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SECTION

5

SIGIR AUDITS

Since March 2004, SIGIR has issued 177 reports. From August 1, 2010, to October 31, 2010, SIGIR issued five audits addressing a wide range of reconstruction issues and one nonaudit report that described the methodology SIGIR used to conduct its forensic audit effort. They included:

- a report on the Department of Defense (DoD) management and oversight of Iraqi vested and seized asset funds
- a report on the management and outcomes of the Iraqi Police Training Program
- a report on the Department of State (DoS) management of democracy grants to the National Democratic Institute
- a report updating SIGIR’s forensic audit efforts
- a report on the goals, outcomes, costs, and transition status of the Iraqi Special Operations Force Program
- a report on the SIGIR forensic audit methodology

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

SIGIR currently has 16 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR Audits for This Quarter

National Democratic Institute Grant’s Security Costs and Impact Generally Supported, but Department of State Oversight Limited

(SIGIR 11-001, 10/2010)

Introduction

This report addresses Department of State (DoS) management of a \$50 million grant to the National Democratic Institute (NDI) for democracy-building activities in Iraq. This is the largest grant awarded to NDI by the Bureau of Administration, Office of Acquisitions Management (AQM) on behalf of the Bureau of Democracy, Human Rights, and Labor (DRL) and is intended to support governance, political-party, and civil-society programs in Iraq. DRL’s mission is to lead U.S. efforts to promote democracy, protect human rights and international religious freedom, and advance labor rights globally.

In a prior audit, SIGIR found that both NDI and the International Republican Institute (IRI), which also received DRL democracy grants, had significant security costs, and DRL did not have documentation on whether either grant was meeting

TABLE 5.1
SIGIR AUDIT PRODUCTS SINCE 7/31/2010

REPORT NUMBER	REPORT TITLE	DATE ISSUED
11-001	National Democratic Institute Grant’s Security Costs and Impact Generally Supported, but Department of State Oversight Limited	10/2010
11-002	Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds	10/2010
11-003	Iraqi Security Forces: Police Training Program Developed Sizeable Force, but Capabilities Are Unknown	10/2010
11-004	Iraqi Security Forces: Special Operations Force Program Achieving Goals, but Iraqi Support Remains Critical to Success	10/2010
11-005	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #5	10/2010
11-006	Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds	10/2010

its goals (SIGIR 10-012). Subsequently, SIGIR reviewed IRI's largest DRL grant more in depth (SIGIR 10-022). In this follow up audit, SIGIR's objectives are to examine for NDI's \$50 million DRL grant, the reasonableness, allowability, and allocability of NDI's claimed security costs, and the extent to which the grantee documented its success in achieving governance, political participation, and civil-society goals and objectives.

Results

NDI's \$13.5 million in security costs charged to the grant were generally reasonable, allowable, and allocable in accordance with federal regulations except for overhead costs. To assure reasonableness of costs, the grantee engaged in open competition and selected the contractor based on a cost analysis. Security costs were allocated among its grants to best assure that costs were distributed in reasonable proportion to the benefits received from the grants as required under Federal regulations governing grant management. Additionally, SIGIR's analysis did not identify any instances where the grantee paid for any unallowable items.

SIGIR found, however, that the grantee appears to have charged more for security contract administration, which is an indirect cost, than allowed, which reduces the amount of funds available for direct program activities. To illustrate, according to a negotiated indirect cost agreement with the U.S. Agency for International Development (USAID), in fiscal year (FY) 2009, NDI should have charged only \$17,925 as indirect security costs for all federal grants receiving benefits from its security contractor, but instead charged \$95,311 against just the one DoS grant under review. Therefore NDI appears to have overcharged the grant \$77,386 in overhead costs. NDI officials stated that they were operating in good faith and sought to ensure the appropriateness of their approach by maintaining regular communications with USAID. However, the USAID official who set the rates, and the DoS Grants Officer who was responsible for monitoring the grant, stated they were unaware of how the

grantee was calculating indirect costs. This mirrors SIGIR's finding from its previous report on IRI. Furthermore, required annual audits and progress reports provided limited insight into such specific financial management practices. DoS officials stated that in response to SIGIR's work, Grants Officers will take a more active role in overseeing awards in the future and have recently received authority to hire additional staff. Until that occurs, DoS will not be providing the level of financial oversight that its internal policy manual and sound management practices require. Unless a more in-depth audit is conducted, DoS would be unable to determine whether any funds should be recouped.

SIGIR confirmed that the grantee maintained comprehensive information on what activities it led to further democratic goals and objectives, and the grantee conducted several impact assessments on the extent to which progress was made in meeting grant objectives. Nevertheless, the grantee does not have a systematic approach with clearly defined metrics to measure the impact of all of its work in meeting grant goals and objectives. DRL noted that it continues to take steps to improve monitoring and evaluation that SIGIR had previously noted. For example, it is requiring more comprehensive and empirically based impact assessments and is reviewing its staffing structure to assure it has adequate oversight. NDI officials stated that the organization has incorporated DRL's increased evaluation requirements in a recently awarded grant from DRL. Both in-depth assessments and improved DoS oversight will be needed to provide decision makers the capability to ensure that activities are designed and implemented to achieve program objectives.

Recommendations

To improve DoS grant management, SIGIR is repeating two of the recommendations previously made regarding DoS management of grants to IRI which are applicable in the case of NDI with only minor modifications. SIGIR is recommending that the U.S. Secretary of State direct offices as

she determines appropriate to take the following actions:

1. Require the Grants Officers to instruct NDI to incorporate in its next A-133 audit a comprehensive audit of indirect costs and a compliance audit for at least one major DRL grant. Given the similar problems found in IRI and NDI grants, SIGIR also recommends that Grants Officers consider requiring these more comprehensive A-133 audits for all DRL grants.
2. Require the Grants Officer Representatives to enforce the grant requirements that NDI provide measurable indicators of their success in meeting grant goals and objectives.

Management Comments and Audit Response

In written comments on a draft of this report, DRL, with AQM input, concurred with both recommendations. SIGIR believes the actions identified by management are responsive to this report's recommendations.

Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds (SIGIR 11-002, 10/2010)

Introduction

SIGIR performed this study to determine whether Department of Defense (DoD) organizations established controls to account for and track obligations, expenditures, and remaining unobligated vested and seized asset funds; and to determine whether DoD has plans to use unexpended vested and seized asset monies. Vested funds comprise Iraqi funds that had been frozen in U.S. bank accounts since Gulf War I and later transferred to U.S. government accounts. Seized funds comprise funds obtained from non-U.S. banks and from certain Iraqi state- or regime-owned property that was confiscated by Coalition forces and transferred to U.S. government accounts.

Results

The Department of the Army (Army) established controls to account for the \$2.651 billion in vested and seized funds. It created separate accounts to track and report on obligations, expenditures, and remaining unobligated funds balances for each fund. Initially there were \$1.724 billion from vested assets and about \$0.927 billion from seized assets. Since the funds' inception, the Army produced monthly reports showing balances in each of these accounts. The separate accounts were approved by the Department of Treasury in collaboration with the Office of Management and Budget. Since FY 2004, vested and seized account balances have remained relatively constant, with changes generally related to the de-obligation of unused funds and payments of outstanding unliquidated obligations. There is currently \$47.4 million remaining in Army accounts. However, when SIGIR compared the Army accounts with Treasury accounts, it found that Treasury accounts show an additional \$10.7 million in the remaining balance. Although SIGIR could not determine the reason for the difference, it appears that the Army's accounting for these funds is accurate. As of July 31, 2010, the Army had no plans in place to spend the remaining \$47.4 million.

On May 29, 2003, the Deputy Secretary of Defense had delegated authorities, articulated in an Executive Order and a Presidential Memorandum for administering and accounting for vested and seized assets, to the Coalition Provisional Authority (CPA) Administrator for one year. Implementing procedures provided guidance for identifying and prioritizing projects that were to be funded from these two accounts. The CPA's authority expired on May 29, 2004, and the CPA disbanded in June 2004. No new guidance was issued to re-delegate responsibilities for identifying new projects on which to spend remaining funds. It is not clear that the funds remaining in these accounts are needed, given the limited use of these funds over the last two or more years. There are a number of alternative uses for the remaining funds, including identifying projects to

help the Iraqi people or returning the funds to the Iraqi government.

Recommendations

SIGIR recommends that the Secretary of Defense direct the:

1. Under Secretary of Defense (Comptroller) to reconcile the differences in seized asset account balances between the Army and Treasury.
2. Under Secretary of Defense (Comptroller) to either issue new guidance to work with the Government of Iraq to use remaining funds to benefit the Iraqi people or seek new guidance from the Office of the President to clarify the disposition of these funds, to include the possibility of returning these funds to the Iraqi government.

Management Comments and Audit Response

The Department of Defense concurred with SIGIR's two recommendations.

Iraqi Security Forces: Police Training Program Developed Sizeable Force, but Capabilities Are Unknown

(SIGIR 11-003, 10/2010)

Introduction

The Department of Defense (DoD) is responsible for managing the program to assist the Government of Iraq (GOI) in developing police forces capable of maintaining internal security. The Iraq Training and Advisory Mission (ITAM), under U.S. Forces-Iraq (USF-I), is responsible for managing the program for DoD. Management responsibility for the program is to transfer to the Department of State's (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) on October 1, 2011. DynCorp International, under a contract with INL, provides police advisors who assist with the training. The Ministry of Interior (MOI) oversees the Iraqi police forces in 15 of Iraq's 18 provinces, with the Kurdistan Regional



Counterinsurgency training for police service forces.

Government responsible for the remaining three provinces. Because of the program's significance in terms of U.S. investment and Iraqi security, SIGIR examined program outcomes, DoD's management and oversight, status of the transfer, and issues facing GOI that impact the capability and effectiveness of the police forces.

Results

Since 2003, the United States has spent about \$7.3 billion on a program to help the GOI train, staff, and equip Iraqi police forces to maintain domestic order and deny terrorists a safe haven in Iraq. The program was unprecedented in its magnitude and conducted in a hostile environment with ongoing combat operations. In addition, the existing Iraqi police forces in 2003 were in very poor condition, and a new Iraqi government was in development. Despite these impediments, DoD reports that more than 400,000 Iraqi police have received training and are on the force. However, the capabilities of these forces are unknown because no assessments of total force capabilities were made.

There were weaknesses in program management in (1) program planning and assessments, (2) communications and coordination between organizations performing the training, and (3) oversight of contracted police advisors. The impact of these weaknesses on the program is difficult to quantify but undoubtedly led to inefficiencies and waste. For example, there was no comprehensive plan to guide the program to desired results or assessments to determine if the program was on track. Because

of the frequent rotations by military personnel, a comprehensive plan would have provided a foundation for program continuity as military units rotated in and out of Iraq. Also, police advisors, who were critical to the training program, were not always effectively monitored and utilized.

DoD is in the process of establishing Stability Transition Teams (STTs) to advise and assist the MOI and its forces over the next year. The STTs will be responsible for day-to-day management of the police advisors, and ITAM will be responsible for tracking them. This split in responsibilities was not well coordinated in the past and needs to be effectively managed in the future. Moreover, since DynCorp will be self-reporting on the utilization of police advisors, these reports need monitoring to check the validity of the information and to ensure police advisors are productively employed.

A significant challenge ahead will be effectively and efficiently transitioning the police training assistance program from DoD to DoS in 2011. To their credit, these agencies are working collaboratively on the transfer. However, DoS will be assuming responsibility for the program to advise and assist the police forces when the capabilities of those forces have not been assessed in any comprehensive way.

The long-term success of the Iraqi police training program is dependent on sustainment by the GOI and its ability to mitigate force structure, corruption, land-ownership disputes, and other issues adversely impacting the force. DoD and DoS need to continue to work with GOI officials to help them address these problems.

Recommendations

Because DoS is to assume responsibility for the Iraqi police training program, and a comprehensive assessment of the capabilities of the Iraqi forces should be a key input for that continuing effort, SIGIR recommends that the Commanding General, U.S. Forces-Iraq, in consultation with the Assistant Secretary, Bureau of International

Narcotics and Law Enforcement Affairs, take the following action:

1. Work with the Ministry of Interior to help assess the capabilities of the Iraqi police forces and provide that assessment to INL.

Because DoD will continue to manage the program for the next year under a new management structure for police advisors, and because of prior problems with the management and oversight of advisors, SIGIR recommends that the Commanding General, U.S. Forces-Iraq, direct the Iraq Training and Advisory Mission to take the following actions:

2. Provide guidance to the STTs on their roles and responsibilities regarding police advisors.
3. Develop and implement procedures to periodically check the validity of the information received from DynCorp by comparing daily activity reports to summary information from those reports.
4. Monitor the activity reports to ensure that police advisors are productively employed and, if advisors are underemployed, seek corrective actions.

Lessons Learned

DoD's experiences in the Iraqi police training program provide invaluable lessons learned that should be captured and applied in other contingencies, such as Afghanistan. Specifically, DoD needs to consider the adequacy of (1) its planning for and assessments of the training program, (2) guidance to organizations implementing the program, and (3) management and oversight of police advisors.

Management Comments

USF-I and the Department of the Army Office of the Provost Marshal General concurred with the report's recommendations. USF-I and INL provided technical comments that SIGIR has addressed as appropriate.

Iraqi Security Forces: Special Operations Force Program Achieving Goals, but Iraqi Support Remains Critical to Success

(SIGIR 11-004, 10/2010)

Introduction

SIGIR conducted this review to assess United States Forces-Iraq (USF-I) management of its program to develop the Iraqi Special Operations Force (ISOF). This is the Iraqi force primarily responsible for conducting counterinsurgency operations against insurgent and extremist networks and deny safe haven to terrorists. The program was carried out by the Joint Forces Special Operations Component Command–Iraq, assigned to USF-I and its predecessor organizations. In this report, SIGIR refers to these organizations collectively as U.S. Special Operations Forces (USSOF).

In March 2010, SIGIR issued an interim report (SIGIR 10-009) on contracts awarded to provide ISOF with a counterterrorism communications network and intelligence database. SIGIR made several recommendations in the report to improve contract management.

SIGIR's objectives in this report were to assess the extent to which the ISOF training program goals and outcomes were met, identify program costs, and assess the status of ISOF transition to the Government of Iraq (GOI) and the GOI's sustainment of the force.

Results

The ISOF's demonstrated ability to independently conduct operations and missions and to sustain its equipment and facilities are indicators of the program's success. In developing the ISOF, the USSOF used established U.S. military processes, such as U.S. Army Special Forces training doctrine and a Modified Table of Organization and Equipment (MTOE) for a U.S. Army Special Forces unit. The training doctrine and the MTOE provided a sound basis for developing the ISOF. This, coupled with the USSOF's continuing adjustments, reassessments, and re-planning, provided a solid basis for



The United States provided about 450 High Mobility Multi-purpose Wheeled Vehicles to the ISOF.

developing the force. USSOF personnel also accompanied ISOF personnel on missions, documented the results, and provided feedback. These assessments document the progressive improvement and maturity of the ISOF's tactical and technical skills. Working together with its Iraqi counterparts, the USSOF assisted in training and equipping more than 4,100 ISOF soldiers as of March 10, 2010. These soldiers are deployed throughout Iraq, providing essential counterterrorism capabilities.

USF-I did not separately account for the funds used in developing the ISOF, and the total cost of the program is unknown. At least \$237 million from the Iraqi Security Forces Fund was used to equip and sustain the ISOF. In addition, an unknown amount from the Iraq Relief and Reconstruction Fund was used for procuring new equipment in support of all Iraqi security forces. However, the purchases were not identified to the Iraqi force receiving the equipment.

The long-term success of the ISOF lies in the hands of the GOI. Two issues point out the challenges in post-conflict stabilization operations. First, the extra-constitutional movement of the ISOF from the Ministry of Defense to the Office of the Prime Minister raises concerns about how the force will be used in the future. Second, uncertain GOI support—as evidenced by the lack of a dedicated budget, poor logistical and recruiting support, and the irregular payment of specialty pay—create concerns about the GOI's commitment to sustain the force. USF-I has been consulting with

its GOI/Ministry of Defense counterparts about these concerns and states that it will continue to consult on these issues. SIGIR supports this continuing engagement.

Recommendations

This report contains no recommendations.

Lessons Learned

SIGIR identifies two lessons learned that can be applied to training programs in other contingencies. In particular, USSOF's ability to provide continuous oversight and continuity of trainers were critical elements in the success of the ISOF program.

Management Comments

Because this report contains no recommendations, the responsible agencies were not required to, and did not, submit comments.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #5

(SIGIR 11-005, 10/2010)

Introduction

Public Law 108-106 requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which totaled about \$53.8 billion in July 2010. SIGIR reports its results periodically, and a final cumulative report will eventually address all findings identified through this effort. In its first report, SIGIR summarized the results of a series of 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 has used the results from these audits to develop targeted forensic auditing approaches to identify instances of possible wrongdoing. The most recent report was issued in July 2010.

SIGIR's objectives for this report are to present the results to date of its forensic auditing efforts to include (1) identifying questionable activity and (2) updating the results of its review of agency expenditures. The report also presents information on SIGIR's data-mining methodology.

Results

SIGIR continues to identify more instances of questionable activity involving programs that afford easy access to cash with weak controls over expenditures. Four new criminal investigations have been opened since the July 2010 report, bringing the total number of investigations resulting from this effort to 53.

This quarter, SIGIR completed its initial review of nearly 180,000 transactions involving the expenditure of funds appropriated for the reconstruction of Iraq by the Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID) from FY 2003–FY 2009. These transactions are valued at approximately \$40 billion.

SIGIR analyzed this data in a number of ways, looking for anomalies that are then given additional review. SIGIR's anomaly testing focuses on vouchers that have been paid. Additional testing is required to determine whether the vouchers were allowable, allocable, and reasonable. This quarter, the anomalies identified include:

- **Duplicate Payments**—54 potential duplicative payments made by DoS, totaling approximately \$18 million
- **Separation of Duties**—recurring generic names in Commander's Emergency Response Program (CERP) payment data in DoD's Deployable Disbursing System (DDS)

SIGIR's initial review of the DoS data identified 77 transactions, totaling approximately \$53.5 million, that might be duplicate payments. To date, SIGIR has completed its review of 23 transactions, totaling approximately \$35.5 million, and determined

that they were not duplicate payments. Work in this area continues.

SIGIR's initial assessment of 27 of the CERP transactions valued at approximately \$4 million found that the use of generic names such as "cashier" did not indicate that internal controls had been compromised, nor did it indicate that duties were not adequately separated. Nonetheless, SIGIR is continuing to examine the use of generic names associated with the remaining transactions.

SIGIR is also continuing its review of possible fictitious contractors that were identified last quarter. To date, SIGIR has reviewed 58 of 124 potential fictitious contractors that appear to be foreign entities and is currently in the process of confirming the identity of those firms. Work in this area continues.

Since issuing its last report, SIGIR has also provided forensic support to several other efforts. These include providing information from its forensic database in support of two audits and three investigations. SIGIR also queried the forensic database in an effort to determine whether 266 firms that were suspended from contracting activities by Iraq's Ministry of Planning had received U.S. contracts. SIGIR is currently analyzing the results of those queries. Additionally, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction.

Recommendations

SIGIR makes no recommendations in this report; this is an informational report only.

Management Comments

Because this audit report does not contain recommendations, management comments were not required.

Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds (SIGIR 11-006, 10/2010)

Introduction

Public Law 108-106, as amended, requires SIGIR to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq. To address part of this requirement, SIGIR developed forensic audit methodologies to assess electronic disbursements of Iraq reconstruction funds (after contractor vouchers were approved for payment). The methodologies combine automated data-mining procedures with standard audit and investigative techniques to detect questionable transactions and develop evidence for use in administrative actions or civil or criminal fraud prosecutions. Much of SIGIR's methodology was developed from lessons learned from audits of Iraq reconstruction funds and criminal investigations.

SIGIR is issuing this report to provide inspectors general and agency management with information on methodologies to consider in conducting similar forensic audit activities.

SIGIR's Methodology

SIGIR used a two-phase approach to analyze electronic disbursements of reconstruction funds by the Department of Defense (DoD), Department of State (DoS), and U.S. Agency for International Development (USAID). In phase one, SIGIR collected data from agency financial systems and prepared it for testing. To do this, SIGIR:

- identified the transactions to be tested and the primary agencies responsible for the transactions
- collected data on relevant contractor and U.S. government employees associated with the transactions
- reconciled and validated the transactions to the extent possible

Altogether, SIGIR was able to collect and reconcile 180,000 transactions, totaling about \$39.76 billion. All of these transactions were from the four major reconstruction funds: the Iraq Relief and Reconstruction Fund (\$19.83 billion), the Iraq Security Forces Fund (\$14.1 billion), the Economic Support Fund (\$1.83 billion), and the Commander’s Emergency Response Program (\$4.0 billion).

SIGIR derived its data on relevant contractors and government employees associated with the transactions from agency financial systems, such as the Corps of Engineers Financial Management System and DoD’s Deployable Disbursing System.

In phase two, SIGIR tested the transactions to identify anomalies that might indicate internal control weaknesses or possible fraud. To do this, SIGIR auditors and investigators collaboratively designed 10 anomaly tests to analyze the transactions. SIGIR’s tests included looking for payments to contractors that had been debarred or suspended, contractors with fictitious addresses, contractors with questionable names, and transactions that violated separation of duty principles. All of the tests are discussed in the body of the report.

To further narrow the list of transactions SIGIR also developed a risk-scoring system based on the number and type of anomalies generated by the tests. When vendors and employees had anomalies in more than one test, then their risk scores would rise. This allowed SIGIR auditors and investigators to focus on the vendors, contractors, and U.S. government employees that potentially were the highest risks.

SIGIR developed a database to organize, store, and report the results of the anomaly tests. Thus, SIGIR is able to view the collective results of the anomaly tests by either vendor or by government employee and to focus on those with the highest risk scores. The data is organized into “cases,” which combine transactions identified by the anomaly test sets for each vendor or employee by fund and agency financial system.

Recommendations

This report is being issued as a nonaudit service as defined by generally accepted government auditing standards. Therefore, this report contains no recommendations.

Ongoing and Planned Audits

SIGIR primarily conducts 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, which will support SIGIR’s response to congressional direction for a “forensic audit” of U.S. spending associated with Iraq reconstruction.

Ongoing Audits

SIGIR is currently working on these audits:

- Project 1022: Audit of the Iraqi International Academy Project
- Project 1021: Audit of the Status of International Narcotics and Law Enforcement Funds Appropriated for Iraq Reconstruction
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Project 1019: Audit of the Status of Oversight of Private Security Contractors in Iraq
- Project 1018: Audit of the Cost, Outcome, and Management of the Falluja Wastewater Treatment Plant Project
- Project 1017: Audit of the U.S. Army Corps of Engineers’ Plans and Processes To Transfer Ongoing Reconstruction Projects to the Government of Iraq
- Project 1015: Audit of the Controls Over the Quick Response Fund
- Project 1014: Audit of the Status of Funds Appropriated for the Iraq Relief and Reconstruction Fund

- Project 1013: Audit of Cooperative Agreements Awarded to Cooperative Housing Foundation International
- Project 1012: Audit of the Status of Funds Appropriated for the Commander's Emergency Response Program for Iraq
- Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
- Project 1008: Audit of the Status of DoD's Theater-wide Internal Security Services (TWISS) Contracts
- Project 1004: Audit of the Sons of Iraq Program
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

Planned Audits

SIGIR's audit planning is aligned with three key goals contained in its strategic audit plan:

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 18 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing, and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund. Additionally, SIGIR completed its third audit addressing the management, costs, and outcomes of grants awarded to non-governmental organizations. A similar audit of a cooperative agreement is currently underway.

SIGIR has published its fifth report on its forensic audit efforts and continues to provide leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq. SIGIR will continue to address issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities to DoS. ♦

SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 110 open investigations. During this reporting period, SIGIR had 3 investigative personnel assigned to Baghdad; 4 at SIGIR headquarters in Arlington, Virginia; and 13 in offices in Pennsylvania, Florida, Texas, Ohio, New York, and California. Investigative accomplishments this quarter include 2 arrests, 7 indictments, 7 convictions, and 3 sentencing. To date, the work of SIGIR investigators has resulted in 31 arrests, 50 indictments, 41 convictions, and more than \$71.2 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of SIGIR investigations, 3 defendants are pending indictment based upon arrest complaints, 8 defendants are awaiting trial, and an additional 15 defendants are awaiting sentencing. For a comprehensive list of convictions compiled by the Department of Justice, see Table 5.2 at the end of this section.

On October 19, 2010, the Council of the Inspectors General on Integrity and Efficiency recognized SIGIR's success in fighting fraud in Iraq by presenting the SIGIR Investigations Directorate with its Award for Excellence for a second consecutive year.

SIGIR notes these investigative activities this quarter:

- A former DoD contract employee was charged and pled guilty to bribery and a money-laundering scheme related to contracts in support of Operation Iraqi Freedom and agreed to forfeit \$650,000 to the U.S. government.
- A U.S. Marine Corps major pled guilty to illegally depositing more than \$440,000 in U.S. bank accounts.
- A former senior employee with a U.S. military contractor was charged and pled guilty to a bribery scheme related to contracts in support of Operation Iraqi Freedom and agreed to forfeit \$360,000 to the U.S. government.
- A U.S. Army major was charged with bribery related to contracts in Iraq, Afghanistan, and Kuwait.
- A former employee of a U.S.-based construction company pled guilty to an Iraq reconstruction kickback conspiracy involving more than \$800,000.
- A U.S. Marine Corps major pled guilty to receiving illegal gratuities.
- A U.S. Army captain was sentenced to 15 months in prison for receiving kickbacks for awarding contracts in Iraq.
- A former U.S. Marine Corps staff sergeant was charged and pled guilty to accepting bribes in return for awarding contracts in Iraq.
- A U.S. Army major was sentenced to 21 months in prison for attempting to smuggle more than \$120,000 in currency from Iraq to the United States.
- A U.S. Army lieutenant colonel was charged and pled guilty to acts affecting a personal financial interest involving negotiating employment with a contractor in Iraq.
- A former U.S. Army staff sergeant was sentenced for laundering more than \$30,000.

Former Defense Department Contract Employee Is Charged and Pleads Guilty to Bribery and Money-laundering Scheme

On August 11, 2010, Wajdi Birjas, a former DoD contract employee, pled guilty to conspiracy to bribe U.S. Army contracting officials stationed at Camp Arifjan, a U.S. military base in Kuwait, and to money-laundering conspiracy. According to the court documents filed in U.S. District Court for the Southern District of Indiana, Birjas was a contract employee in the Host Nation Affairs office at Camp Arifjan between approximately 2004 and August 2007. In this position, his responsibilities included identifying Kuwaiti companies able to provide certain goods and services to the U.S. military in Kuwait. Through his work, Birjas had frequent contact with Army contracting officials, including officials who were regularly receiving unlawful payments from individuals who had contracts with, or were seeking contracts from, DoD.

According to court documents, Birjas, acting at the direction of a contractor working in Kuwait, developed corrupt relationships with certain Army contracting officials, including Christopher Murray, James Momon, and a sergeant first class deployed to Camp Arifjan as a senior procurement non-commissioned officer (NCO). By bribing these Army contracting officials in 2005 and 2006, the contractor ultimately received a total of more than \$1.7 million in connection with contracts to provide various goods and services to the U.S. military. In exchange for his assistance in the bribery scheme, Birjas received a share of the profits that the contracts generated and was allowed to live rent-free in a villa that contained a hidden safe.

Court documents indicate that Birjas paid Murray approximately \$10,000, paid the senior procurement NCO approximately \$14,000, and paid the airplane and hotel expenses of a co-conspirator and Momon to celebrate New Year's Eve in Dubai, United Arab Emirates. According to the court documents, Birjas also allowed Momon to hide

hundreds of thousands of dollars worth of his bribe money in Birjas's safe.

Birjas admitted that he agreed to arrange for \$250,000 of Momon's bribe money to be transferred from Kuwait to the United States after Momon had returned to the United States at the end of his tour. Birjas admitted to working out this agreement with the third Army officer and one of his associates, a former master sergeant in the Army who operated a concession to sell clothing at U.S. military bases in Kuwait. According to court documents, Birjas delivered approximately \$85,000 worth of Momon's bribe money to the former master sergeant for ultimate delivery to Momon.

The charge of bribery conspiracy carries a maximum prison sentence of five years and a \$250,000 fine. The money-laundering conspiracy charge carries a maximum prison sentence of 20 years and a \$250,000 fine. Under the plea agreement, Birjas agreed to forfeit \$650,000 to the government.

The case against Birjas arose out of the investigation, discussed above, into corruption at the Kuwait contracting office at Camp Arifjan, which has led to charges against 14 individuals.

This investigation is being conducted jointly by SIGIR, the Defense Criminal Investigative Service (DCIS), U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), and Federal Bureau of Investigation (FBI).

Marine Corps Major Pleads Guilty to Financial Crimes Involving More Than \$440,000

On August 4, 2010, Major Mark R. Fuller, a U.S. Marine Corps fighter pilot, pled guilty to two felony counts of structuring financial transactions. The guilty plea was the result of a 22-count indictment returned by a federal grand jury in Phoenix, Arizona, that charged Fuller with illegally depositing more than \$440,000 into U.S. bank accounts following a six-month deployment in Iraq in 2005 as a contracting officer.

The indictment alleged that Fuller was deployed to Iraq from February 15, 2005, to September 27, 2005, where he served as a project purchasing officer for the Commander's Emergency Response Program (CERP) and was assigned to the 5th Civil Affairs Group, Camp Fallujah. In this capacity, Fuller identified and selected reconstruction projects, awarded reconstruction projects to Iraqi contractors, negotiated contract terms, and verified the completion of projects. CERP funds were distributed to the Iraqi contractors in the form of brand-new \$100 U.S. currency notes. According to the indictment, soon after returning from his deployment in Iraq, Fuller began making cash deposits with brand-new \$100 U.S. currency notes. Between October 2005 and April 2006, Fuller made 91 cash deposits, totaling more than \$440,000, into bank accounts with Bank of America, Chase Bank, and the Navy Federal Credit Union. The indictment alleged that the major made multiple cash deposits under \$10,000 into various bank accounts for the purpose of evading the reporting requirements under federal law. At sentencing on November 1, 2010, Fuller faces a maximum penalty of five years in prison, a \$250,000 fine, or both, on each of the two felony counts.

This investigation is being conducted jointly by SIGIR, Internal Revenue Service-Criminal Investigation (IRS-CI), DCIS, and the Naval Criminal Investigative Service (NCIS).

Former Senior Employee with U.S. Military Contractor Pleads Guilty to Bribery Scheme

On September 2, 2010, Dorothy Ellis, a former senior employee of a U.S. military contractor, pled guilty to conspiracy to pay \$360,000 in bribes to U.S. Army contracting officials stationed at a U.S. military base in Kuwait. According to court documents filed in U.S. District Court for the Southern District of Texas, Ellis was employed by former U.S. military contractor Terry Hall. As Hall's most

senior employee, Ellis served as the liaison between Hall and U.S. Army contracting officials stationed at Camp Arifjan, a U.S. military base in Kuwait.

From spring 2004 through November 2007, Hall operated and had an interest in several companies, including Freedom Consulting and Catering Co. (FCC) and Total Government Allegiance (TGA). At various times during this period, these companies provided goods and services to the U.S. Department of Defense (DoD) and its components based on a blanket purchase agreement (BPA) to deliver bottled water and a contract to construct security fences in Kuwait and elsewhere. A BPA is a type of contract by which DoD agrees to pay a contractor a specified price for a particular good or service. Based on the BPA, DoD orders the supplies on an as-needed basis. The contractor is then obligated to deliver the supplies ordered at the price agreed upon in the BPA. The term for such an order by DoD is a "call."

According to court documents, Hall obtained the calls made under the bottled-water BPA and fence contract by bribing certain U.S. Army contracting officers, including former Majors James Momon and Christopher Murray. Hall, assisted by Ellis and Hall's business partner, paid Momon approximately \$330,000 and paid Murray approximately \$30,000. In exchange for these bribe payments, from January 2006 through May 2006, Momon arranged for DoD to pay Hall's companies more than \$6.4 million through the bottled-water BPA, and Murray assisted in the award of the security-fence contract.

Ellis admitted that she participated in the bribery scheme by providing Momon and Murray access to secret bank accounts established on their behalf in the Philippines, which enabled Hall and others to transfer bribe payments to them. Ellis also admitted that she obtained confidential Army contract pricing information from Momon that was designed to give Hall an unlawful advantage in the bidding process for an ice contract from DoD. In exchange for her assistance in the bribery scheme, Ellis received a \$100,000 "bonus" from Hall in August 2006.

The charge of bribery conspiracy carries a maximum prison sentence of five years and a \$250,000 fine. Under the plea agreement, Ellis agreed to forfeit \$360,000 to the government. Sentencing has been scheduled for December 1, 2010, before U.S. District Court Judge David Hittner.

The case against Ellis arose out of an investigation into corruption at the Kuwait contracting office at Camp Arifjan, which to date has led to charges against 15 individuals. Of those 15 defendants, 13 have pled guilty, with some already serving prison sentences. On February 18, 2010, Hall pled guilty to bribery conspiracy and money-laundering conspiracy and agreed to forfeit \$15.7 million to the U.S. government in connection with his payment of more than \$3 million in bribes to U.S. Army Major John Cockerham, Momon, Murray, and former U.S. Army Major Eddie Pressley. The case against Hall's co-defendants, Eddie Pressley and his wife Eurica Pressley, is scheduled for trial on January 24, 2011, in Decatur, Alabama.

This investigation was conducted jointly by SIGIR, CID-MPFU, DCIS, and FBI.

U.S. Army Major Charged with Bribery Related to Contracts in Iraq, Afghanistan, and Kuwait

On September 14, 2010, a criminal information was filed in U.S. District Court, Denver, Colorado, charging a U.S. Army major with one count of bribery. According to the criminal information, from 2002 to 2007 the major had served separate deployments to Afghanistan; Tikrit, Iraq; Kuwait; and Taji, Iraq. As a contracting officer, his duties included: reviewing bids submitted by contractors for Army contracts, recommending the award of Army contracts to specific contractors, and ultimately awarding those contracts to government contractors.

The criminal information further reflected that the major, a public official, directly and indirectly, knowingly and corruptly, accepted money and other things of value from two foreign nationals

who were affiliated with companies that sought and received Army contracts. In return, the major awarded contracts to affiliated companies of the two foreign nationals.

The criminal information also includes a criminal forfeiture count. If convicted of the bribery count, the major shall forfeit to the United States any and all property derived from proceeds traceable to the commission of the offense and a sum of money equal to the total amount of proceeds traceable to the commission of the offense. The property to be forfeited includes two Rolex watches, real estate, a camper trailer, a Harley Davidson motorcycle, and a Dodge Ram truck.

If convicted of the bribery charge, the major faces a maximum of 15 years imprisonment and a \$250,000 fine.

This investigation is being conducted jointly by SIGIR, DCIS, CID-MPFU, U.S. Immigration and Customs Enforcement (ICE), IRS-CI, and FBI.

Former Employee of U.S.-based Construction Firm Pleads Guilty in Iraq Reconstruction Kickback Conspiracy

On October 1, 2010, Ismael Salinas pled guilty in U.S. District Court, Houston, Texas, to getting hundreds of thousands of dollars in illegal kickbacks from subcontractors in Iraq. The guilty plea is the result of a criminal information filed on May 14, 2010, in the U.S. District Court for the District of New Mexico—charging Salinas, a former employee of a U.S.-based construction company, with conspiracy to defraud the United States by accepting kickbacks from subcontractors whom he helped to get contracts on government building projects in Iraq between April 2005 and March 2008. The criminal information alleged that, between 2004 and 2008, the Air Force Center for Engineering and the Environment awarded a series of construction contracts to be performed in Iraq. Salinas was accused of arranging for subcontracts—awarded by

the construction company and paid by the U.S. government—to be inflated by the kickback amounts that the former employee was to receive. Salinas overbilled the Department of Defense by \$847,904, taking at least \$424,000 in kickbacks from six companies. Salinas admitted to using his position with the construction company to give subcontracts to certain businesses and to rate their performance highly in return for money. Salinas said that he would also have the subcontractors submit inflated invoices, but accepted less money so he could take some of the difference—much of which he smuggled back into the United States.

Sentencing is scheduled for December 17, 2010. Salinas faces up to five years in prison and a \$250,000 fine on top of \$847,000 in restitution.

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

U.S. Marine Major Pleads Guilty to Receiving Illegal Gratuities

On October 18, 2010, Major Richard Harrington, U.S. Marine Corps, was charged and pled guilty in U.S. District Court, Raleigh, North Carolina, to demanding, seeking, and receiving gratuities. The guilty plea was the result of a criminal information filed on September 3, 2010, in which Harrington was accused of using his position in the U.S. Marine Corps to receive money, watches, and a Persian rug in exchange for providing military contracts to companies.

Harrington was stationed at Camp Fallujah, Iraq, between January and December 2005, serving as a contracting officer's representative. Tasked with inspecting and accepting work from contractors and monitoring their compliance, he wrongfully solicited and accepted gifts from a contractor while working on a \$2.2 million contract with Al Jazaer Group, according to court documents.

Before an official trip to Dubai, United Arab Emirates, in November 2005 to conduct market research involving the procurement of non-tactical

vehicles of the U.S. Marine Corps, Harrington told a corporate representative for Al Jazaer that he wanted two Rolex watches. The company delivered the watches, valued at more than \$5,000 apiece, to Harrington while he was in Dubai. During the trip, Harrington was also unofficially accompanied by a representative from AVA International Corporation who paid for most of his expenses, including transportation and hotel, and the gift of a Persian rug. In spite of this, Harrington submitted expense reports for more than \$10,000 following the trip, and was reimbursed in full by the U.S. government.

Harrington later received additional watches from Al Jazaer and other contractors. Shortly after Al Jazaer received its final payment on the contract, Harrington received the \$35,000 he had requested from the company.

When Harrington returned to Jacksonville, North Carolina, in December 2005, he took the watches with him and shipped the \$35,000 home in a trunk without declaring any of the items on customs forms. He used the money to buy a car, pay off a car loan, and purchase another Rolex watch.

According to court documents, Al Jazaer enlisted Harrington's help after his return home in a dispute over more than 30 shipping containers, valued at \$90,000, which were in the custody of the Marine Corps. Harrington contacted officials in Iraq and assisted the company in getting the containers back.

Sentencing is scheduled for January 24, 2011, at which time Harrington faces up to two years imprisonment, up to one year supervised release, and a fine of up to \$250,000.

This case was conducted jointly by SIGIR, DCIS, and NCIS.

U.S. Army Captain Sentenced to 15 Months in Prison for Accepting Money for Awarding CERP-funded Contracts in Iraq

On September 17, 2010, Captain Faustino L. Gonzales, U.S. Army, of Killeen, Texas, was sentenced in U.S. District Court, Waco, Texas, by Judge Walter Smith to serve 15 months in federal prison, and was ordered to pay a fine of \$10,000, restitution in the amount of \$25,500, and a special assessment of \$100. Upon release from prison, Gonzales was placed on one-year supervised release by Judge Smith.

The sentencing is based on a June 24, 2010, guilty plea by Gonzales to a one-count indictment of a gratuity received by a public official. Gonzales was a U.S. Army project purchasing officer in Iraq. Gonzales admitted that in September 2006 he conspired with Chasib Mahdi, doing business as General Contracting Company, to receive cash bribes for awarding contracts under the CERP for Iraq reconstruction. Gonzales further admitted that the contracts he awarded to Mahdi, designated for projects near Forward Operating Base, Rustimayyah, Iraq, were based on inflated prices. Gonzales also admitted that portions of the bribe money were deposited into bank accounts located in Killeen and San Antonio, Texas, and that he used some of the bribe money to purchase a vehicle in Killeen.

This case was conducted jointly by SIGIR, CID-MPFU, DCIS, and the United States Postal Inspection Service.

Former USMC Staff Sergeant Charged and Pleads Guilty to Accepting Bribes Involving Iraq Contracts

On October 5, 2010, Mariam Mendoza Steinbuch, a former U.S. Marine Corps staff sergeant, appeared in U.S. District Court, Washington, D.C., and pled guilty to accepting a \$25,000 bribe in exchange for

awarding numerous contracts to a Lebanon-based company. Steinbuch was deployed by the Marine Corps as a contracting specialist at Camp Fallujah, Iraq, in 2006.

The guilty plea is the result of a criminal information filed on August 19, 2010. According to court documents, Steinbuch returned to the United States in February 2007, where she flew from San Diego to Houston Hobby Airport and picked up \$25,000 cash from an official of a Houston-based affiliate of the company.

The documents further reflect that Steinbuch must turn over two all-terrain vehicles she bought with the bribe money.

This case is being conducted jointly by SIGIR, DCIS, CID-MPFU, and the FBI.

U.S. Army Major Sentenced for Shipping Currency to the United States from Iraq

On October 8, 2010, U.S. Army Major Charles E. Sublett was sentenced in federal court in Memphis, Tennessee, for making false statements to a federal agency. Sublett was charged in an indictment, returned by a federal grand jury on January 5, 2010, following his arrest in Huntsville, Alabama. According to the indictment, Sublett smuggled more than \$100,000 in currency, concealed in a shipping package, into the United States from Iraq in January 2005.

According to the indictment, Sublett was deployed to Balad Regional Contracting Center on LSA Anaconda in Iraq from August 2004 through February 2005.

Sublett served as a contracting officer, responsible for, among other things, evaluating and supervising contracts with companies that provide goods and services to the U.S. Army. Sublett admitted that, on January 11, 2005, he sent a package from Balad, Iraq, to Killeen, Texas, which was seized by U.S. Customs and Border Protection officers in Memphis. Sublett admitted that, on the

international air waybill, he falsely described the contents of the package as books, papers, a jewelry box, and clothes with a total declared customs value of \$140 when, in fact, Sublett knew the package contained \$107,900 in U.S. currency and 17,120,000 Iraqi dinar. Sublett also admitted that he failed to file a currency or monetary instruments transaction report (CMIR) as required by federal law when transporting currency in amounts of more than \$10,000 into or out of the United States. During the plea hearing, Sublett admitted to making false claims to investigators regarding his attempt to bring the currency into the United States in an effort to impede their investigation. As part of the plea agreement, Sublett also consented to the forfeiture of the \$107,900 in U.S. funds and the 17,120,000 Iraqi dinar that he concealed in the package. This investigation was conducted by SIGIR, CID-MPFU, DCIS, FBI, IRS-CI, and ICE.

U.S. Army Lieutenant Colonel Pleads Guilty to Charges of Acts Affecting a Personal Financial Interest

On October 6, 2010, U.S. Army Reserves Lieutenant Colonel Bruce Gillette pled guilty to a one-count criminal information filed in U.S. District Court, New York, NY, charging acts affecting a personal financial interest.

According to the court documents, on June 28, 2004, the CPA transferred power to a sovereign Interim Iraqi Government, which was responsible for holding an election for a 275-member Transitional National Assembly, with the help of the United Nations (UN). The election transpired on January 30, 2005. The Independent Electoral Commission of Iraq (IECI) was established in May 2004 and tasked with the responsibility of administering one of the largest electoral logistics operations, as more than one million tons of election materials—including ballots, polling kits, and voting screens—had to be delivered from

various locations around the world to more than 20 warehouses throughout Iraq. To assist the IECI with the elections, the UN established a logistics support operation to aid in coordinating the support, planning, and supervision of the delivery of electoral equipment.

To help Iraq prepare for both this election and future elections, including a planned constitutional referendum and political election, the United States obligated approximately \$130 million to provide non-security assistance to the IECI and other Iraqi entities. In addition, as part of the Multi-National Force–Iraq (MNF-I), the United States provided both security and logistical support to the Iraqi government in connection with the elections. This support included, among other things, transporting elections materials to polling places and counting stations throughout Iraq.

In December 2004, the UN Office of Project Services (UNOPS) invited bids for a freight-forwarding contract and awarded the contract in January 2005 to a freight forwarder in New York. The contractor received in excess of \$40 million for successfully completing the terms of the UNOPS contract.

According to court documents, Gillette was on active duty in Iraq from August 2004 to August 2005 assigned as the Chief of the Election Cell for the MNF-I, Civil Military Operations Directorate. In that position, Gillette served as the MNF-I's liaison to the IECI, DoS, and Iraqi government entities. He also participated in the UN's decision to award the UNOPS contract. Gillette helped develop and implement the plan to move election materials from different parts of the world to Iraq, including among other things, coordination with the contractor. In March 2005, Gillette was awarded the Bronze Star Medal for his service in Iraq “while serving as the chief to (the) Election Cell,” during which he “developed the strategy, and orchestrated the largest elections cargo move in history.”

Gillette engaged in discussions and negotiations concerning prospective employment with the contractor at the same time that negotiations between

UNOPS and the contractor were taking place through the time that the contract was awarded.

At sentencing, which is scheduled for January 11, 2011, Gillette faces a maximum penalty of one-year imprisonment, one-year supervised release, and a fine of \$100,000.

This investigation was conducted by SIGIR, CID-MFPFU, FBI, and DCIS.

Former U.S. Army Staff Sergeant Sentenced for Laundering More Than \$30,000

On July 23, 2010, Theresa Russell, a former staff sergeant in the U.S. Army, was sentenced in federal court in San Antonio, Texas, to five years probation, and ordered to pay \$31,000 in restitution and a \$100 special assessment. The sentence was the result of a January 27, 2010, guilty plea to a one-count criminal information charging her with money laundering arising from a scheme involving the fraudulent awarding and administration of U.S. government contracts in Iraq. According to court documents, from January 2004 through October 2004, Russell was deployed to Logistical Support Area (LSA) Anaconda, a U.S. military installation near Balad, Iraq. As part of the plea, Russell admitted that, from April 2004 to February 2005, she received more than \$30,000 in cash from John Rivard, a former major in the U.S. Army Reserves. Russell admitted that she knew the money she received from Rivard was the proceeds of bribery.

In July 2007, Rivard pled guilty to bribery, among other offenses, in connection with his service as an Army contracting officer at LSA Anaconda. According to court documents, from April 2004 to August 2005, Rivard conspired with a government contractor to steer federally funded contracts to the contractor's company in exchange for hundreds of thousands of dollars in illicit bribe payments.

According to court documents, Rivard instructed Russell to divide the payments she received from him into several smaller monetary bank

deposits, which she admitted she did, in an effort to avoid the detection of law enforcement authorities. Russell admitted that she subsequently used the criminal proceeds to purchase, among other things, a car, cosmetic surgery, and household furnishings and goods.

This investigation was conducted jointly by SIGIR, CID-MFPFU, DCIS, IRS, ICE, and FBI.

SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) continues to make a substantive impact. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former Department of Justice (DoJ) prosecutors. They were detailed as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction context. They are currently leading or significantly involved in approximately 30 prosecutorial matters and continue to play integral roles in the development and prosecution of 110 cases being worked by the SIGIR Investigations Directorate.

Suspension and Debarment

Since December 2005, SIGIR has worked closely with the Department of Justice, CID-MFPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts

and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

During the period between July 1 and September 30, 2010, the Army suspended one contractor based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 28 contractors for debarment and finalized 14 debarments of individuals and companies during that same period.

To date, the Army has suspended 91 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 132 individuals and companies have been proposed for debarment, resulting in 102 finalized debarments that range in duration from nine months to 10 years. PFB is aggressively pursuing additional companies and individuals

associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2010. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). Cases originating in Afghanistan—previously listed with cases originating in Iraq, Kuwait, and other locations in Southwest Asia—were removed from PFB's submissions to SIGIR in the third quarter of 2009 and are now included in the quarterly report produced by SIGAR.

For a list of debarments, see Table 5.3. For a complete list of suspensions and debarments, see Appendix E. ♦

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

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	Pending
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	Pending
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	Pending
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	Pending
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	Pending
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years of supervised release; and ordered to forfeit \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; ordered to pay a fine of \$10,000; ordered restitution in the amount of \$25,500; and ordered a special assessment of \$100
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	Pending
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; and ordered to pay a fine of \$1,725 and to forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	Pending
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	Pending
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	Five years probation and ordered to pay \$31,000 in restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	Pending
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; and \$5 million restitution

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison, 3 years supervised release; forfeiture of \$1 million; and restitution of \$26,276,472
Samir Itani	Conspiracy	7/21/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 in restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 in restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 in restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; and ordered to pay a \$600 assessment and forfeit \$108,000
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr. USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine

Continued on the next page

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	Pending
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 5.3
DEBARMENT LIST

NAME	DEBARRED
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, L.L.C.	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009

Continued next column

NAME	DEBARRED
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasanth Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008

Continued next column

NAME	DEBARRED
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007

Continued next column

NAME	DEBARRED
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

SIGIR EVALUATIONS

SIGIR's Evaluations Directorate is implementing a multifaceted approach to evaluating the impact of programs that the U.S. government funded to support the stabilization and reconstruction of Iraq. SIGIR plans to evaluate a cross-section of the major U.S. programs initiated for this purpose. In addition to developing findings, conclusions, and recommendations to agency management, the evaluations will identify and report on the outcomes and effects of stabilization and reconstruction programs.

During this quarter, SIGIR completed an evaluation of two major U.S. government-funded infrastructure projects in Iraq: the Nassiriya and Ifrac Water Treatment Plants (WTPs).

SIGIR Evaluation Completed This Quarter

Review of Major U.S. Government Infrastructure Projects in Iraq: Nassiriya and Ifrac Water Treatment Plants (EV-10-002)

Why SIGIR Did This Study

The objectives of this evaluation were to determine the current operating status of the Nassiriya and Ifrac WTPs, the perceptions of Iraqi public officials and the local population regarding these projects, and the contribution of these projects to overall U.S. government strategic goals. Costing a combined \$462 million, the Nassiriya and Ifrac WTPs are among the largest infrastructure projects funded by the U.S. government in Iraq.

What SIGIR Found

The U.S. government defined its long-term goal for Iraq as a “peaceful, united, stable, democratic, and secure” country.⁵⁶⁵ The government authored

three documents that identified the provision of essential services to the Iraqi population as critical to stabilizing the population, improving security, and promoting democracy: the Coalition Provisional Authority's (CPA) *Strategic Plan*, the National Security Council's *National Strategy for Victory in Iraq*, and the U.S. Army and Marine Corps's *Counterinsurgency Field Manual*.

By the early 1990s, Iraq's water sector was generally well developed and modern; however, by 2003, two wars, international sanctions, and mismanagement by the Saddam Hussein government resulted in its devastation. As a result, Iraq suffered from fast-growing problems of malnutrition, morbidity, mortality of infants and children under the age of five, and water-borne illnesses.

In 2004, the CPA's goal was to provide access to potable water to 90% of Iraqis. The CPA funded two projects, in the amounts of \$277 million and \$185 million, to construct the Nassiriya and Ifrac WTPs. The CPA established output metrics for each WTP—to produce 10,000 cubic meters (m³)/hour of potable water to service 550,000 Thi-Qar residents and 6,000 m³/hour to service 600,000 Erbil residents. However, the lack of a comprehensive household water metering system in Iraq limited the ability to accurately determine the number of people serviced by either WTP.

In May 2010, SIGIR visited both WTPs and found the Nassiriya WTP producing water at 61% capacity with higher than maximum design amount of turbidity, and the Ifrac WTP at near 100% capacity and within the maximum design amount of turbidity (see Table 5.4). The Government of Iraq (GOI) continues to seek financial and technical assistance from the U.S. government for the Nassiriya WTP, while the Kurdistan Regional Government (KRG) has taken actions independent of the U.S. government for the operation and sustainment of the Ifrac WTP.

Because of the absence of baseline data to document conditions prior to the funding of these two projects, SIGIR cannot conclusively determine whether either project had a measurably positive or negative impact. Based upon recent focus groups and flash polling data of local populations serviced by these projects, Thi-Qar residents hold an overwhelmingly negative view of the Nassiriya WTP project, the GOI, and the U.S. government; while a majority of Erbil residents hold a positive view of the Ifraz WTP project, the KRG, and the U.S. government.

For the Nassiriya WTP, 23% of the population is satisfied with water availability, 5% are satisfied with water quality, and 3% believe that the U.S. government provided significant or limited assistance in improving the area's water supply. For the Ifraz WTP, 88% of the population is satisfied with water availability, 85% are satisfied with water quality, and 43% believe the U.S. government provided significant or limited assistance in improving the area's water supply.

Dissatisfaction with the quality of the water from the Nassiriya WTP is so profound that only 14% use it as their main source of drinking water; the remaining 86% either purchase water or use water from rivers or streams. Focus groups and flash polling data indicate that the Nassiriya WTP has not contributed to security or stability in the province.

What SIGIR Recommends

SIGIR recommends that the Department of State and other U.S. government agencies involved in stabilization and reconstruction operations that include major infrastructure projects do the following:

1. Design useful measures of effectiveness tied to U.S. strategic goals and objectives for each program or project undertaken.
2. Identify baseline data prior to program or project implementation in order to measure effectiveness and assess outcomes and impact.
3. Develop plans to analyze current data against baseline data to determine adjustments to

TABLE 5.4
COMPARISON OF THE NASSIRIYA AND IFRAZ WATER TREATMENT PLANTS

OPERATING STATUS, AS OF 5/2010	NASSIRIYA	IFRAZ
Total Cost	\$277 million	\$185 million
Number of people intended to be served	550,000	600,000
Turnover date to GOI/KRG	9/2007	7/2006
Actual output as percentage of construction capacity	61%	98%
Turbidity levels of produced water	Higher than maximum design	Lower than maximum design
Permanent, reliable electrical power source	No	Yes
Adequate amount of consumables provided by GOI/KRG	No	Yes
PERCEPTIONS OF THE LOCAL POPULATION		
Percentage who are satisfied with water availability	23%	88%
Percentage who are satisfied with water quality	5%	85%
Families who reported sickness from drinking tap water in the past 12 months	16%	2%
Percentage of population who believe the U.S. government provided at least limited assistance in improving the area's water supply	3%	43%
Percentage of population utilizing WTP water as primary water source	14%	88%
Predominant focus group sentiment of local population toward the U.S. government as a result of project	"Our [negative] view will not change toward the United States."	Ifraz WTP is "proof of their [U.S. government's] attention to people's lives, and we would like to thank them for what they did for us."

program or project plans and budgets prior to completion and transfer to local authorities.

4. Provide for necessary training and sustainment by local authorities in order to realize medium- and long-term strategic objectives.

Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: www.sigir.mil.

Ongoing Evaluation

This quarter, SIGIR issued its third evaluation announcement: “Review of the Commander’s Emergency Response Program (CERP) in Iraq.” Covering CERP project expenditures from 2004 through 2009 totaling approximately \$3.4 billion, the objectives of this study are to provide a statistical analysis of the geographic distribution of CERP spending in Iraq and to assess the effectiveness of the funds disbursed through the CERP to assist local commanders in improving security and stability in their areas of responsibility. SIGIR expects to report on this evaluation early next year. ♦

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

Third Quarter Reporting

As of September 30, 2010, the SIGIR Hotline had initiated 822 cases. Of these cases, 756 have been closed, and 66 cases remain open. For a summary of these cases, see Table 5.5.

TABLE 5.5
SUMMARY OF SIGIR HOTLINE CASES,
AS OF 9/30/2010

OPEN CASES				
Investigations	54			
Audits	12			
Total Open	66			

CLOSED CASES	1ST QTR 2010	2ND QTR 2010	3RD QTR 2010	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	0	46
Dismissed	0	2	2	133
Referred	9	7	15	356
Inspections	0	1	0	80
Investigations	1	0	0	118
Audits	0	1	0	17
Total Closed	10	11	17	756
Cumulative* Open & Closed				822

*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 9/30/2010.

New Cases

During this reporting period, the SIGIR Hotline received 19 new complaints, bringing the cumulative total to 822 Hotline cases. The new complaints were classified in these categories:

- 11 involved contract fraud.
- 5 involved miscellaneous issues.
- 2 involved personnel issues.
- 1 involved waste.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and electronic mail. Of SIGIR’s 19 new Hotline complaints, 13 were received through electronic mail and 6 by the SIGIR website.

Closed Cases

During this quarter, SIGIR closed 17 Hotline cases:

- 15 were referred to other inspector general agencies.
- 2 were dismissed.

Referred Complaints

After a thorough review, SIGIR referred 15 complaints to outside agencies for proper resolution:

- 10 were sent to the Department of Defense Office of Inspector General.
- 2 were sent to the Special Inspector General for Afghanistan Reconstruction.
- 1 was sent to the U.S. State Department Office of Inspector General.
- 1 was sent to the U.S. Agency for International Development Office of Inspector General
- 1 was sent to the U.S. Army Office of Inspector General. ♦

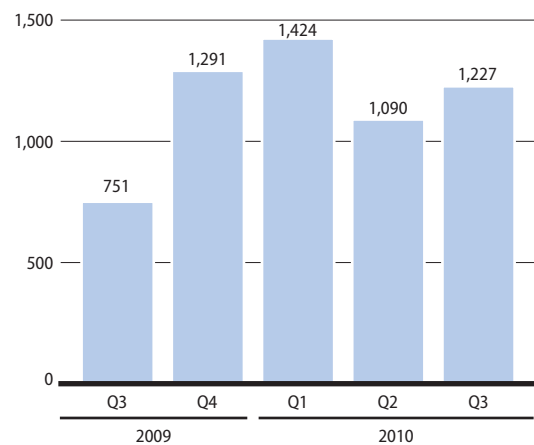
SIGIR WEBSITE

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

- More than 112,000 users visited the SIGIR website this quarter—more than 1,200 users per day.
- This quarter, the Arabic language section of the site received more than 2,000 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- More than 26,000 web feeds were visited during this quarter. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed reader programs.

For an overview of daily visits to the SIGIR website, see Figure 5.1. ♦

FIGURE 5.1
AVERAGE NUMBER OF VISITORS PER DAY
TO SIGIR WEBSITE, AS OF 9/30/2010



Source: DoD, IMCEN, response to SIGIR data call, 9/30/2010.

LEGISLATIVE UPDATE

Appropriations

This quarter, the Congress continued to take action at the committee level on the President's request for \$2.93 billion in FY 2011 regular appropriations for Iraq reconstruction, but did not take final action on that request.

On September 30, 2010, just before FY 2011 began, the President signed P.L. 111-242, the Continuing Appropriations Act, 2011. That act generally extends spending authority at FY 2010 levels through December 3, 2010, or until the enactment into law of FY 2011 appropriations, whichever comes first.

This quarter, the Congress made \$2.68 billion in new funding available for Iraq reconstruction: \$1.65 billion in new reconstruction assistance and an additional \$1.03 billion in new funding for reconstruction-related operating expenses. The funding was provided in the Supplemental Appropriations Act, 2010, which was signed into law (P.L. 111-212) on July 29.

For information on the President's request and the Congress's action on appropriations legislation, see Section 2 of this Report.

National Defense Authorization Act for Fiscal Year 2011

On June 4, 2010, the Senate Committee on Armed Services reported its version of the National Defense Authorization Act for Fiscal Year 2011. On September 16, the full Senate began debate on a motion to proceed to the consideration of the bill. On September 21, the Senate took a vote on a motion to invoke cloture on the motion to proceed, but the motion to invoke cloture was not agreed to. A motion to reconsider the cloture vote was "entered" and may be considered when the Senate returns for regular business in November. (The full House passed its version of the bill in May 2010.) SIGIR will report on the bill at a later stage in the bill's consideration.

Congressional Appearances

Since SIGIR's last Quarterly Report, the Inspector General appeared before a congressional committee on one occasion:

- September 23, 2010—House Committee on Oversight and Government Reform—Hearing on "Transition in Iraq: Is the State Department Prepared to Take the Lead?"** The Inspector General testified on the problems that the Department of State (DoS) will face as it assumes responsibility for overseeing an ongoing assistance program that, while smaller than the Iraq program of recent years, will still be among the largest for which DoS has ever assumed responsibility. The problems DoS will face will be exacerbated by an insecure environment and a lack of information about reconstruction activities previously administered by other government agencies. SIGIR recommended that (1) DoS should sharpen its focus on improving its program controls and business practices, including on-the-ground program oversight and contract and grant management; (2) DoS should conduct an inventory of what has been accomplished in Iraq's reconstruction thus far and act, as best as it can, to assure that U.S. investments are not wasted by neglect in the asset-transfer phase or by subsequent neglect to sustain by the Iraqi government; and (3) the Congress should continue to focus attention on these questions and closely monitor the plans and actions of DoS and other civilian agencies. If resources for improved business practices are required, they are likely to prove to be a bargain compared with the waste that may occur if DoS's program management and acquisition efforts continue to be under-resourced.

The complete prepared statements of SIGIR officials who have testified before the Congress can be found at www.sigir.mil/publications/testimony. ♦