SIGIR’s Audits and Investigations Directorates are engaged in an array of proactive forensic audit and investigation initiatives that are identifying fraud, waste, and abuse. The analytic process is portrayed in Figure 4.1.

Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals about $50 billion. Over the past two years, SIGIR has conducted a series of 19 audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR used the results of these audits to develop targeted forensic auditing approaches to identify potential instances of wrongdoing.

A forensic audit is a systematic examination of the internal controls over a program’s expenditures or other financial data to identify anomalies in individual transactions that may be indicative of fraud, waste, or abuse. This quarter, the SIGIR Audits Directorate continued its review (Project No. 9005, begun in December 2008) of DoD appropriation, obligation, and expenditure transaction data related to Iraq relief and reconstruction. In March 2009, SIGIR expanded this initiative to include expenditures by the Department of State (Project No. 9012) and the U.S. Agency for International Development (Project No. 9013); both projects are underway. The objective of these projects is to examine the appropriateness of expenditures for Iraq relief and reconstruction.

SIGIR’s approach combines automated data mining with standard audit and investigative techniques to detect problematic transactions and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. Matters most appropriately addressed by administrative resolution, such as cost disallowance and recovery, will be referred through audit reports to agency contracting officials for appropriate action. The forensic audit project is expected to lead to SIGIR follow-on efforts, products, and

**Figure 4.1**

**FORENSIC AUDIT PROCESS**

- **Source Data**
  - SIGIR Audit / Investigative Initiative (targeting programs with weak internal controls that afford easy access to cash)
  - Focused Contract Audits (audits that target costs, outcomes, and oversight of specific contracts and vendors)

- **Analysis**
  - Anomaly Testing and Data Mining

- **Results**
  - Identification of Anomalous Activity Indicative of Potential Fraud, Waste, and Abuse
  - Criminal Investigations, Resulting in Indictments/Convictions
  - Audits of Vendors Resulting in Recoveries and Addressing Internal Control Weaknesses
investigations. For example, the forensic audit has, to date, identified nearly $340 million in possible duplicate payments. While these anomalies were revealed during the course of our testing procedures, we expect that many of the transactions will prove to be proper. For example, multiple purchases of an item may have legitimately occurred on the same date. An examination of key documentation, such as invoices, receiving documents, and payment documentation will support conclusions on the validity of these transactions.

The SIGIR Audits Directorate and Investigations Directorate continue to expand the proactive joint effort that was started in January 2009. That effort focuses on Iraq relief and reconstruction programs that afford easy access to cash associated with weak controls over expenditures. SIGIR auditors and special agents are working with a number of federal agencies, such as the U.S. Treasury Department’s Financial Crimes Enforcement Network (FinCEN) in furtherance of this effort. SIGIR auditors and investigators, in partnership with other federal law enforcement agencies, are examining thousands of documents to identify unusual or suspect financial transactions that may indicate fraud or corruption in the award and administration of Iraq relief and reconstruction contracts and grants. To date, SIGIR has opened 27 criminal investigations from this effort. The project has also provided support to criminal investigations that were already ongoing.