

# SIGIR OVERSIGHT

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## SECTION

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# 5

## SIGIR AUDITS

Since March 2004, SIGIR has issued 194 audit reports. From May 1 to July 30, 2011, SIGIR issued six audits addressing a wide range of reconstruction issues. They included:

- a report addressing DoD's management of contracts to provide static or site security
- a report on DoD management of a system to coordinate, oversee, and report on private security contractors involved in serious incidents
- a report examining the use and outcomes of CERP 2011 funds
- a report addressing Department of Defense (DoD) management of Iraqi funds for CERP type projects (I-CERP)
- a report on the management and oversight of a contract with Anham, LLC, and whether costs charged were reasonable and fair
- a report on Department of State (DoS) responsiveness to SIGIR recommendations

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

SIGIR currently has 12 announced or ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

## SIGIR Audits Completed This Quarter

### *Control Weaknesses Remain in Oversight of Theater-wide Internal Security Services Contracts*

(SIGIR 11-018, 7/2011)

### Introduction

Private security contractors (PSCs) play an important role in Iraq by protecting U.S. personnel, facilities, and property related to reconstruction efforts. The Department of Defense (DoD) relies on PSCs to provide static, or site, security throughout Iraq by guarding and protecting fixed locations such as forward operating bases. In September 2007, DoD awarded five Theater-wide Internal Security Services (TWISS) contracts to PSCs for static security at various bases in Iraq.<sup>555</sup> In April 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) reported on the cost, requirements, and oversight of these contracts, noting that contracting officer's representatives (CORs) sometimes had insufficient experience, training, and time to perform their oversight roles. In August 2009, DoD awarded another five TWISS contracts. The five current contracts have a combined not-to-exceed value of

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 5/1/2011

REPORT NUMBER	REPORT TITLE	DATE ISSUED
11-018	Control Weaknesses Remain in Oversight of Theater-wide Internal Security Services Contracts	7/2011
11-019	Monitoring Responsibilities for Serious Incidents Involving Private Security Contractors Once U.S. Military Forces Leave Iraq Have Not Been Determined	7/2011
11-020	Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development	7/2011
11-021	Management of the Iraq Commander's Emergency Response Program Needs To Be Improved (Interim Report)	7/2011
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected	7/2011
11-023	Department of State Reports It Has Taken Action on Most Open Audit Recommendations, but Documentation Is Needed	7/2011

\$485 million, about \$258 million of which has been disbursed as of June 9, 2011.

This report focuses on the five current TWISS contracts and addresses the manner in which DoD exercised control over the contractors' performance and DoD's process for adjusting the contracts as U.S. forces withdraw.

## Results

Although COR duties are critical to the U.S. government's oversight of the TWISS contracts, SIGIR found issues that could adversely impact their ability to perform these duties, leaving the U.S. government at risk of contractor fraud, waste, and abuse. Specifically, almost 40% of the CORs we surveyed said the training they received did not prepare them for their duties, and 25% said they lack sufficient time to conduct effective oversight. SIGIR found similar issues the last time it looked at the TWISS contracts in 2009. After that report, the Defense Contract Management Agency (DCMA) increased training requirements but recognized in an April 2011 internal review that not all training was being conducted and documented. Regarding the lack of time, DCMA said only the CORs' commanders can rebalance workload, and that during the process to nominate CORs, nominating officials are affirming CORs have the time and resources to perform their duties. While that may be true, SIGIR believes DCMA should better inform the CORs' nominating officials of the time required to perform their duties. USF-I, for its part, needs to assess the COR workloads and identify actions to rebalance those workloads.

SIGIR also found that CORs are not completing, or DCMA is not maintaining, all monthly checklist reviews which DCMA developed to help CORs review contractor compliance with task order requirements. Even when completed, SIGIR found most reviews appeared to be of questionable value or provided little assurance that COR oversight was adequate, a fact DCMA officials acknowledge. These reviews are important to DCMA's ability to

perform its contract administration and oversight responsibilities.

Despite DCMA's concerns about the performance of some CORs, it did not provide the CORs or their rating officials with regular feedback on performance. At the same time, the CORs' rating officials did not request COR performance information from DCMA. SIGIR believes regular, written feedback would (1) alert the CORs to areas where they need improvement, (2) alert rating officials to the CORs' weaknesses and the possible need for additional training or relief from other duties, and (3) provide rating officials with the information they need to comply with the Deputy Secretary of Defense's policy memorandum requiring that raters evaluate COR performance in performance assessments.

SIGIR also notes that many locations lacked trained backup CORs for when the primary COR was not available. CORs may not always be available to perform their oversight duties because of vacations, sickness, emergencies, and duty rotations. Sufficient numbers of trained backups would ensure continuity in contractor oversight during these times.

Finally, the process to terminate TWISS task orders as U.S. troops withdraw and the U.S. military closes or transfers bases to the Iraqis appears to be working well.

## Recommendations

SIGIR recommends the Director, DCMA, direct actions to:

1. Provide regular feedback on CORs' performance.
2. Train and appoint alternate CORs.
3. Verify that all COR and Quality Assurance Representatives reviews are conducted.
4. Provide COR nominating officials information about CORs' time and duty requirements.

SIGIR recommends the Commander, U.S. Forces-Iraq, direct actions to:

1. Assess and rebalance the workload of TWISS CORs.
2. Enforce existing policy that rating officials evaluate COR performance during assessments.

## Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### *Monitoring Responsibilities for Serious Incidents Involving Private Security Contractors Once U.S. Military Forces Leave Iraq Have Not Been Determined (SIGIR 11-019, 7/2011)*

## Introduction

In September 2007, Blackwater, a private security contractor (PSC) under contract with the Department of State (DoS), was involved in an incident that resulted in the death of 17 Iraqi civilians. As a result of the incident and its repercussions, the Department of Defense (DoD) and DoS took actions to improve their coordination and oversight of PSCs involved in serious incidents.<sup>556</sup> In April 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) reported on the DoD system for reporting, investigating, and remediating serious incidents involving PSCs in Iraq.<sup>557</sup> Because of the planned withdrawal of U.S. military forces from Iraq in December 2011, SIGIR reviewed the U.S. government's current and planned oversight of PSCs in that country. In April 2011, SIGIR reported on the relationship between the U.S. Army Corps of Engineers' Gulf Region District's reconstruction activities and its security contract requirements with Aegis Defense Services, Limited.<sup>558</sup> SIGIR's objectives for this report are to determine (1) changes in the serious incident reporting and investigating system since SIGIR's 2009 report, (2) plans for the system after U.S. military forces leave Iraq, and (3) coordination of serious incidents

with the Government of Iraq (GOI). SIGIR also followed up on the status of recommendations in its April 2009 report. SIGIR will be issuing separate reports on the current status of those recommendations. SIGIR encountered significant constraints imposed by the DoS Bureau of Diplomatic Security and unresponsiveness by the Bureau to SIGIR's requests for information that adversely impacted and limited its scope, methodology, and ability to fully accomplish its audit objectives.

## Results

SIGIR found that the system for reporting and investigating serious incidents involving U.S. government PSCs has changed little since SIGIR's 2009 report. Moreover, DoD's system is projected to remain unchanged through the end of December 2011 when U.S. military forces plan to leave Iraq. SIGIR was told by U.S. military officials that the predominant types of serious incidents have changed over the last few years from attacks and shots fired to traffic accidents and harassments at checkpoints. SIGIR's review of serious incidents reported from September 2010 through May 2011 confirmed that the majority of reported incidents are traffic accidents and incidents at checkpoints.

The system's future is less certain, as responsibilities for monitoring the activities of DoD PSCs have not been fully determined and may be disestablished—even though U.S.-funded PSCs will continue to support DoD and DoS organizations and the U.S. Agency for International Development. SIGIR could not determine plans for its PSCs, which currently report their missions and serious incidents through DoD's system. DoS would not provide that information.

U.S. agencies are coordinating serious incidents that involve their PSCs with the GOI. Guidance requires that DoD PSCs report their serious incidents to U.S. military authorities and to the local police for incidents involving Iraqi nationals. SIGIR was told by U.S. military officials responsible for overseeing PSC reporting that they rely on the PSCs to report their incidents to the local police.

SIGIR was also told that U.S. military and Embassy personnel periodically meet with GOI officials to discuss PSC operations and serious incidents. This was confirmed by an official with the GOI's Ministry of Interior who expressed satisfaction with U.S. government efforts to inform the ministry.

### Recommendations

Because of the Chief of Mission's responsibilities for the activities of U.S. government's executive agencies in Iraq once U.S. military forces leave the country, we recommend that the Chief of Mission be responsible for monitoring all U.S. government PSCs operating in country and the incidents in which they are involved.

### Management Comments and Audit Response

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### *Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development* (SIGIR 11-020, 7/2011)

#### Introduction

The 2008 Security Agreement between the United States and the Government of Iraq (GOI) requires that all U.S. combat forces withdraw from Iraq by December 31, 2011, although no final decision on the withdrawal has been made. U.S. Forces-Iraq (USF-I) repositioned U.S. combat brigades from Iraqi cities, villages, and localities in June 2009 in compliance with the Security Agreement and began transitioning to an advise, train, and assist role. As the mission changed, U.S. forces began their withdrawal. The Special Inspector General for Iraq Reconstruction (SIGIR) initiated this review to determine how the Commander's Emergency Response Program (CERP) is being used in support of this changing mission and to determine

if there are lessons learned that can be applied to other environments.

### Results

The USF-I Commanding General issued FY 2011 CERP guidance explicitly directing that CERP projects assist the GOI's civil capacity development. The guidance encourages commanders to fund quickly implementable, small-scale projects that can be completed prior to the troop withdrawal deadline. SIGIR interviewed more than 30 U.S. government officials responsible for CERP management who stated that they are implementing the program in accordance with the Commanding General's guidance.

SIGIR found that many of the civil capacity-development projects undertaken do not appear related to DoD's counterinsurgency mission. For example, some Provincial Reconstruction Teams (PRTs) are deeply involved in identifying, planning, and implementing CERP projects. DoS representatives at the PRTs stated that USF-I relies on them, in part, because of frequent military deployment rotations, reduced troop presence, limited subject-matter expertise, and little experience in the management of capacity development projects. While SIGIR supports the involvement of DoS in coordinating projects, this heavy DoS involvement raises questions about whether the projects undertaken support DoD's counterinsurgency mission or whether CERP has evolved into another U.S. development program, similar to those run by the U.S. Agency for International Development (USAID) and DoS.

The authoritative guidance for the CERP in Iraq is DoD's *Money as a Weapon System* (MAAWS). Congress and the Army Audit Agency have raised similar questions about funding projects that appear to go beyond MAAWS' intent and do not focus on counterinsurgency objectives. Adding to the problem is that MAAWS guidance contains little direction on how projects should be selected to support military counterinsurgency objectives.

The MAAWS states that performance metrics are essential to ensure funds are applied to projects that will yield the greatest benefit to the Iraqi people. However, SIGIR found that the data underlying these metrics is not well supported, resulting in output measures of limited usefulness. USF-I often relies on imprecise testimonial evidence from subject matter experts and local Iraqi contacts as the basis for the data. A USF-I official stated that as a result of the imprecise data, the effect and impact of CERP projects are largely unknown. The CERP Management Cell in the Office of the Secretary of Defense recognizes this problem and is working to develop better metrics. Additionally, CERP project sustainability is uncertain as monitoring projects will largely cease following the withdrawal of U.S. forces, removing the ability to determine whether the GOI is sustaining the projects.

## Recommendations

SIGIR recommends that the Office of the Secretary of Defense:

1. Clarify the military's role in civil capacity-development efforts where counterinsurgency is not a primary focus.
2. Re-evaluate performance metrics and measures of effectiveness for CERP projects with particular attention on eliminating broad metrics.

## Matter for Congressional Consideration

If Congress intends for DoD to undertake civil capacity development efforts where counterinsurgency is not a primary focus, it should consider providing clarifying instructions or codifying that mission in U.S. statutes.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## *Management of the Iraq Commander's Emergency Response Program Needs To Be Improved (Interim Report)*

(SIGIR 11-021, 7/2011)

### Introduction

This letter addresses the Special Inspector General for Iraq Reconstruction's (SIGIR) concerns over U.S. Forces-Iraq's (USF-I) management of the Iraq Commander's Emergency Response Program (I-CERP). The Government of Iraq (GOI) provided \$270 million to the Department of Defense (DoD) in April 2008 so it could execute urgently needed reconstruction projects for the benefit of the Iraqi people. SIGIR examined DoD's process for managing the I-CERP because of previous DoD problems in accounting for GOI funds provided for reconstruction. SIGIR's objectives for this report are to examine USF-I's (1) management of I-CERP funds, (2) reporting on the use of funds to the GOI, and (3) maintenance of I-CERP project files.

### Results

SIGIR is providing this interim report because \$24.4 million in I-CERP funds remain that could be used for reconstruction projects instead of U.S. funds, and the window to save U.S. funds is closing. SIGIR found that U.S. funds were used instead of I-CERP funds in some cases. USF-I obligated \$245.6 million in I-CERP funds on 2,474 projects, as of April 30, 2011. DoD guidance provides nine categories of projects that should be funded by the I-CERP, rather than the CERP, if sufficient funding is available for the project in the applicable province. However, SIGIR found that USF-I spent U.S.-appropriated CERP funds on a number of projects in 2009, 2010, and 2011 instead of I-CERP funds. For example, 20 CERP school repair projects completed in 2010 in Diyala province, totaling about \$1.4 million, met the I-CERP criteria but were not paid for with I-CERP funds.

The report also discusses problems with USF-I's quarterly reports to the GOI and weak controls over key I-CERP project documents.

SIGIR reviewed the five quarterly reports<sup>559</sup> USF-I provided to the GOI from December 31, 2009, through March 31, 2011, and found errors in each report. These errors primarily occurred in three areas—the balance of I-CERP funds, the number of storyboards provided to the GOI, and the accuracy of the storyboards provided to the GOI. Finally, SIGIR found that key documents are missing from some I-CERP project files. SIGIR reviewed the I-CERP program in 2009 and reported that despite efforts to improve accountability and documentation within the program, project files lacked critical internal control documentation due to insufficient program oversight as well as unclear and incomplete guidance on document requirements.<sup>560</sup> In response to these recommendations, USF-I's predecessor, the Multi-National Force-Iraq, took corrective action. However, SIGIR's limited review of five I-CERP project files indicated that USF-I may still not be following its guidance with regard to key documents pertaining to project outcomes and use of funds.

SIGIR is continuing its examination of I-CERP and plans to issue a comprehensive report on I-CERP later this year.

## Recommendations

SIGIR recommends that the Commanding General, USF-I:

1. Identify planned CERP projects that could be funded with I-CERP and, where appropriate and feasible, use I-CERP funds to pay for these projects so U.S. funds can be put to better use elsewhere.

SIGIR further recommends that the Commander, CENTCOM, and the Commanding General, USF-I:

2. Adhere to the terms of the MOU and provide the GOI complete and accurate storyboards for all 225 projects costing \$50,000 or more, completed from October 2009 through April 2011.
3. Identify and locate files for I-CERP projects completed between October 2009 and April 2011 and notify SIGIR when these files are available for review.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## *Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected* (SIGIR 11-022, 7/2011)

### Introduction

Over the past eight years, billions of dollars in contracts have been awarded to support relief and reconstruction activities in Iraq. The Congress has raised questions about many of these contracts and particularly questioned subcontracting actions. This report examines subcontracts associated with a contract awarded in September 2007 to Anham, LLC (Anham), to provide for the receipt, storage, and onward movement of supplies and equipment needed to reconstitute the Iraqi Security Forces and reconstruct the country's infrastructure. The contract had obligations of approximately \$119.2 million, of which Anham subcontractors provided at least \$55 million in supplies and services.

SIGIR's objectives for this report were to determine (1) the adequacy of government oversight of Anham and its subcontracting procedures and (2) whether Anham's costs under the contract are fair and reasonable.

### Results

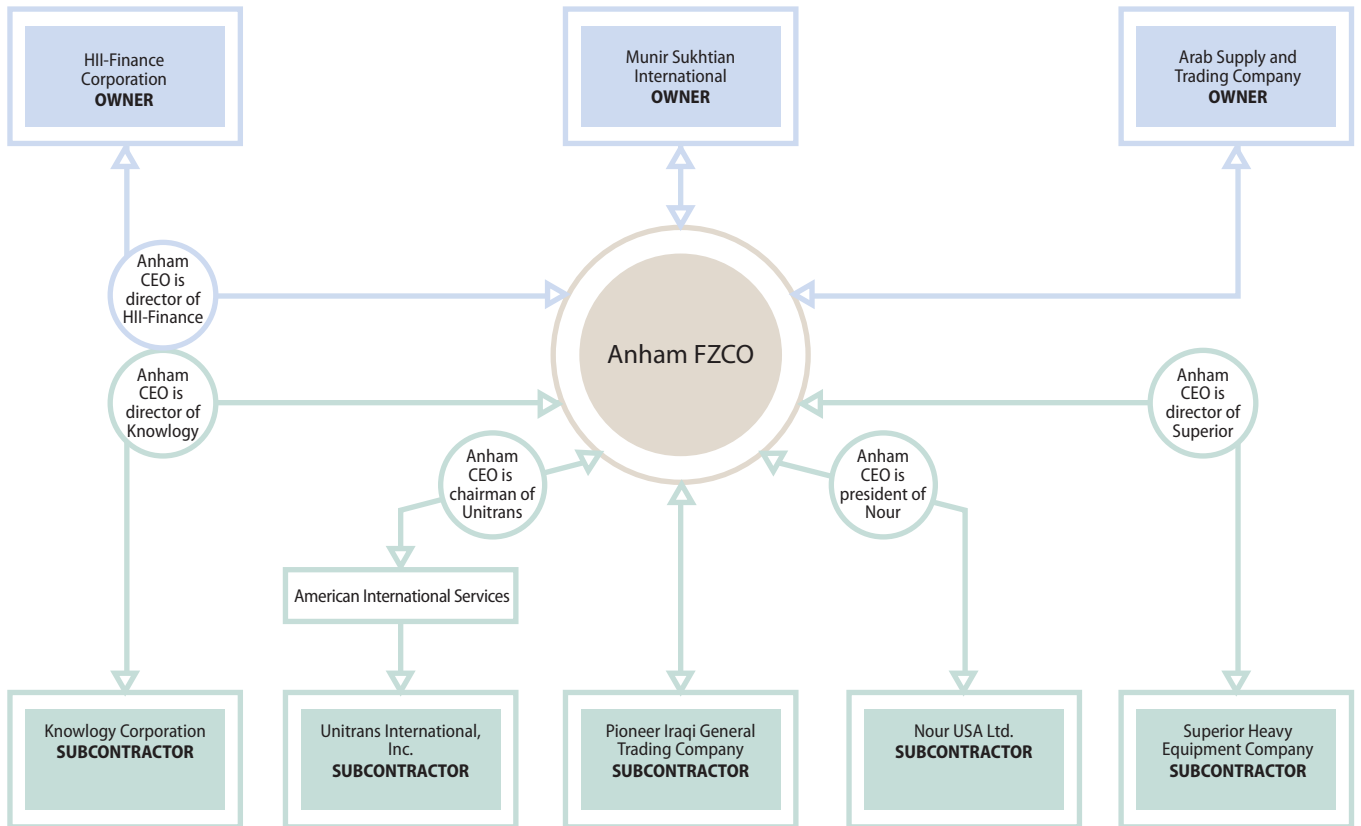
SIGIR found significant weaknesses in the government's oversight of Anham's business systems and other contract administration functions that left the government at significant risk of paying unreasonable costs. In four key Anham business systems that were reviewed, SIGIR found the following:

- The Defense Contract Audit Agency (DCAA) reviewed and approved Anham's accounting system.
- DCAA did not review Anham's estimating system.



FIGURE 5.1

## COMPANIES INVESTED IN ANHAM AND CERTAIN SUBCONTRACTORS WITH COMMON OWNERS AND MANAGERS



**Note:** Anham told SIGIR that a company called GMS Holdings, Inc. is a 50% owner of Anham.

**Sources:** Anham and its corporate filing data from the Virginia State Corporation Commission.

- DCAA reviewed Anham's billing system but found significant weaknesses.
- The Defense Contract Management Agency (DCMA) reviewed and recommended approval of Anham's purchasing system despite identifying significant gaps in documentation on the degree of price competition obtained. DCMA also did not ask important questions about close and/or affiliated relationships that Anham may have with some of its subcontractors.
- Contract oversight by the contracting officer's representatives (CORs) was weak in that the CORs did not compare vouchers to receiving documents, signed for delivery of goods without

verifying that the goods were delivered, and allowed Anham employees to sign for receipt of \$10 million in goods.

Some of these issues could have been identified during an incurred cost review. In these types of reviews, DCAA determines if the contractor's costs are allowable, allocable, and reasonable. However, DCAA has not yet completed an incurred cost review on Anham and is several years behind in meeting its incurred cost review requirement for Iraq contracts. SIGIR conducted a limited incurred cost review of Anham and questioned almost 39% of the sampled costs (\$4.4 million) either because SIGIR questions whether the costs were fair and



reasonable or because they were not properly documented. Reasons that SIGIR questions the costs include questionable competition practices, inappropriate bundling of subcontractor items, and close working relationships or possible ownership affiliations between Anham and certain subcontractors. For example, SIGIR believes Anham may have less than an *arms-length* relationship with six subcontractors who were awarded approximately \$55 million in purchases and services under the reviewed contract (see Figure 5.1). As a result of the multiple problems identified in this report, SIGIR is questioning all the costs on this contract.

### Recommendations

SIGIR recommends that the Office of the Secretary of Defense change its guidance to contracting officers to give them responsibility, in cooperation with DCAA, for reviewing the reasonableness of prices charged to the government.

SIGIR recommends that the Commander, CENTCOM, take the following actions:

1. Determine whether Anham and its subcontractors on this contract are “affiliates” as defined by the FAR.
2. Review all vouchers submitted under this contract to ensure that appropriate pricing analysis was conducted and that prices are fair and reasonable.
3. Initiate a systematic review of billing practices on all Anham contracts in Iraq and Afghanistan.

SIGIR recommends that the Director, Defense Contract Management Agency, conduct a new contractor purchasing system review on Anham.

### Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### ***Department of State Reports It Has Taken Action on Most Open Audit Recommendations, but Documentation Is Needed***

(SIGIR 11-023, 7/2011)

### Introduction

The Inspector General Act of 1978,<sup>561</sup> as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to identify in its semiannual report each significant recommendation described in previous semiannual reports on which corrective action has not been completed. This report follows up on 45 audit recommendations SIGIR made to the Department of State (DoS) that were open (i.e., unresolved) as of July 8, 2011. The objectives of this report are to determine whether DoS took appropriate action to address these recommendations and whether DoS has a system to track and oversee the status of SIGIR’s audit recommendations.

### Results

DoS reports that it has acted on most of the open recommendations. In early July 2011, DoS provided SIGIR with a report stating that it has closed 38 of the 45 recommendations. SIGIR closed 13 recommendations based on information in the report. DoS did not provide sufficient information to allow SIGIR to close the other 25 recommendations that DoS said it had closed. SIGIR also found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress or for resolving disagreements and questions about recommendations, as required by Office of Management and Budget (OMB) Circular A-50.

SIGIR commends DoS for adapting its audit follow-up processes and systems to include SIGIR recommendations and for working with SIGIR to resolve audit follow-up issues. Nevertheless, DoS audit follow-up processes still do not include an

important OMB requirement to include resolution of disagreements over recommendations and reporting requirements. These responsibilities are not only critical to improving internal controls and accountability and reporting this to the Congress but also are necessary in those cases where DoS and SIGIR cannot agree on the resolution of an open recommendation.

## Recommendations

SIGIR recommends that the Secretary of State:

1. Provide SIGIR supporting documentation to verify actions taken on open audit recommendations.
2. Designate an official with the authority to resolve disagreements between DoS and SIGIR on recommendations and with the responsibility to report on the status of open audit recommendations as required under OMB A-50.

## Management Comments

Management comments are included in the final report which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## 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. Additionally, SIGIR has conducted and will continue to conduct in-depth assessments of the reasonableness, allowability, and allocability of costs charged to the United States. SIGIR will also closely monitor and review reconstruction activities as the DoD presence declines and the DoS management responsibilities for reconstruction increase.

## Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1112: Audit of the Department of Defense's Efforts To Account for Funds from the Development Fund for Iraq
- Project 1111: Audit of the Department of State's Process To Transfer Reconstruction Projects to the Government of Iraq
- Project 1110: Audit of the Indirect Costs Charged by Non-profit Organizations for Administering Security Contracts in Iraq
- Project 1109: Audit of the Department of Defense's Management of Selected Large-dollar Iraq Reconstruction Contract Closeouts
- Project 1108: Audit of the Department of Defense's Iraq Reconstruction Contract Terminations
- Project 1107: Audit of the Results of Efforts To Develop the Capacity of the Iraqi Ministries of Defense and Interior
- Project 1106: Audit of the Department of State's Initiatives To Develop Iraqi Police
- Project 1105b: Audit of the Use of Funds Provided for the Iraq Commander's Emergency Response Program
- Project 1102: Audit of the Status of Recommendations Made to the Department of Defense
- 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 1018: Audit of the Cost, Outcome, and Management of the Fallujah Waste Water Treatment Plant Project
- 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 24 focused contract and grant audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. This quarter, SIGIR completed a review of a major contract that identified oversight issues which contributed to such vulnerabilities, and in which SIGIR identified questionable costs.

SIGIR will continue to audit the management, costs, and outcomes of U.S. reconstruction efforts in Iraq. Additionally, SIGIR will maintain its oversight of issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities, such as police training and asset transfer, and DoD management of DFI funds.

### SIGIR Audits: 2003–2011

Since 2003, SIGIR has published 194 audits addressing a wide range of topics, such as oversight of contracts and specific reconstruction programs, as well as the cost and oversight of private security contractors. Throughout its tenure, SIGIR audits have identified deficiencies in the management

of contracts and reconstruction activities; made recommendations to improve economy and efficiency of U.S. operations and make activities less vulnerable to fraud, waste, and abuse; and provided lessons learned for use in other reconstruction endeavors.

Moreover, SIGIR has made 473 recommendations to improve reconstruction activities in Iraq, and management has already agreed to and implemented 163 of them. These recommendations are discussed more in depth later in this section.

Much of SIGIR's audit results can be attributed to SIGIR's presence in Iraq. This presence has enabled SIGIR to provide real-time audits—often starting and completing within six months—that address critical reconstruction issues. SIGIR's in-country audit activities also enable face-to-face communications and relationship building with Department of Defense (DoD), Department of State (DoS), and Government of Iraq (GOI) officials, and they provide an in-depth and historical knowledge of the reconstruction program in the country.

SIGIR has worked proactively with previous and current U.S. ambassadors and commanding generals, providing insights on issues that need to be addressed. For example, in August 2009, SIGIR identified for the Commanding General and the U.S. Ambassador to Iraq areas that needed to be dealt with to ensure a smooth transition as reconstruction management shifts from DoD to DoS, as the U.S. presence downsizes and the ministerial capacity of the GOI increases.

### Major Issues Addressed in Audits

In the course of its work, SIGIR has identified broad, recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audits. To illustrate, in July 2008, SIGIR issued an audit report that discussed four persistent issues affecting the management of reconstruction activities in Iraq. They were:

- the need to better understand the problems associated with implementing reconstruction programs in an unstable security environment. (For

example, security issues and their costs were often not adequately taken into consideration in designing and implementing reconstruction activities and estimating costs.)

- the impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects. (The lack of such unity of command led to situations where the U.S. government could not determine the full extent of all agencies' activities on a single issue, such as anticorruption or capacity development.)
- the importance of anticipating staffing needs and reducing staff turnover
- recognition of how essential working closely with host governments is to the long-term success of U.S. investments in reconstruction projects

Additionally, SIGIR audits of contracts have pointed out numerous areas where contract management needed to be improved to provide better economy and efficiency and make the contract less vulnerable to fraud, waste, and abuse.

## SIGIR Recommendations To Improve the Management of Reconstruction Activities

SIGIR made recommendations to deal with these management problems. In a number of cases, a single recommendation addressed more than one of the issues outlined above. To illustrate, SIGIR has provided:

- more than 190 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover
- more than 70 recommendations to improve interagency coordination and cooperation and to better share information
- more than 200 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 190 recommendations to improve accountability and internal control weaknesses

(These involve deficiencies such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing.)

- more than 35 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that U.S. efforts will not be wasted

Additionally, SIGIR has provided recommendations to improve the management, efficiency, and outcome of significant and high-cost programs that will continue even as the U.S. reconstruction effort in Iraq scales back:

- SIGIR has issued 12 Commander's Emergency Response Program (CERP) and Iraq-Commander's Emergency Response Program (I-CERP) reports and made 29 recommendations addressing the need to improve their management. The CERP authorizes U.S. field commanders to use CERP funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. This quarter, SIGIR completed a review of the uses and management of Fiscal Year 2011 CERP-funded projects and concluded that the emphasis to concentrate on capacity-development projects likely does not meet DoD CERP objectives, and that there are no meaningful metrics to measure the impact of these projects. Another report looked at DoD's management of the funds the GOI provided for CERP-type projects. Called the I-CERP, SIGIR found that DoD was using U.S. CERP funds for projects that would have been more appropriately funded under I-CERP, and that DoD was not maintaining accurate information on the I-CERP funds or projects.
- SIGIR has issued more than 27 reports which, to varying degrees, addressed U.S. efforts to develop a functioning Iraqi Security Forces (ISF). This effort takes on increasing importance

as the U.S. military footprint decreases and now that the principal agency created to implement this goal—the Multi-National Security Transition Command-Iraq (MNSTC-I)—has been subsumed into the U.S. Forces-Iraq (USF-I). As of July 2011, SIGIR had made five recommendations regarding ministerial capacity development, oversight of weapons provided to the ISF, asset transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel.

SIGIR has initiated reviews of the actions DoD, DoS, and USAID have taken, or plan to take, to address open recommendations and report these actions to the Congress as required by OMB Circular A-50 and the Inspector General Act of 1978, as amended. In a report issued last quarter, SIGIR found that USAID had taken corrective actions on four of the six open SIGIR recommendations and is working with SIGIR to close the remaining two. Moreover, SIGIR found that the agency's audit tracking system is effective and well-managed.

This quarter, SIGIR is reporting on DoS's responsiveness to SIGIR recommendations. SIGIR found that while DoS reports that it has acted on most of the open recommendations and informed SIGIR that it has closed 38 of the 45 recommendations, SIGIR could close only 13 because DoS did not provide sufficient information to allow closure of the others. SIGIR also found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress or for resolving disagreements and questions about recommendations, as required by Office of Management and Budget Circular A-50.

## Financial Impacts of SIGIR Audits

SIGIR's audits have had financial impacts as shown in Table 5.2. Through its audits, SIGIR has been able to identify:

- funds that would be put to better use, meaning that funds could be used more efficiently if management took an action such as reducing outlays or de-obligating funds from a specific program or operation
- payments that SIGIR questioned and recommended the agency consider recovering because SIGIR determined that the payments were either not adequately supported in documentation or did not appear to be allowable, reasonable, or allocable according to regulations and or other agreements governing the expenditure of the funds
- funds that were actually saved because the agency under review accepted SIGIR's recommendation to put funds to better use, or recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding

SIGIR has identified a total of \$641.64 million that could be used more efficiently and effectively if used elsewhere.

SIGIR has also questioned \$217.80 million in payments to contractors and grant recipients under cost-reimbursement contracts or grant agreements because the costs claimed were not supported by adequate documentation, such as receipts or invoices; were unallowable under government regulations; were unreasonably high; or were not allocable to the project. For example, SIGIR found major problems in U.S. oversight of a contract with Anham, LLC, and is therefore questioning the entire \$113 million that has thus far been expended on the contract.

Through July 30, 2011, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about \$656.32 million in saved and recovered funds. For example, \$23.91 million was saved through improved contractor invoice review procedures in the Iraqi police training program.

TABLE 5.2

**SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACTS**

\$ Millions

ACCOMPLISHMENTS	THIS QUARTER	CUMULATIVE
Potential Savings If Funds Are Put to Better Use <sup>a</sup>	0.00	586.62
Potential Savings If Agencies Recover Questioned Costs <sup>b</sup>	114.48	624.48
Actual Saved and Recovered Funds Based on Agency Actions Responding to SIGIR Recommendations <sup>c</sup>	563.82	656.32

**Notes:**<sup>a</sup> The Inspector General Act of 1978, § 5. (f) states:

(4) The term "recommendation that funds be put to better use" means a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including—

(A) reductions in outlays

(B) de-obligation of funds from programs or operations

(C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds

(D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee

(E) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements, or

(F) any other savings which are specifically identified.

<sup>b</sup> The Inspector General Act of 1978, § 5. (f) states:

(1) The term "questioned cost" means a cost that is questioned by the Office because of—

(A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds

(B) a finding that, at the time of the audit, such cost is not supported by adequate documentation, or

(C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

(2) The term "unsupported cost" means a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.

<sup>c</sup> This represents an accumulation of all SIGIR's questioned costs where agencies ultimately took action to save funds.**Source:** Analysis of SIGIR audit reports and recommendations as of 7/2011.

SIGIR continuously monitors whether agencies have achieved savings by implementing SIGIR recommendations to put funds to better use or to question whether costs incurred were allocable, allowable, or reasonable. For example, SIGIR asked DoS to provide data on its response to SIGIR recommendations regarding invoice and

other reviews relevant to the DynCorp contract. DoS reported significant savings in several areas, including the negotiated costs of proposals, invoices resubmitted for adjusted amounts, and processed refund requests.

Table 5.3 lists SIGIR's financial impact audit reports and the value of the financial accomplishments.



TABLE 5.3

## SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACT REPORTS

\$ Millions

		POTENTIAL SAVINGS FROM SIGIR RECOMMENDATIONS			ACTUAL SAVINGS
REPORT NUMBER	REPORT TITLE	FUNDS THAT COULD BE BETTER USED	QUESTIONED COSTS		DOLLARS SAVED & RECOVERED
			UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	
04-003	Federal Deployment Center Forward Operations at the Kuwait Hilton	18.20			18.20
04-011	Audit of the Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Baghdad	19.70			19.70
04-013	Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award			5.19	
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.00 <sup>a</sup>
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq			2.70	0.00 <sup>a</sup>
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			0.00 <sup>a</sup>
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			7.80
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library		0.15		0.00 <sup>a</sup>
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.00 <sup>a</sup>
06-009	Review of Task Force Shield Programs	12.80			12.80
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	1.51		3.46	4.97
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	23.30			23.30
06-029	Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support		5.46		5.46
07-007	Status of U.S. Government Anticorruption Efforts in Iraq	3.80			3.80
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with Fluor/AMEC, LLC		0.57		
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.06 <sup>a</sup>
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			16.62
10-008	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	448.49	502.25		508.66
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	5.00			5.00
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	16.10			16.10
10-022	Improved Oversight Needed for State Department Grant to the International Republican Institute		0.69		.69
11-001	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited		0.08		.08
11-009	Iraqi Government Support for the Iraq International Academy	12.00			12.00
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed		1.08		1.08
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected		113.4		
Total		586.62	624.48	11.35	656.32

Note: All SIGIR audit reports can be found on the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

<sup>a</sup> SIGIR previously reported that agencies saved some, or more money, but collection efforts were stopped for reasons such as the company went out of business, or the cost of collection would have exceeded the funds recovered.



## Collaborative Forensic Audits/ Investigations Initiative

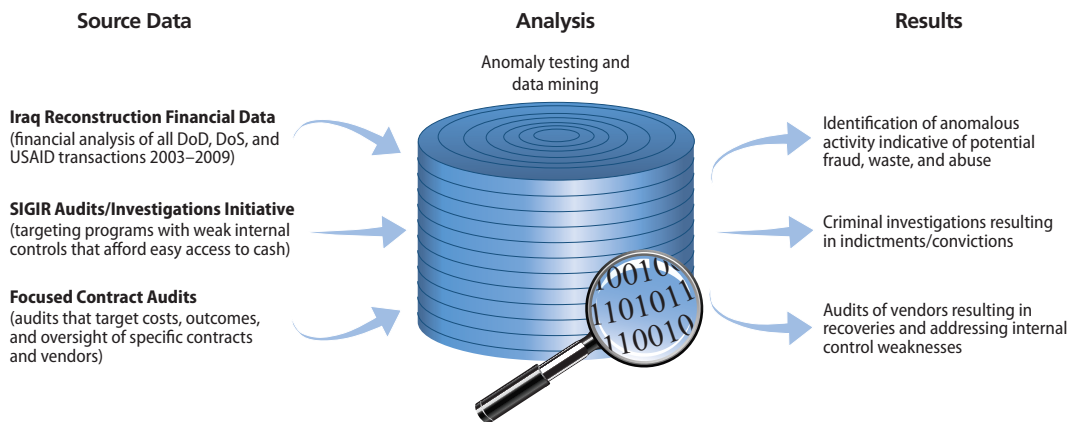
SIGIR's Audits and Investigations Directorates are engaged in a number of collaborative forensic audit and investigation initiatives designed to identify fraud, waste, and abuse. Public Law 108-106, as amended, requires that SIGIR prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals more than \$61 billion. Over the past four years, SIGIR has conducted a series of 24 audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR used the results of these audits to develop targeted forensic auditing approaches to identify potential instances of wrongdoing. A forensic audit is a systematic examination of the internal controls over a program's expenditures or other financial data to identify anomalies in individual transactions that may be indicative of fraud, waste, or abuse. The analytic process is portrayed in Figure 5.2.

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

The SIGIR Audits and Investigations Directorates continue to expand the proactive joint effort that was established in January 2009. This effort focuses on Iraq relief and reconstruction programs that afford easy access to cash associated with weak controls over expenditures. To date, SIGIR has opened 85 criminal investigations as a result of this effort. This project has also provided support to ongoing criminal investigations.

Additionally, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction. ♦

FIGURE 5.2  
FORENSIC AUDIT PROCESS



## SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 104 active investigations as of July 15, 2011. During this reporting period, SIGIR had 2 investigative personnel assigned to Baghdad; 6 at SIGIR headquarters in Arlington, Virginia; and 11 in offices in Pennsylvania, Florida, Texas, Oklahoma, and California. Investigative accomplishments this quarter included 4 arrests, 8 indictments, 4 convictions, and 1 sentencing. To date, the work of SIGIR investigators has resulted in 35 arrests, 64 indictments, 54 convictions, and more than \$153.9 million in fines, forfeitures, recoveries, restitution, and other monetary results.

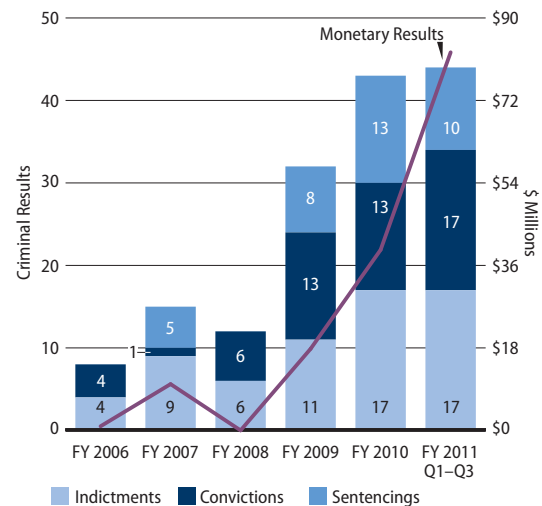
This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law enforcement personnel from other countries. As a result of SIGIR investigations, 3 defendants are pending indictment based upon arrest complaints, 8 defendants are awaiting trial, and an additional 19 defendants are awaiting sentencing. Figure 5.3 shows the increases in the number of judicial actions and monetary results achieved in each of the last two years based on SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.4, at the end of this section.

SIGIR notes these investigative activities this quarter:

- Two Department of State (DoS) contractors agreed to pay the U.S. government more than \$8.7 million to resolve allegations of false claims.
- A former contractor and his son were charged in a bribery and conspiracy indictment.
- A former U.S. Army major was charged with and pled guilty to bribery.

FIGURE 5.3

### SIGIR INVESTIGATIONS: CRIMINAL AND MONETARY RESULTS



- A former U.S. Army major was charged with and pled guilty to money laundering.
- A U.S. Army sergeant and associate were indicted and arrested for an alleged bribery scheme.
- A former U.S. Army sergeant first class was charged with and pled guilty to conspiracy and theft.
- A former U.S. Army sergeant was arrested for receiving stolen cash from Iraq.
- An associate of a U.S. Marine Corps contracting officer in Iraq was charged in a money-laundering conspiracy.
- A U.S. Marine Corps major was sentenced for receiving illegal gratuities.

### Two DoS Contractors Agree To Pay More Than \$8.7 Million to the U.S. Government To Resolve Allegations of False Claims

On April 22, 2011, the United States settled a whistleblower lawsuit against DynCorp International LLC (DynCorp) and its subcontractor, The Sandi Group (TSG), which alleged that both companies submitted or caused to be submitted false claims

for payment under DynCorp's contract with DoS to provide civilian police training in Iraq.

DynCorp agreed to pay the U.S. government \$7.7 million to resolve allegations that it submitted inflated claims for the construction of container camps at various locations in Iraq. TSG agreed to pay \$1.01 million to resolve allegations that it sought reimbursement for danger pay that it falsely claimed to have paid its U.S. expatriate employees working in Iraq.

The lawsuit was initially filed by two former TSG employees, under the *qui tam*, or whistleblower, provisions of the federal False Claims Act, which permits private individuals, called "relators," to bring lawsuits on behalf of the United States and receive a portion of the proceeds of a settlement or judgment awarded against a defendant. As a result of the settlement, the two relators will receive up to \$481,710 as their share of the government's recovery.

The case is being conducted by SIGIR and the DoS Office of the Inspector General (DoS OIG).

## **Former President of Lee Dynamics International Pleads Guilty to Conspiracy and Bribery Related to DoD Contracts in Iraq**

On July 15, 2011, Justin W. Lee, the former president of Lee Dynamics International, a defense contractor providing services to the U.S. military in Iraq, pled guilty to an indictment charging him with a scheme to bribe military officials in order to obtain government contracts. Lee pled guilty in U.S. District Court for the Eastern District of Pennsylvania to one count of conspiracy to commit bribery and four counts of bribery. Lee and his father, George H. Lee, Jr., were charged in an indictment unsealed on May 27, 2011, in the Eastern District of Pennsylvania.

Justin Lee admitted that he conspired with his father and others to bribe military contracting officers in order to obtain government contracts to support U.S. combat operations in Iraq. According to court documents, Justin Lee provided things of value, including cash, airline tickets, meals, hotel stays, spa visits, and jobs—valued at more than

\$1.2 million—to public officials in return for official acts that helped him obtain lucrative Department of Defense (DoD) contracts. The contracts included multi-million-dollar contracts for the storage of weapons at various warehouses in Iraq as well as for bottled water.

Four of the military contracting officials with whom Justin Lee conspired have pled guilty: John Cockerham, Jr., Markus McClain, Kevin A. Davis, and Levonda Selph.

Justin Lee faces up to 15 years in prison for each count of bribery, as well as a fine of \$250,000 or three times the value of the bribe for each count. He also faces up to five years in prison for the conspiracy count as well as a fine of \$250,000.

George Lee, the former chairman and chief executive officer of Lee Dynamics International, remains at large. An indictment is merely a charge, and a defendant is presumed innocent until proven guilty.

The case is being conducted by SIGIR, the Defense Criminal Investigative Service (DCIS), Army Criminal Investigation Command Division-Major Procurement Fraud Unit (CID-MPFU), Internal Revenue Service (IRS), Immigration and Customs Enforcement (ICE), and Federal Bureau of Investigation (FBI).

## **Former U.S. Army Major Charged with and Pleads Guilty to Bribery**

On June 13, 2011, Derrick L. Shoemake, a former U.S. Army major, pled guilty to a criminal information charging him with two counts of bribery. According to court documents, Shoemake was deployed to Camp Arifjan, Kuwait, as a contracting officer's representative in charge of coordinating and accepting delivery of bottled water in support of U.S. troops in Iraq. While serving in Kuwait, Shoemake agreed to assist a contractor with his delivery of bottled water. In return, the contractor paid Shoemake a total of approximately \$215,000, most of which was delivered to Shoemake's designee in Los Angeles. Shoemake received an additional \$35,000 from a second contractor for his perceived influence over the award of bottled water contracts

in Afghanistan. In total, Shoemake admitted receiving approximately \$250,000 from these two government contractors in 2005 and 2006.

Shoemake faces up to 15 years in prison for each bribery count, as well as a fine of \$250,000. Additionally, Shoemake has agreed to criminal forfeiture of \$250,000 to the U.S. government. A sentencing date has not yet been scheduled by the court.

The case is being conducted by SIGIR, DCIS, CID-MPFU, IRS, ICE, and FBI.

### **Former U.S. Army Major Charged with and Pleads Guilty to Money Laundering**

On May 11, 2011, Charles Joseph Bowie, Jr., a retired U.S. Army major, pled guilty to a criminal information filed on April 14, 2011, charging him with one count of engaging in monetary transactions in property derived from specified unlawful activity. According to court documents, Bowie, while serving in Kuwait from April 2004 to April 2005, became friends with former U.S. Army Major John Cockerham, who directed a government contractor to pay Bowie money in exchange for the award of a bottled water contract. Bowie admitted that he received four wire transfers of approximately \$100,000 each from the contractor between July 2005 and February 2006. Bowie also admitted that he entered into a sham consulting agreement with the contractor to conceal the payments.

Bowie faces up to 10 years in prison and a fine of \$250,000. In addition, Bowie has agreed to pay \$400,000 in restitution to the U.S. government. A sentencing date has not yet been scheduled by the court.

The case is being conducted by SIGIR, DCIS, Army CID-MPFU, IRS, ICE, and FBI.

### **U.S. Army Sergeant and Associate Indicted and Arrested for Bribery**

On June 21, 2011, an 11-count indictment was unsealed in federal court in Wheeling, West Virginia, charging a U.S. Army sergeant first class and his associate, a former U.S. Army master sergeant, for their alleged roles in a bribery and money-laundering scheme at Camp Arifjan, Kuwait.

The indictment, returned by a federal grand jury in the Northern District of West Virginia on June 8, 2011, charges the Army sergeant with receiving more than \$170,000 in bribes from two firms that had DoD contracts in Kuwait. The indictment also charges the sergeant and his associate with laundering the money through bank accounts in Kuwait and the United States. Both individuals were arrested without incident on June 21, 2011.

The indictment alleges that the sergeant, a senior procurement non-commissioned officer who served at Camp Arifjan from February 2005 to December 2006, along with two former Army majors, awarded Army contracting business and improperly disclosed contracting information to two firms that were seeking contracts from the U.S. military. According to the indictment, as a result of the actions taken by the sergeant and the two majors, these firms received nearly \$25 million from contracts to deliver bottled water and other commodities to U.S. military bases in Iraq and Kuwait, as well as to paint and clean DoD facilities in Kuwait. In exchange, the sergeant and the two majors allegedly received cash, airplane tickets, hotel accommodations, and the ability to conceal large amounts of cash in a hidden safe located in the villa of a DoD contract employee who worked in the host-nation affairs office at Camp Arifjan.

The indictment also alleges that the sergeant entrusted his bribe money to his associate, who from October 2005 to December 2008 operated a concession to sell clothing and other items at various U.S. military bases in Kuwait and maintained bank accounts in Kuwait and the United States. The indictment alleges that the associate arranged to transfer the bribe money from Kuwait to the United States and into the possession of the sergeant, his wife, and his girlfriend. Additionally, the indictment alleges that the sergeant and his associate assisted one of the majors in his efforts to retrieve between \$200,000 and \$250,000 of bribe money and to transfer that money from Kuwait to the United States.

The sergeant is charged with several crimes:

- one count of conspiracy to commit bribery, which carries a 5-year maximum sentence

- two substantive bribery counts, which carry a 15-year maximum sentence for each count
- one count of conspiracy to commit money laundering and six substantive money-laundering counts, which carry a 20-year maximum sentence for each count
- obstruction, which carries a 5-year maximum sentence

The sergeant's associate is charged with one count of conspiracy to commit bribery and four substantive money-laundering counts. She faces up to 20 years in prison for the money-laundering conspiracy count and each of the substantive money-laundering counts. Both also face fines and a term of supervised release, if convicted. The indictment also seeks the forfeiture of any property or money involved in the alleged offenses.

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

## Former U.S. Army Sergeant Charged with and Pleads Guilty to Conspiracy and Theft

On June 28, 2011, Robert A. Nelson, a former U.S. Army sergeant first class, pled guilty in U.S. District Court, to conspiring to steal U.S. Army equipment related to his work as a non-commissioned officer helping to train Iraqi Army personnel in Mosul, Iraq, in 2008. Nelson was charged in a criminal information with one count of conspiracy to steal public property. According to the court document, Nelson was deployed to Forward Operating Base Diamondback, Iraq, as the non-commissioned officer-in-charge of the Ninewa Operations Command Military Transition Team. This transition team helped train the Iraqi Army units stationed nearby.

While serving in Iraq, Nelson agreed with a U.S. Army translator to steal eight generators from a lot on base that held various pieces of used equipment. Once the generators were taken off the base, the translator arranged for them to be sold on the black market in Iraq. Nelson admitted that he received half of the proceeds of the sales of stolen equipment, with approximately \$35,000 of the money

being wired to Nelson's account by the translator's brother. In total, Nelson admitted receiving approximately \$44,830 from this scheme. The investigation into this conspiracy continues.

At sentencing, Nelson faces up to five years in prison, as well as a maximum fine of \$250,000 and up to three years of supervised release following a prison term. Additionally, Nelson has agreed to criminal forfeiture of \$44,830 to the United States. Sentencing is scheduled for October 5, 2011.

This case is being prosecuted by a SIGIR attorney on detail to the Fraud Section of DoJ's Criminal Division. The case is being investigated by SIGIR, DCIS, and Army CID-MPFU.

## Former U.S. Army Sergeant Arrested for Receiving Stolen Cash from Iraq

On July 7, 2011, a former U.S. Army sergeant was arrested in Los Angeles County, California, based on a complaint filed in U.S. District Court, charging him with receiving more than \$12,000 in stolen cash from Iraq.

According to court documents, the money had been stolen by another U.S. Army soldier who was deployed to Tallil, Iraq, in 2008, and mailed to the former U.S. Army sergeant. The funds were a cash payment for pickup by a local contractor who failed to appear for the payment. The cash was then stolen, concealed in a stuffed animal, and sent through the U.S. postal system to the former Army sergeant in California.

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

## Associate of USMC Contracting Officer in Iraq Charged in Money-laundering Conspiracy

On July 19, 2011, a criminal information was filed in U.S. District Court for the District of Hawaii charging an associate of a U.S. Marine Corps contracting officer in Iraq with one count of conspiracy involving money laundering of approximately \$150,000 in bribes from contractors in Iraq.

According to court documents, the money had been received by a Marine Corps contracting officer stationed at Camp Fallujah, Iraq, between 2005 and

2008, from two contractors in Iraq. The associate of the contracting officer established bank accounts to conceal and disguise the nature, location, source, ownership, and control of the funds. These funds were then transferred from Iraq to the United States via cash and wire transfers. The associate deducted a 20% share and then transferred the funds back to the contracting officer or a designee.

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

### **USMC Major Sentenced for Receiving Illegal Gratuities**

On April 25, 2011, Major Richard Harrington, U.S. Marine Corps, was sentenced in U.S. District Court in Raleigh, North Carolina, to 12 months and 1 day imprisonment followed by 1 year supervised release. The sentencing was the result of his guilty plea on October 18, 2010, to 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.

During 2005, Harrington was stationed at Camp Fallujah, Iraq, 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.

This case was conducted jointly by SIGIR, DCIS, and the Naval Criminal Investigative Service (NCIS).

## **Other Agency Investigations**

### **Former U.S. Army Corps of Engineers Employees and Others Indicted in Bribery, Kickback Scheme**

On July 14, 2011, three former U.S. Army Corps of Engineers (USACE) employees and two foreign contractors were charged in a 54-count indictment

unsealed in U.S. District Court in Newark, New Jersey, for their alleged roles in a bribery and kickback scheme and for defrauding the U.S. government in connection with the award of more than \$50 million in USACE construction and infrastructure contracts in Iraq. The five defendants are: two former USACE project engineers for Gulf Region North, Iraq; an Iraqi citizen employed under a USACE services contract as a deputy resident engineer for Gulf Region North; a citizen of Great Britain residing in Greece and Iraq who was the former vice president of operations for a privately owned foreign engineering and construction company; and an Iraqi citizen, who was a senior project manager for a privately owned foreign engineering and construction company. The indictment charges involve wire fraud, conspiracy, use of interstate/foreign facilities to distribute bribery proceeds or promote bribery, illegal money transactions, subscribing false tax returns, and willful failure to disclose foreign bank accounts.

The indictment charges that the USACE employees received over \$5 million in proceeds in connection with the award and administration of over \$50 million in USACE contracts awarded to companies from 2005 to 2008. The USACE employees were involved in the review and award process for contractors seeking lucrative USACE contracts in Gulf Region North, Iraq, as well as post-award administration, oversight, and modification of such contracts. The two USACE project engineers participated in a scheme to provide favorable official action and assistance to the two contractors for the benefit of their companies. These actions included: providing confidential information, including confidential internal contract-pricing materials prepared by the USACE and competitor contractors' bid information; steering USACE contracts to the two contractors; and approving lucrative payments for these companies.

The alleged actions were taken in exchange for bribes and kickbacks that the USACE project engineers accepted from the contractors, sometimes through the USACE deputy resident engineer. In



addition to being a USACE contract employee, the USACE deputy resident engineer acted as a “broker” for one of the project engineers, approaching foreign contractors in and around Gulf Region North willing to pay the project engineer and the deputy resident engineer bribes and kickbacks in connection with the bidding, selection, award, and administration of USACE contracts.

The indictment charges that six foreign bank accounts in Jordan and Egypt were used to transfer illegal bribe and kickback payments to U.S. bank accounts, and at least a dozen of the U.S. accounts were based in New Jersey. Under the indictment, one of the project engineers is charged with willfully subscribing false tax returns and willfully failing to file reports of foreign bank accounts with the U.S. Department of Treasury. The U.S. government seeks forfeiture of more than \$5 million in proceeds relating to the illegal transactions, including the project engineer’s residence and seven automobiles and motorcycles.

The case is being conducted by DCIS, IRS, ICE, and Army CID-MPFU.

## 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 DoJ prosecutors. They were detailed as a unit to the Fraud Section of the DoJ Criminal Division to prosecute SIGIR investigation cases, handling their own DoJ caseloads, and working closely with the SIGIR General Counsel and other DoJ prosecutors assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles

in the development and prosecution of cases being worked by the SIGIR Investigations Directorate.

## Suspension and Debarment

Since December 2005, SIGIR has worked closely with DoJ, CID-MPFU, DCIS, and the Army Legal Services Agency’s Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involved in Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army’s Suspension and Debarment Official. Investigative accomplishments this quarter resulted in 1 suspension, 18 proposals for debarment, and 3 debarments. Between April 1 and June 30, 2011, the Army suspended one contractor based on allegation of fraud in Iraq and Kuwait. In addition, the Army proposed 15 contractors for debarment during that period. To date, the Army has suspended 111 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 157 individuals and companies have been proposed for debarment, resulting in 118 finalized debarments that range in duration from 9 months to 10 years.

PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2011. 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). For a list of debarments, see Table 5.5. For a complete list of suspensions and debarments, see Appendix E. ♦



TABLE 5.4  
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	6/28/2011	Pending
Derrick Shoemake, former USA major	Bribery	6/13/2011	Pending
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	Pending
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	Pending
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	Pending
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	2/8/2011	Pending
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	2/8/2011	Pending
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	Pending
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and \$4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of \$757,525
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison; 2 years supervised release
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	12 months and 1 day in prison; and restitution
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and 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; \$10,000 fine; \$25,500 restitution; and \$100 special assessment
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	12 months home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 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	39 months in prison; 2 years supervised release; and \$70,000 fine
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	24 months in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
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
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

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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; \$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
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

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
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 5.5  
DEBARMENT LIST

NAME	DEBARRED
Janet L. Schmidt	6/22/2011
Mariam M. Steinbuch	6/6/2011
Mark Carnes	6/3/2011
Terence O. Walton	6/3/2011
Al Aali Future Mario Company	5/11/2011
Eric K. Schmidt	4/20/2011
Mark R. Fuller	4/1/2011
Ammar Tariq Al Jazrawi	1/10/2011
Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Bronze Al-Taqaos Al-Afjan	12/13/2010
International Quality Kitchens Ardiya	12/13/2010
John Napolian	12/13/2010
Joseph Sebastian	12/13/2010
N.K. Ismail	12/13/2010
Biju Thomas	12/13/2010
Combat General Trading Company	12/13/2010
Jank Singh	11/24/2010
Blue Marine Services	11/24/2010
Blue Marines General Trading, LLC	11/24/2010
Blue Marines	11/24/2010
Blue Marines Group	11/24/2010
BMS Logistics	11/24/2010
BMS Group	11/24/2010
BMS General Trading, LLC	11/24/2010
Christopher Murray	11/10/2010
Curtis Whiteford	10/22/2010
William Driver	10/22/2010
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, LLC	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010

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NAME	DEBARRED
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 Tares	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
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

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NAME	DEBARRED
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
Vasanthan 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
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008

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NAME	DEBARRED
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005



## SIGIR HOTLINE

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

### Second Quarter Reporting

As of June 30, 2011, the SIGIR Hotline had initiated 856 cases. Of these cases, 802 have been closed, and 54 cases remain open. For a summary of these cases, see Table 5.6.

TABLE 5.6  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 6/30/2011

OPEN CASES				
Investigations				42
Audits				12
<b>Total Open</b>				<b>54</b>
CLOSED CASES	4TH QTR 2010	1ST QTR 2011	2ND QTR 2011	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	1	0	0	47
Dismissed	3	0	1	141
Referred	4	16	8	382
Inspections	0	0	0	80
Investigations	1	12	0	129
Audits	0	0	0	17
<b>Total Closed</b>	<b>9</b>	<b>28</b>	<b>9</b>	<b>802</b>
<b>Cumulative* Open &amp; Closed</b>				<b>856</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 6/30/2011.

### New Cases

During this reporting period, the SIGIR Hotline received 11 new complaints, bringing the cumulative total to 856 Hotline cases. The new complaints were classified in these categories:

- 7 involved contract fraud.
- 1 involved waste.
- 3 involved personnel issues.

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 11 new Hotline complaints, 9 were received through the SIGIR website, 1 was received through the mail, and 1 was received by telephone.

### Closed Cases

During this quarter, SIGIR closed 9 Hotline cases:

- 8 were referred to other inspector general agencies.
- 1 was dismissed as it was not within SIGIR's purview.

### Referred Complaints

After a thorough review, SIGIR referred 8 complaints to outside agencies for proper resolution:

- 6 were sent to the Department of Defense Office of Inspector General.
- 1 was sent to the Department of State Office of Inspector General.
- 1 was sent to the Special Inspector General for Afghanistan Reconstruction. ♦

## SIGIR WEBSITE

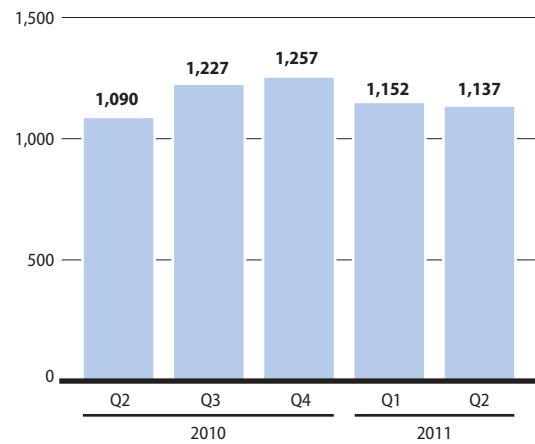
During this reporting period, the SIGIR website ([www.sigir.mil](http://www.sigir.mil)) recorded these activities:

- More than 103,550 users visited the SIGIR website—1,137 users per day.
- The Arabic-language section of the site received 3,998 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 30,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.

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

FIGURE 5.4

**AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 4/1/2010–6/30/2011**



Source: DoD, IMCEN, response to SIGIR data call, 7/11/2011.

## LEGISLATIVE UPDATE

### Appropriations and Authorization Legislation

This quarter, the Congress began, but did not complete, work on the FY 2012 appropriations acts for the Department of Defense (DoD), the Department of State (DoS), and foreign operations. The House of Representatives, but not the Senate, passed the DoD legislation. The Department of State, foreign operations, and related programs legislation was the subject of preliminary work only, and neither house acted on it.

The Congress also continued work on the National Defense Authorization Act, which passed the House of Representatives and was reported out by the Senate Committee on Armed Services—but likewise was not completed.

### Congressional Appearances

Since the last Quarterly Report, the Inspector General appeared before a legislative branch entity on one occasion—the April 25, 2011, Commission on Wartime Contracting in Iraq and Afghanistan hearing on “Implementing Improvements to Defense Wartime Contracting.” The Inspector General’s testimony included:

- ideas for improving defense wartime contracting, drawn from key results of SIGIR’s audits, inspections, and lessons learned reports
- the status of the implementation of SIGIR’s recommendations

- an update on trends in SIGIR’s investigations, including such path-breaking programs as the SIGIR Prosecutorial Initiative (SIGPRO)
- comments on the Commission’s recommendations contained in its Second Interim Report

In his statement to the Commission, the Inspector General said:

I view the Commission’s proposal to create “[a] new, dual-hatted position at OMB and the NSC to provide oversight and strategic direction for contingency operations” as a meaningful step in the right direction, but one that would not sufficiently strengthen U.S. management capacities in SROs. The past eight years in Iraq demonstrated that high-level “coordination” between agencies, and especially between and among State, USAID, and Defense, will not ensure the level of integration and accountability required to achieve success in these difficult missions. Moreover, the Interagency Management System within the NSC has not proven itself to be an enduring and effective model for managing SRO activities.

The most compelling SRO issue now before U.S. policymakers is not simply the contracting or oversight components of SROs, but how the SRO operations are to be planned and managed *in toto*. A little over a year ago, the Commission convened a hearing with representatives from Defense, State, and USAID, and was unable to get a clear answer to the simple question of who is in charge of the Afghanistan reconstruction operation. That salient and disturbing reality remains true today. The “whole of government” approach, ostensibly driven by the NSC and OMB, has been largely unsuccessful as an SRO management tool. Experts seem to be coming to agreement on this point, and thus the time is ripe for developing and implementing new reforms.

The complete prepared statements of SIGIR officials who have testified before the Congress or a legislative branch entity can be found at [www.sigir.mil/publications/testimony/index.html](http://www.sigir.mil/publications/testimony/index.html). ♦