matters to SIGIR Investigations for appropriate action.

**Mahalla 824 Sewer Collapse Project, Baghdad, Iraq**

SIGIR PA-07-112

The objective of the Mahalla 824 Sewer Collapse Project was to tear down the existing sanitary sewer and replace it with a new sanitary sewer. In addition, the standing sewage was to be removed from the road, and a new storm drain was to be constructed.

**Project Assessment Objectives**

The objective of this project assessment was to provide real-time information about relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether:

- the project components were adequately designed before construction or installation
- the construction or rehabilitation met the standards of the design

- the contractor QC and the U.S. government QA programs were adequate
- project sustainability was addressed
- the project results were consistent with the original objectives

**Conclusions**

The assessment determined that:

- The contract did not require the contractor to provide a design. The existing design drawing provided typical details for the main and subsidiary sewer pipes. The contract required the contractor to replace the failed/collapsed and old, existing pipes. The new pipes were to match the existing diameter and slope of the current pipes and manholes. Therefore, the design drawing was adequate.

- The construction appeared to be consistent with the intent of the project. Security conditions prevented the assessment team from visiting the project site and observing any on-site construction. Thus, SIGIR's conclusions are based on a review of the contract files, including QA reports and progress photos, interviews with USACE staff, and aerial imagery. The USACE Iraqi QA representative identified and documented construction deficiencies as they occurred.

- The contractor did not provide a QC plan
to effectively guide the contractor’s quality management (QM) program. The contractor did not submit QC reports, and USACE did not enforce requirements that mandated the contractor to provide QC reports. The QC reports were to contain information, such as the work accomplished each day with the location, activity, by whom, test results, deficiencies and corrective actions, labor distribution, equipment used, and material received on site. In addition, the contractor did not maintain deficiency logs to document problems noted with construction activities.

- The government QA program was not effective in monitoring the contractor’s QC program for the Mahalla 824 Sewer Collapse Project. However, the QA activities were sufficiently documented because of the efforts of the Iraqi QA representative during the course of the project.

- A review of the contract file disclosed no sustainability issues associated with the project. The contract did not require specialized equipment or maintenance manuals.

If USACE continues its current level of oversight, the Mahalla 824 Sewer Collapse Project, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning sewer line in the Doura governorate.

**Recommendations and Management Comments**

SIGIR’s report did not contain any negative findings or recommendations for corrective action. Therefore, management comments were not required. The USACE notified SIGIR that it had reviewed the report and had no comments.
Iraqi Army Facilities, Diyanah and Debecha, Iraq
SIGIR PA-07-114

The objective of the project was to have the contractor provide services to plan, restore, construct, and improve military unit facilities in Iraq. The sites included a mix of new construction and renovation of existing structures and facilities. The Statement of Requirements and Specifications provided that renovation of existing structures, when possible, was preferred. In addition, the U.S. government encouraged the contractor to use local Iraqi subcontractors as much as possible. Based on a review of quality assurance (QA) reports detailing the manpower mix on site, more than 90 subcontractors were Iraqi.

Project Assessment Objectives

The objective of this assessment was to provide real-time relief and reconstruction information about the Iraqi Army facilities in Diyanah and Debecha to interested parties to enable appropriate action, if warranted. Specifically, SIGIR determined whether:

- the construction and sustainability planning were adequate
- the contract execution and construction management practices have been adequate
- asset transfer to the GOI will likely be completed in a timely manner.

Conclusions

The assessment determined that:

- Planning for construction and sustainment was adequate.
- The mix between renovation and new construction appeared to be reasonable in terms of using structurally sound buildings when practical, while providing for new construction when applicable to meet capacity or operational requirements. Numerous details pertaining to materials and design guidelines included in the Statement of Requirements and Specifica-
tions will positively affect functionality and durability over the long term. For example, sustainability over the long term should be enhanced by using single-story troop dormitories and stand-alone latrines. As a result, the facilities, when completed, should fully meet the overall operational and capacity requirements for battalion-sized units of the Iraqi Army.

- Contract execution and construction management practices were adequate because a QM process was effectively implemented from the beginning of construction. For example, the contractor QC and government QA personnel documented a critical deficiency and worked together to have the subcontractor remove and replace a substantial number of defective lintels (concrete door headers) throughout the Debecha facility. In another case, effective QC and QA oversight of processes to place backfill and test soil compaction prevented a premature pouring of a concrete floor.

- In addition, both the Diyanah and Debecha sites were adequately staffed by contractor managers. Each facility had one full-time engineer responsible for construction management and one full-time engineer responsible for QC. As a result, at the time of the site visit construction appeared to comply with requirements. If the current QM practices continue, construction should be satisfactory upon project completion.

- Review of file documentation and discussions with contractor and U.S. government officials disclosed no reasons to prevent asset transfer to the GOI in a timely manner.

**Recommendations and Management Comments**

SIGIR’s report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. The results of this assessment were discussed with a Multi-National Security Transition Command-Iraq (MNSTC-I) J-7 (Engineering) representative and the Officer in Charge, Air Force Center for Engineering and the Environment (AFCEE). MNSTC-I and AFCEE officials reviewed a draft of this report, provided no comments, and offered no additional information.

**Erbil Police Academy, Erbil, Iraq**

SIGIR PA-07-115

The project objective was to design and construct a police training academy to accommodate 650 students. When the Erbil Police Academy project was planned, none of the 4,300 Erbil province police officers had attended a training course approved by the Civilian Police Assistance Training Team (CPATT). When completed, the Erbil Police Academy should substantially contribute to achieving the Iraqi national goal of 135,000 properly trained police officers.
Project Assessment Objectives

The objective of this assessment was to provide real-time information about relief and reconstruction projects to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether:

- the construction and sustainability planning were adequate
- the contract execution and construction management practices have been adequate
- asset transfer to the GOI will likely be completed in a timely manner

Conclusions

The assessment determined that:

- Planning for construction and sustainment was adequate because applicable policy and procedures were implemented. The Scope of Work was detailed, understandable, and could be used as a management tool, ensuring that the contractor and USACE personnel had the same point of reference. This lessened the risk of confusion about requirements.
- The Scope of Work included clear descriptions of material requirements and construction specifications. Planning also included an effective partnership with the Kurdistan Regional Government (KRG), starting in the preliminary planning stage of the project. Also, KRG officials were included in determining project needs. As a result, the design-build process was effectively managed with timely contractor submittals and USACE approval.
- Contract execution and construction management practices have been adequate because an effective quality management (QM) process was implemented. In addition, the USACE Resident Engineer initiated a formal in-house QM training program to ensure that all parties are briefed and trained in the expectations and processes required by the contract to effectively monitor and control construction activity in real time.
- SIGIR observed that contractor QC and
government QA personnel had satisfactory administrative office space, which aided in contract execution and construction. Concrete-forming techniques ensured even horizontal and vertical edges. Lean concrete pours were proper. Steel reinforcement bars were properly sized and placed. Poured concrete columns, beams, and walls showed no separation of materials, which attests to the fact that the concrete was poured properly. Also, required testing (materials, soil, poured concrete, etc.) has been completed without any rejections to date.

- Acceptance of the project by KRG officials should be accomplished in a timely manner, primarily because of the innovative approach of including KRG ministry level officials in the initial planning of the project. Based on discussions conducted with ministry officials, ownership of the project was “assumed” from project beginning. The KRG has partnered with the U.S. government. Specifically, the U.S. government has contracted to build selected elements of the overall project valued at approximately $10 million, and KRG has selected other parts of the overall project valued at approximately $5.4 million.

**Recommendations and Management Comments**

SIGIR's report did not contain any negative findings or recommendations for corrective action; therefore, management comments were not required. When the fieldwork was completed, the results of this assessment were discussed in detail with the USACE Resident Engineer, Erbil Resident Office, and briefed to the USACE Area Engineer, Mosul Area Office. MNSTC-I and Gulf Region Division officials reviewed this report, had no comments, and offered no additional information.

**Repair of the Al Ghazaliyah G-7 Sewage Lift Station, Baghdad, Iraq**

SIGIR PA-07-118

The objective of the contract was to restore two lift stations in the Al Ghazaliyah area to designed operational capacity. Specifically, the repair and rehabilitation work was to include replacement and maintenance of generators and pumps at each site, as well as necessary electrical and control work and limited architectural renovations. The two lift stations covered by this contract were the Al Ghazaliyah G-6 and G-7 Sewage Lift Stations.

**Project Assessment Objective**

The objective of this project assessment was to provide real-time relief and reconstruction project information on repair of the Al Ghazaliyah G-6 and G-7 Sewage Lift Stations in Baghdad to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether:

- the project components were adequately designed before construction or installation
- the construction or rehabilitation met the standards of the design
- the contractor QC and the U.S. government
QA programs were adequate
- project sustainability was addressed
- the project results were consistent with the original objectives

Because of insurgent activity in the area of the Al Ghazaliyah G-6 Sewage Lift Station, both the U.S. Army and private security contractor denied the assessment team’s repeated requests for escorts to inspect the site. Consequently, only the Al Ghazaliyah G-7 Sewage Lift Station is included in this assessment report. SIGIR will address the Al Ghazaliyah G-6 Sewage Lift Station in a future report.

Conclusions
The assessment determined that:

All project components were not adequately designed before renovation and construction at the Al Ghazaliyah G-7 Sewage Lift Station.

The contract file lacked necessary design submittals from the contractor and USACE, such as schematic diagrams identifying the flow of sewer water entering and exiting the Al Ghazaliyah G-7 and throughout the Al Ghazaliyah area.

In addition, no diagrams provided clarity on the location and function of specific pieces of equipment. Further, the contract file lacked design calculations determining the volume of sewer water entering the facility and the capacity of each submersible pump, which would identify the correct number and size of submersible pumps needed for installation.

Finally, no electrical plans or electrical
single-line diagrams were available for the installation of the Main Distribution Panel connecting the facility to the on-site generator and main distribution grid. Because of the limited amount of time available on-site and the lack of available power at the site, SIGIR could not definitively determine the quality of the contractor’s work. For example:

- The contract required a 100-kV Amp generator and a 1,000-liter fuel tank; however, the generator was not operating on either of the site visits.
- A single 150-mm submersible pump was delivered and installed, but it was not operational during the site visits. Because USACE had already terminated the contract, no one was onsite to operate the equipment. Consequently, SIGIR inspectors could not determine if either piece of equipment was non-operational because of inferior quality contract work or because of the lack of available power.

SIGIR did identify construction deficiencies, including the inadequate installation of the Main Distribution Panel. Also, the panel was located outside, exposed to wind, rain, and excessive heat.

The contractor’s QC plan was sufficiently detailed, including the use of daily QC reports to document construction deficiencies, but the contractor’s QC program implementation did not identify any significant construction deficiencies, such as potentially dangerous electrical installation practices:

- The daily QC reports did not identify any construction deficiencies or international standard violations.
- The daily QC reports did not have a section to document construction deficiencies, international code violations, or test and/or inspection results.
- This project had no QC deficiency log.
- The government QA program was not adequate.
- According to U.S. Army Corps of Engineers documentation, only ten daily QA reports exist for this project; the last daily QA report was issued in December 2006.
- The daily QA reports were vague and did not document critical information, such as insight into any problems encountered at the site.
- In March 2007, the contractor submitted a final invoice; however, when a USACE representative visited the site, it was determined the contractor had only “completed approximately 20%” of the project. The lack of on-site government QA presence contributed to this situation.

Sustainability was addressed in the contract and delivery order requirements. The contract’s “Warranty Management” clause required the contractor to provide a one-year overall warranty of construction; the delivery order required the contractor to provide all operations and maintenance manuals and all certified warranties. To maintain continuous
use of the on-site generators, the delivery order provided that the sewage lift station would be furnished with a six-month fuel supply. However, according to Gulf Region Central documentation, when the delivery was terminated because the deteriorated security situation in the area prohibited the contractor from completing the projects, the contractor had furnished only a three-month fuel supply to the project site.

The Al Ghazaliyah G-7 Sewage Lift Station renovation and construction project results were not consistent with the original objectives of the delivery order. The delivery order Statement of Work required the contractor to “provide a complete and useable facility upon the conclusion of construction....” Specifically, this project was needed to eliminate the excessive amount of backed-up sewer water in the Al Ghazaliyah neighborhood.

- At the time of the site visits, the Al Ghazaliyah G-7 facility was not operational. Consequently, SIGIR witnessed sewer water backing up in the neighborhood streets.

- In addition, broken sewer pipes leading into the facility resulted in a large pool of sewer water that settled directly outside of the building. As a result, the neighborhood residents continue to wade through large pools of sewer water and live in constant threat of disease and illness.

**Additional Contract To Complete Facility**

During the course of this assessment, the 2nd Brigade of the 101st Airborne Division representatives informed the SIGIR team members that they had identified and developed contract terms to resolve the outstanding issues and problems of the Al Ghazaliyah G-7 Sewage Lift Station and make it functional and useable. As the SIGIR team completed its assessment, the 2nd Brigade of the 101st Airborne Division was in the process of awarding the contract.

**Recommendations and Management Comments**

SIGIR determined that the action being implemented by the 2nd Brigade of the 101st Airborne Division should be sufficient to resolve the problems noted in this assessment and consequently makes no further recommendations. Therefore, management comments to this report were not required. However, SIGIR received comments on the draft report from the Gulf Region Division of the U.S. Army Corps of Engineers, which provided clarifying information for the final report. SIGIR reviewed the clarifying comments and revised the final report as appropriate.
Aerial Project Survey Program
The SIGIR Satellite Imagery Group, based in Arlington, Virginia, conducts aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides up-to-date imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 37 images and created 25 imagery products, using satellite imagery and limited available contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. SIGIR shares its imagery products with government contracting agencies to update their project information and to identify any obvious deficiencies. The SIGIR imagery analyst assessed and reviewed CERP and ISFF projects evaluated this quarter. For an overview of the images produced, see Table 3.55.

### Imagery Products Produced this Quarter

<table>
<thead>
<tr>
<th>Project Type</th>
<th>Number of Images</th>
</tr>
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<tbody>
<tr>
<td>Sewer pump stations and facilities</td>
<td>9</td>
</tr>
<tr>
<td>Military base</td>
<td>2</td>
</tr>
<tr>
<td>Water treatment plant</td>
<td>2</td>
</tr>
<tr>
<td>School</td>
<td>1</td>
</tr>
</tbody>
</table>

**Additional Imagery Products**

<table>
<thead>
<tr>
<th>Additional Imagery Products</th>
<th>Number of Images</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indistinct imagery analyzed</td>
<td>8</td>
</tr>
<tr>
<td>Power station</td>
<td>2</td>
</tr>
<tr>
<td>Port</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 3.55
Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems (see aerial images 1, 2, 3, and 4).

For the fourth quarter, one map graphic was provided to the audit directorate for use in a report. The Satellite Imagery Group also conducted imagery analysis of 14 images for SIGIR Investigations for an ongoing investigation and have produced three viable products for use in the case.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 425 cumulative satellite imagery assessments and products (Figure 3.50).
SIGIR INVESTIGATIONS

SIGIR Investigations continues its work with a wide range of U.S. agency partners to pursue allegations of fraud, waste, and abuse in Iraq reconstruction. SIGIR currently has 56 open investigations, 36 of which have been assigned to prosecutors in the U.S. Department of Justice (DoJ) or are with DoJ for a prosecutorial decision. This quarter, SIGIR had 6 agents assigned to Baghdad and 13 agents at SIGIR headquarters in Arlington, Virginia.

To date, the work of SIGIR investigators has resulted in 14 arrests, 14 indictments, 5 convictions and imprisonments, and more than $17 million in fines, forfeitures, recoveries, and restitution.

SIGIR and Its Investigative Partners

SIGIR’s investigative partners include:
- U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU)
- Defense Criminal Investigative Service (DCIS)
- Federal Bureau of Investigation (FBI)
- U.S. Agency for International Development, Office of Inspector General (USAID OIG)
- U.S. Department of State, Office of Inspector General (DoS OIG)

The International Contract Corruption Task Force (ICCTF), which comprises SIGIR and the agencies listed above, coordinates all of the work on fraud in Iraq. Since October 2006, the ICCTF’s Joint Operations Center (JOC) has provided strategic and operational support to the participating partners, including case coordination and de-confliction, analytical support, and criminal intelligence. The JOC, based at the FBI in Washington, D.C., is managed by senior investigative officials from the ICCTF agencies. Its primary goal is to enhance interagency cooperation and maximize the investigative resources of the partner agencies.

SIGIR continues to support the ongoing Defense Finance and Accounting Service invoice review project in Rome, New York. DCIS initiated this project to detect fraud involved with payments made by the U.S. Army to support the war effort in Iraq. This project links with the JOC to provide investigative analysis of Iraq contract invoice payment data to support SIGIR’s investigations.

SIGIR participates in the National Procurement Fraud Task Force (NPFTF) and the International Working Committee (IWC), a subcommittee of the NPFTF. In October 2006, the DoJ Criminal Division created NPFTF to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs. The IWC links DoJ and federal law enforcement agencies and provides a venue to address prosecutorial issues resulting from fraud investigations conducted in an international war zone.

The Logistics Civil Augmentation Program (LOGCAP) Task Force in Rock Island, Illinois,
continues to prosecute a wide variety of cases of fraud and other criminal activity related to U.S. activities in Iraq. The work of the task force is conducted by investigators from CID-MPFU, DCIS, FBI, and the Internal Revenue Service, as well as prosecutors from the U.S. Attorney’s Office, Central District of Illinois, and the Criminal Division of DoJ. LOGCAP is a U.S. Army initiative for the use of civilian contractors in wartime and other contingencies to support U.S. forces, allowing the release of military units for other missions or to fill support shortfalls. Although not a member of this group, SIGIR reports the task force’s cases to show the overall picture of fraud in Iraq. For details on indictments and convictions, see Table 3.57.

In addition to the agencies listed above, SIGIR agents also work with these agencies in the United States:

- Immigration and Customs Enforcement (ICE)
- Internal Revenue Service (IRS), Criminal Investigation Division (IRS-CID)
- U.S. Army Suspension and Debarment Authority

**Legal Actions this Quarter**

SIGIR previously reported that the joint investigative efforts by CID-MPFU, SIGIR, DCIS, FBI, ICE, and IRS resulted in July 2007 indictments of Major John Cockerham, Melissa Cockerham, and Carolyn Blake. These indictments are pending trial, currently scheduled for April 21, 2008, in San Antonio, Texas.

On November 16, 2007, further investigative efforts on this case resulted in the arrest of Terry Hall on a criminal complaint charging bribery. Subsequently, on November 20, 2007, a federal grand jury indicted Hall for soliciting bribes. The indictment alleged that Hall paid money and other things of value to a U.S. military contracting officer to influence the actions of the officer, including the award of more than $20 million in military contracts.

A trial arising from SIGIR investigations, involving five subjects, is scheduled to start in March 2008. Three of the subjects were active-duty military personnel: U.S. Army Colonel Curtis G. Whiteford and U.S. Army Lt. Colonels Debra M. Harrison and Michael Wheeler. Two civilians, Michael Morris and William Driver, also will stand trial for various crimes the five are alleged to have committed in Iraq. The charges include conspiracy, bribery, wire fraud, interstate transport of stolen property, bulk cash smuggling, money laundering, and preparing a false tax form.

Since December 2005, SIGIR and its partner agencies have worked closely with the Army Legal Service Agency’s Procurement Fraud Branch to suspend and debar contractors for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. In June 2003, the Department of Defense designated the Department of the Army as the executive agent for contracting support to the Coalition Provisional Authority. As a result, the Army’s Suspension and Debarment Authority leads...
the effort to ensure the integrity of contractors performing these contracts. The goal of this program is to ensure that these contracts are awarded to, and performed by, contractors who are honest and ethical and who have the ability to successfully perform this important work. The Procurement Fraud Branch has also taken a leading role within the Army and at joint contracting organizations to train contracting officers to aid in the prevention and early detection of contractor fraud in Iraq reconstruction and support contracts.

Since SIGIR’s last Quarterly Report, the Procurement Fraud Branch has suspended 3 individuals or companies, based on allegations of fraud and misconduct connected to Iraq reconstruction and contractor fraud bringing the total suspensions to date to 32. In addition, since the last Quarterly Report, 2 individuals and companies have been proposed for debarment and 3 have been debarred, bringing the total proposed debarments to 30 and the total debarments to 20.

For a list of suspensions and disbarments this quarter, see Table 3.56. For details on suspensions and debarments, see Appendix L.

**Suspensions and Debarments this Quarter**

<table>
<thead>
<tr>
<th>Debarred</th>
<th>Date</th>
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<tbody>
<tr>
<td>Merkes, Steven</td>
<td>9/27/2007</td>
</tr>
<tr>
<td>Hopfengardner, Bruce</td>
<td>9/20/2007</td>
</tr>
<tr>
<td>Seamans, Stephen</td>
<td>7/27/2007*</td>
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<table>
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<tr>
<th>Proposed for Debarment</th>
<th>Date</th>
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<tbody>
<tr>
<td>Insaat, Yuksel</td>
<td>11/8/2007</td>
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<table>
<thead>
<tr>
<th>Suspended</th>
<th>Date</th>
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<tbody>
<tr>
<td>Sellman, James</td>
<td>10/11/2007</td>
</tr>
<tr>
<td>Crenshaw, Joseph</td>
<td>12/3/2007</td>
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</table>

*Not previously reported.

Table 3.56
<table>
<thead>
<tr>
<th>Name</th>
<th>Contractor (Company / Agency)</th>
<th>Charges</th>
<th>Date of Conviction</th>
<th>Sentence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philip Bloom</td>
<td>Owner</td>
<td>Conspiracy and conspiring to commit wire fraud, and money laundering,</td>
<td>3/10/2006</td>
<td>46 months in prison; 2 years &amp; 6 months of supervised release; $3.6 million in restitution and a $3.6 million in forfeiture; and a $300 special assessment</td>
</tr>
<tr>
<td>DoD Civilian</td>
<td>DoD Civilian</td>
<td>Violating the FOIA Anti-Bribery Provisions</td>
<td>8/25/2006</td>
<td>21 months in prison; $144,500 fine &amp; forfeiture; 3 years of supervised release; and a $200 fine</td>
</tr>
<tr>
<td>Rineen Moussa Sulaim</td>
<td>Contractor</td>
<td>Conspiracy, bribery, and money laundering</td>
<td>2/16/2007</td>
<td>12 months &amp; 1 day in prison; $34,000 in restitution</td>
</tr>
<tr>
<td>Robert Stein</td>
<td>CPA</td>
<td>Accepting illegal gratuities</td>
<td>2/16/2007</td>
<td></td>
</tr>
<tr>
<td>Gun G. Whiteford</td>
<td>Colonel</td>
<td>Conspiracy, bribery, and wire fraud</td>
<td>8/4/2006</td>
<td>30 months in prison; 2 years supervised release; $10,000 fine; $100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of $4 million)</td>
</tr>
<tr>
<td>General B. Wheeler</td>
<td>U.S. Army Reserve</td>
<td>Conspiracy, bribery, wire fraud, and money laundering</td>
<td>2/2/2006</td>
<td>9 years in prison; 3 years of supervised release; $3.5 million in restitution, $3.6 million in forfeiture, and a $500 special assessment</td>
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<tr>
<td>Debra M. Harrison</td>
<td>(Husband of Debra Harrison)</td>
<td>Money laundering</td>
<td>11/13/2006</td>
<td>3 years &amp; probation; $100 assessment; $86,557 restitution</td>
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<td>Christopher Cahill</td>
<td>ESG Global Logistics, Inc. (ESG)</td>
<td>Major fraud against the United States</td>
<td>2/23/2006</td>
<td>30 months in prison; 2 years supervised release; $90,000 fine; $12,660 in restitution; and a $328,286 restitution</td>
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<td>Joseph D. Lane</td>
<td>Military Reserve</td>
<td>Conspiracy to commit wire fraud</td>
<td>10/15/2007</td>
<td>3 years &amp; probation; $100 assessment; $64,665 restitution</td>
</tr>
<tr>
<td>Jennifer Angeles</td>
<td>Military Reserve</td>
<td>Conspiracy to commit wire fraud</td>
<td>11/13/2006</td>
<td>3 years &amp; probation; $100 assessment; $86,557 restitution</td>
</tr>
</tbody>
</table>

**INDICTMENTS AND CONVICTIONS**

**Investigations Led by SIGIR**

- Philip Bloom
- DoD Civilian

**Led by Other Agencies**

- General B. Wheeler (Husband of Debra Harrison)
- Christopher Cahill
- Joseph D. Lane
- Jennifer Angeles
- Debra M. Harrison
- Michael B. Morris
- William Driver
- Lomeli Chavez
- Luis Lopez

**Significant Convictions**

- **Contracts/Companies**
  - Global Business Group, GIG Holdings & GIG Logistics Division
  - Contractor/Company/Agency
  - Special Advisor to the CPA-SC
  - U.S. Army Reserve
  - Contractor/Company/Agency
  - Contractor/Company/Agency
  - Contractor/Company/Agency

**Charges**

- Conspiracy and conspiring to commit wire fraud, and money laundering
- Violating the FOIA Anti-Bribery Provisions
- Conspiracy, bribery, and money laundering
- Conspiracy, bribery, wire fraud, and money laundering
- Conspiracy, bribery, wire fraud, interstate transportation of stolen property, bulk cash smuggling
- Conspiracy, bribery, wire fraud, and money laundering
- Conspiracy, bribery, and wire fraud
- Conspiracy, bribery, and money laundering
- Conspiracy, bribery, wire fraud
- Conspiracy and conspiring to commit wire fraud, and money laundering
- Conspiracy, bribery, and money laundering
- Conspiracy, bribery, wire fraud
- Conspiracy, bribery, and money laundering
- Conspiracy, bribery, wire fraud, and money laundering
- Conspiracy, bribery, wire fraud, interstate transportation of stolen property
- Conspiracy, bribery, wire fraud, and money laundering
- Conspiracy, bribery, wire fraud
- Conspiracy, bribery, and wire fraud
## Indictments and Convictions

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Contractor/Company/Agency</th>
<th>Charges</th>
<th>Date of Conviction</th>
<th>Sentence</th>
<th>Date of Sentence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonnie Murphy</td>
<td>Contracting Officer's Representative (COR)</td>
<td>DoD Defense Reutilization and Marketing Service (DRMS)</td>
<td>Accepting unlawful gratuities</td>
<td>11/7/2006</td>
<td>1 year supervised release; $1,500 fine</td>
<td>March 2007</td>
</tr>
<tr>
<td>Gheevarghese Pappen</td>
<td>Army Corps of Engineers (Civilian Employee, GS-12)</td>
<td>U.S. Army/Army Area Support Group, Host Nation Office, Camp Arifjan, Kuwait</td>
<td>Soliciting and accepting illegal gratuities</td>
<td>10/12/2006</td>
<td>2 years in prison; $28,900 in restitution; one year supervised release</td>
<td>1/30/2007</td>
</tr>
<tr>
<td>Glenn Powell</td>
<td>Subcontracts Manager</td>
<td>KBR</td>
<td>Major fraud and violating the Anti-Kickback Act</td>
<td>8/1/2005</td>
<td>15 months in prison; 3 years supervised release; $90,973.99 in restitution; $200 assessment</td>
<td>1/18/2005</td>
</tr>
<tr>
<td>Stephen Seamans</td>
<td>Subcontracts Manager</td>
<td>KBR</td>
<td>Wire fraud, money laundering, and conspiracy</td>
<td>3/1/2006</td>
<td>12 months and 1 day in prison; 3 years supervised release; $380,130 in restitution; $200 assessment</td>
<td>12/1/2006</td>
</tr>
<tr>
<td>Kevin A. Smoot</td>
<td>Managing Director</td>
<td>Eagle Global Logistics, Inc.</td>
<td>Violating the Anti-Kickback Act, false statements</td>
<td>7/20/2007</td>
<td>14 months in prison; 2 years supervised release; $6,000 fine; $17,964 in restitution</td>
<td>12/18/2007</td>
</tr>
<tr>
<td>John Allen Rivard</td>
<td>Major</td>
<td>U.S. Army Reserves</td>
<td>Bribery, conspiracy, money laundering</td>
<td>7/23/2007 (pled guilty)</td>
<td>10 years in prison; 3 years supervised release; $5,000 fine; $1 million forfeiture order</td>
<td>10/19/2007</td>
</tr>
<tr>
<td>Maj. John Lee Cockerham</td>
<td>Contracting Officer</td>
<td>U.S. Army</td>
<td>Bribery, conspiracy, money laundering</td>
<td>Trial scheduled for 4/21/2008</td>
<td></td>
<td></td>
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<tr>
<td>Melissa Cockerham</td>
<td>(Wife of John Cockerham)</td>
<td></td>
<td>Conspiracy, money laundering</td>
<td>Trial scheduled for 4/21/2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carolyn Blake</td>
<td>(Sister of John Cockerham)</td>
<td></td>
<td>Conspiracy, money laundering</td>
<td>Trial scheduled for 4/21/2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Samir Mahmoud</td>
<td>Employee of U.S. Construction Company</td>
<td></td>
<td>Plead guilty to making false statements during investigation into possible violations of Anti-Kickback Act</td>
<td>11/3/2006 (pled guilty)</td>
<td>1 day credit for time served; 2 years of supervised release</td>
<td>2/2/2007</td>
</tr>
<tr>
<td>Ali Hijazi</td>
<td>Kuwaiti Businessman</td>
<td></td>
<td>4 counts of major fraud against U.S. and 6 counts wire fraud</td>
<td>Fugitive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jeff Alex Mazon</td>
<td>Subcontractor Employee</td>
<td>KBR</td>
<td>4 counts of major fraud against U.S. and 6 counts wire fraud</td>
<td>Trial scheduled for 4/14/2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zubair Khan</td>
<td>Contractor</td>
<td>Tamini Global Co. Ltd</td>
<td>Wire fraud, witness tampering, obstruction of justice, and making false statements</td>
<td>Fugitive</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terry Hall</td>
<td>Contractor</td>
<td>U.S. Army, Camp Arifjan, Kuwait</td>
<td>2 counts of bribery</td>
<td>Trial date pending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Samir Itani</td>
<td>Owner</td>
<td>American Grocers Inc.</td>
<td>46 counts of false claims and conspiracy</td>
<td>Trial scheduled for 6/2/2008</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 3.57**
**SIGIR HOTLINE**

The SIGIR Hotline facilitates reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the American taxpayer. Cases received by the SIGIR Hotline that are not related to the Iraq Relief and Reconstruction Fund (IRRF), to funds appropriated or otherwise made available for FY 2006 for the reconstruction of Iraq, or to programs and operations of the former Coalition Provisional Authority (CPA) 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.

**Fourth Quarter Reporting**

As of December 31, 2007, the SIGIR Hotline had initiated 618 cases. Of these cases, 553 have been closed, and 65 remain open. For a summary, see Table 3.58.

**New Cases**

During this reporting period, the SIGIR Hotline received 17 new complaints for a cumulative total of 618 Hotline cases. The new complaints were classified in these categories:
- 9 involved contract fraud.
- 3 involved personnel issues.
- 2 involved mismanagement.
- 3 involved miscellaneous issues.

**Summary of SIGIR Hotline Cases, as of December 31, 2007**

<table>
<thead>
<tr>
<th>Open Cases</th>
<th>1ST QTR 2007</th>
<th>2ND QTR 2007</th>
<th>3RD QTR 2007</th>
<th>4TH QTR 2007</th>
<th>Cumulative*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigations</td>
<td>55</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audits</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Open</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Closed Cases</th>
<th>1ST QTR 2007</th>
<th>2ND QTR 2007</th>
<th>3RD QTR 2007</th>
<th>4TH QTR 2007</th>
<th>Cumulative*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom of Information Act</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
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<tr>
<td>OSC Review</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Dismissed</td>
<td>5</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>112</td>
</tr>
<tr>
<td>Referred</td>
<td>8</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>232</td>
</tr>
<tr>
<td>Inspections</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>79</td>
</tr>
<tr>
<td>Investigations</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>70</td>
</tr>
<tr>
<td>Audits</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Total Closed</td>
<td>16</td>
<td>16</td>
<td>10</td>
<td>11</td>
<td>553</td>
</tr>
</tbody>
</table>

*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to December 31, 2007.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by electronic mail. The SIGIR’s 17 new Hotline complaints were received by these means:
- 14 by electronic mail
- 1 by SIGIR Hotline phone call
- 1 referred by the DoD Hotline
- 1 by walk-in
### Closed Cases
During this quarter, 11 Hotline cases were closed:
- 6 were referred to other inspector general agencies.
- 4 were dismissed for lack of sufficient information.
- 1 was closed by the SIGIR Director of Information Services.

### Referred Complaints
After a thorough review, 6 complaints were referred to outside agencies for proper resolution:
- 1 was sent to the Department of State Inspector General.
- 1 was sent to the Department of Defense Inspector General.
- 1 was sent to the U.S. Army Inspector General.
- 1 was sent to the Multi-National Force-Iraq Inspector General.
- 1 was sent to the Joint Contract Command-Iraq/Afghanistan.
- 1 was sent to the U.S. Agency for International Development Inspector General.
SIGIR WEBSITE

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

- The site had nearly 90,000 visitors this past quarter—just under 1,000 users per day.
- Most users were from within the United States (82%). The remaining 18% were from 168 other countries, mainly in Western Europe (6%), Asia (4%), and the Middle East (2%).
- The Arabic language section of the site received 850 visits, a slight decrease from the previous quarter.
- A significant percentage of visitors to the SIGIR website were from government agencies, most notably DoD, DoS, and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were SIGIR’s most recent Quarterly Reports.

![Total Number of Visitors per Quarter](chart)
Source: Web Trends Analytics

![Average Number of Visitors per Day](chart)
Source: Web Trends Analytics
LEGISLATIVE UPDATE

In December 2007, the Congress passed the National Defense Authorization Act (NDAA), expanding SIGIR’s jurisdiction and effectively extending SIGIR’s tenure. Although the NDAA was vetoed, a similar bill was passed in January 2008. As this Report went to press, no final action was imminent on the NDAA. In addition, during the reporting period, the Inspector General testified twice before congressional committees.

Authority of SIGIR and Related Matters

On December 14, 2007, the Congress cleared the Conference Report on the National Defense Authorization Act for Fiscal Year 2008 (H.R. 1585) and sent the bill to the President on December 19. On December 28, the President said that he would withhold his approval, thus exercising a “pocket veto” of the bill. The House of Representatives, on January 16, 2008, passed another version of the bill, H.R. 4986, also entitled the National Defense Authorization Act for Fiscal Year 2008, which modified the provision (unrelated to SIGIR) to which the President objected. As of January 21, 2008, no action had been taken on the new bill in the Senate, but its passage is imminent, and it is likely to be signed by the President.

The Conference Report included three sections affecting SIGIR. First, SIGIR’s oversight jurisdiction is expanded to include all amounts appropriated “for the reconstruction of Iraq” and defines that term to include all amounts appropriated for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, and the Commander’s Emergency Response Program, as well as all amounts appropriated for “assistance for the reconstruction of Iraq” under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law. The Conference Report also modified the provisions terminating SIGIR to provide that SIGIR shall terminate 180 days after the date on which unexpended amounts appropriated for the reconstruction of Iraq are less than $250 million.

Second, the Conference Report directs the DoD OIG, SIGIR, and the new Special Inspector General for Afghanistan Reconstruction (SIGAR) to develop audit plans as follows:

1. DoD OIG shall develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders addressing the logistical support of coalition forces in Iraq and Afghanistan. DoD OIG shall do so “in consultation with other Inspectors General” mentioned elsewhere in the section “with respect to any contracts…over which such Inspectors General have jurisdiction.”

2. SIGIR shall develop a comprehensive audit plan for a series of audits of federal agency
contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq. SIGIR shall do so “in consultation with other Inspectors General” mentioned elsewhere in the section “with respect to any contracts...over which such Inspectors General have jurisdiction.”

3. SIGAR shall develop a comprehensive plan parallel to SIGIR’s but focused on Afghanistan. SIGAR shall do so “in consultation with other Inspectors General” mentioned elsewhere in the section “with respect to any contracts...over which such Inspectors General have jurisdiction.”

The Conference Report further provides that the IGs for DoD, DoS, USAID, SIGIR, and SIGAR shall perform the audits identified in the plan within the respective scope of their duties as specified in law. The IGs are to plan and perform their audits in an independent manner without consulting with the newly created Commission on Wartime Contracting in Iraq and Afghanistan, but audit reports may be provided to the Commission.

Third, a provision of the Conference Report provides additional protections to whistle-blowers who allege fraud, waste, or abuse concerning DoD contracts. The provision protects persons making certain disclosures of wrongdoing to Inspectors General, including SIGIR.

**Congressional Appearances**

Since the last SIGIR Quarterly Report, the Inspector General appeared before congressional committees on two occasions:

1. October 30, 2007—House Committee on Appropriations, Subcommittee on State, Foreign Operations, and Related Programs—Hearing on “Assessing an Effective Diplomatic and Development Program in Iraq: An Examination of the Diplomatic Surge.” The Inspector General provided testimony about the effectiveness of reconstruction and development in Iraq as SIGIR’s 15th Quarterly Report was released.