

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features an eagle with wings spread, holding an olive branch and arrows. The eagle's chest is covered by a shield with vertical stripes. Above the eagle's head is a sunburst with stars. The seal is surrounded by text in both English and Arabic. The English text reads "SPECIAL INSPECTOR GENERAL" at the top and "OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION" at the bottom. The Arabic text reads "مفتش العام" at the top and "مكتب المفتش العام لإعادة إعمار العراق" at the bottom.

**FINAL FORENSIC AUDIT REPORT OF
IRAQ RECONSTRUCTION FUNDS**

**SIGIR 12-017
JULY 13, 2012**



SIGIR

Special Inspector General for IRAQ Reconstruction

July 13, 2012

FINAL FORENSIC AUDIT REPORT OF IRAQ RECONSTRUCTION FUNDS

Summary of Report: SIGIR 12-017

Why SIGIR Did This Study

Public Law 108-106, as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to perform forensic audits and issue a final report on all funding appropriated for the relief and reconstruction of Iraq.

A forensic audit involves the systematic examination of a program's internal controls over expenditures and financial data for indications of fraudulent, wasteful, or abusive activities.

This report summarizes the results of SIGIR's forensic audits and investigations of Iraq reconstruction funds and satisfies the requirement for a final forensic audit report.

Congress has appropriated about \$51.4 billion through Fiscal Year 2011 for Iraq reconstruction. The funds were appropriated or allocated to the Department of Defense (DoD), the Department of State (DoS), and the U.S. Agency for International Development (USAID). The funds were appropriated to the Iraq Relief and Reconstruction Fund, Iraq Security Forces Fund, Economic Support Fund, Commander's Emergency Response Program, and the International Narcotics Control and Law Enforcement account.

Recommendations

This report contains no recommendations.

Management Comments

We did not receive comments on this report.

What SIGIR Found

SIGIR audits, inspections, and investigations have found serious weaknesses in the government's controls over Iraq reconstruction funds that put billions of American taxpayer dollars at risk of waste and misappropriation. The precise amount lost to fraud and waste can never be known, but SIGIR believes it is significant. As of June 30, 2012, SIGIR audit reports had questioned \$635.8 million in costs, and SIGIR Investigations, working with other agencies, had resulted in \$176.84 million in fines, forfeitures, and other monetary results.

SIGIR audit reports identified internal control weaknesses such as inadequate reviews of contractors' invoices, insufficient numbers of, or inadequately trained oversight staff, poor inventory controls, high staff turnover, poor recordkeeping, insufficient price competition by subcontractors, and weak oversight of cash disbursements. For example, SIGIR's audit of a DoS contract for Iraqi police training program support found that more than \$2.5 billion in U.S. funds was vulnerable to fraud and waste as a result of poor DoS oversight. Another SIGIR audit of a DoD contract for warehousing and distribution services found that the contractor's business systems had not been adequately reviewed. Business system reviews are the government's primary control to ensure that prices paid are reasonable and allowable.

Weaknesses in internal controls open the door to opportunities for fraud and other illegal activities. As of June 30, 2012, SIGIR investigators, working with other agencies' investigators, have developed information used to indict 87 individuals and convict 71 individuals for fraudulent activities including bribery, kick-backs, theft of government funds and property, inflated invoices, delivery of insufficient or inferior goods, and bid rigging. For example, a U.S. Army Captain was convicted of stealing \$690,000 intended for security contracts and relief and reconstruction programs. A regional vice president of a logistics company was convicted of a scheme to inflate invoices for military shipments to Baghdad through the firm's contract. The estimated loss to the U.S. government was approximately \$1 million.

SIGIR found few problems in the agencies' invoice payment processes. SIGIR tested 180,000 DoD, DoS and USAID payment transactions totaling about \$40 billion. SIGIR looked for problem transactions such as duplicate payments, payments to fictitious vendors, or inappropriate separation of duties of individuals in the payment process. Overall, SIGIR's tests found that once invoices were approved for payment, the payments were essentially processed correctly and to valid vendors. However, because of the internal control weaknesses discussed above, government agencies cannot be certain that the payments were for goods and services that (1) were actually received, (2) met contractual specifications, (3) were in accordance with the contract prices, or (4) were competitively priced.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 13, 2012

MEMORANDUM FOR U.S. SECRETARY OF STATE
U.S. SECRETARY OF DEFENSE
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT

SUBJECT: Final Forensic Audit Report of Iraq Reconstruction Funds (SIGIR-12-017)

We are providing this audit report for your information and use. Public Law 108-106, as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on all funding appropriated for Iraq reconstruction. This report summarizes the results of SIGIR's forensic audits and investigations of Iraq reconstruction funds to satisfy the requirement for a final forensic audit report.

We performed our forensic audits in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, and for recommendations on related policies designed to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, and abuse.

We appreciate the courtesies extended to the SIGIR staff throughout its forensics work. For additional information on the report, please contact James Shafer, Assistant Inspector General for Audits (Washington, DC), 703-604-0894/ fred.j.shafer.civ@mail.mil or Tinh Nguyen, Principal Deputy Assistant Inspector General for Audits (Washington, D.C.), (703) 604-0545/ tinh.t.nguyen4.civ@mail.mil.

Stuart W. Bowen, Jr.
Inspector General

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Final Forensic Audit Report of Iraq Reconstruction Funds

SIGIR 12-017

July 13, 2012

Introduction

Public Law 108-106, as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on all funds appropriated for Iraq relief and reconstruction, which through Fiscal Year 2011 totaled about \$51.4 billion. The funds were appropriated or allocated to the Department of Defense (DoD), the Department of State (DoS), and the U.S. Agency for International Development (USAID).

A forensic audit involves the systematic examination of a program's internal controls over expenditures and financial data for indications of fraudulent, wasteful, or abusive activities. This report summarizes the results of SIGIR's audit and investigative work in key areas of internal controls over U.S. government expenditures for Iraq reconstruction.

Background

Congress appropriated or allocated the \$51.4 billion in five major reconstruction funds. The funds are: Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), Commander's Emergency Response Program (CERP), and International Narcotics Control and Law Enforcement (INCLE). Table 1 shows the totals by fund through Fiscal Year 2011.

Table 1—Total Appropriations by Fund for Fiscal Years 2003–2011(\$ in billions)

Iraq Relief and Reconstruction Program Funds	Appropriated Amounts
IRRF I & IRRF II	\$20.9
ISFF	20.5
ESF	4.8
CERP	4.0
INCLE	1.2
Total	\$51.4

Source: SIGIR analysis of reconstruction funds.

The appropriations have been used to pay for thousands of contracts under numerous programs implemented and managed by DoD, DoS, and USAID for the benefit of the Iraqi people.¹

According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*²,

Internal control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. In short, internal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources.

SIGIR used a framework with multiple audit and investigative approaches in performing its forensic work. Specifically, SIGIR

- examined major DoD, DoS, and USAID programs and contracts to determine if the organizations had good internal controls over the expenditure of U.S. reconstruction funds;
- used internal and external sources to identify fraudulent activities; and
- tested about 180,000 payment transactions totaling about \$40 billion to identify irregular, or anomalous transactions that could indicate potential fraud.³

The 10 tests and their intended purposes are shown in Table 2.

¹ Other federal agencies receiving funds for operations in Iraq include the Departments of Justice, Treasury, Homeland Security, Transportation, Commerce, and Agriculture; the Overseas Private Investment Corporation; and the Export-Import Bank.

² GAO/AIMD-00.21.3.1.

³ A detailed description of our testing methodology can be found in a prior report, *Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds*, SIGIR 11-006, 10/28/2010.

Table 2—Anomaly Tests and Intended Results

Anomaly Test	Intent of Test
Duplicate payments	Identify instances where it appears a contractor may have been paid two or more times for the same invoice, work performed, and/or product delivered.
Separation of duties	Identify breakdowns in separation of duties whereby the same government contracting official originates the request for payment, approves the request, and is the payor and/or payee.
Questionable vendors	Identify vendor names that are generic (e.g., cash, vendor) and vendor names that do not appear to align with the program goals.
Fictitious contractors	Identify payments to contractors with no associated D-U-N-S ^a /CAGE ^b number.
Fictitious addresses/high risk locations	Identify payments to possibly fictitious addresses and/or high risk locations or known high-risk banking centers such as Cyprus and Beirut, Lebanon.
Payments to debarred/suspended contractors	Identify payments to debarred/suspended contractors identified in the Excluded Parties List System.
Notable variances in payment activity	Identify payments outside of the “norm” for a vendor.
Invoice date analysis	Identify payments occurring prior to or on the date of invoice and sequentially-numbered contractor invoices.
Payee Validation	Identify payments to debarred/suspended contractors by contract personnel who are also disbursing agents.
Application of Benford's Law ^c	Identify nonrandom transaction amounts to identify instances a contractor submitted false invoices using false invoice totals.

Notes:

^a The Data Universal Numbering System or D-U-N-S® Number is Dunn and Bradstreet’s copyrighted, proprietary means of identifying business entities on a location-specific basis. This unique nine-digit identification number has been assigned to more than 100 million businesses worldwide since 1994. The D-U-N-S Number® was incorporated into the Federal Acquisition Regulation in April 1998 as the Federal Government’s contractor identification code for all procurement-related activities.

^b A Commercial and Government Entity (CAGE) Code is a five-character code that identifies companies doing or wishing to do business with the Federal Government.

^c Benford’s law states that the leading digit in lists of numbers from many real-life sources of data is distributed in a non-uniform way. Accordingly, the first digit is 1 almost one third of the time, and subsequent digits occur as the first digit in descending frequency, where 9 is the leading digit less than one time in twenty.

Source: SIGIR analysis as of 09/30/2010.

In addition to its audits of U.S.-funded programs and projects, SIGIR reviewed U.S. government oversight of the Government of Iraq’s Development Fund for Iraq. The results of SIGIR’s forensic efforts are described in more detail in this report.

SIGIR continues to examine the expenditure of appropriated funds for Iraq reconstruction and will continue to do so until SIGIR ends operations, scheduled for Fiscal Year 2013. The results of those examinations will be reported as they are completed.

Objectives

This report responds to requirements in Public Law 108-106, as amended, which requires a final forensic audit report.

For a discussion of the audit scope and methodology and a summary of prior coverage, see Appendix A. For a list of acronyms used, see Appendix B. For the audit team members, see Appendix C. For the SIGIR mission and contact information, see Appendix D.

Weak Oversight of Major Reconstruction Contracts and Programs Increased Vulnerabilities to Fraud, Waste, and Abuse

Since 2004, SIGIR's audits have identified weak controls over the expenditure of reconstruction funds for many projects and program in Iraq. As of June 30, 2012, SIGIR's audits questioned \$635.8 million in costs. Inadequate reviews of contractors' invoices, insufficient numbers of, or inadequately trained oversight staff, poor inventory controls, high staff turnover combined with poor recordkeeping, insufficient price competition by subcontractors, and weak oversight of cash disbursements are some of the more prevalent control weaknesses SIGIR found in its audits. These weaknesses increased the opportunity for fraud, waste, and abuse of U.S. government funds intended for Iraq reconstruction.

Inadequate Reviews of Contractors' Invoices

We found numerous instances where U.S. government employees or their designated representatives had not thoroughly reviewed contractors' invoices before payment to ensure the bills were correct or appropriate. In some instances, invoices were reviewed months after they were paid. Poor and/or delayed invoice reviews add risk that the government may overpay, or pay unallowable and unreasonable costs. The following examples illustrate weak reviews of contractors' invoices.

Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program, SIGIR 10-008, 1/25/2010

We reported that DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) had only one contracting officer representative (COR) in Iraq validating invoices for task orders with expenditures that exceeded \$2.5 billion. As a result, invoices were not properly reviewed, and the \$2.5 billion in U.S. funds were vulnerable to fraud and waste. We found this lack of control to be especially disturbing since earlier reviews of the DynCorp contract had found similar weaknesses. As a result of SIGIR's audits, INL began reconciling all historical invoices and, as of July 2009, reported that it had recovered more than \$60 million and had additional collections in process.

Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM To Go Undetected, SIGIR 10-005, 10/30/2009

Our audit of the U.S. Army's Global Maintenance and Supply Services contract with AECOM to provide maintenance activities for the U.S. Army, Iraqi Army, and Afghan Army found that the U.S. Army Contracting Command performed inadequate invoice reviews. Our review of selected contract invoices showed AECOM potentially overbilled or could not support more than \$4.2 million in costs, or 14% of the \$30.6 million we examined. Given the billing issues identified during SIGIR's limited review, the weaknesses in invoice review procedures, and the size of the contract, we concluded the U.S. government was highly vulnerable to having paid other questionable costs.

Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected, SIGIR 11-022, 7/30/2011

Our audit of Anham, LLC's (Anham) contract for warehouse and distribution services showed that U.S. government personnel either did not review, or only conducted limited reviews of Anham's vouchers. At the time of our review, \$113.4 million in expenses had been incurred under the contract. We found that the administrative contracting office reviewed only \$32.7 million in vouchers, and CORs reviewed another \$32.2 million in vouchers for trucking services. However, 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. Moreover, Anham did not submit \$44.7 million in vouchers for warehousing and delivered items to the administrative contracting office, and thus these were not reviewed.

In addition, the audit also found that the Defense Contract Audit Agency had not completed a review of Anham's incurred costs and that, in general, it had a significant backlog in conducting these reviews. When completed, incurred costs reviews determine if costs claimed for reimbursement are reasonable, allowable, applicable to the contract, and in keeping with generally accepted accounting principles. Because of delays in conducting these reviews, Anham's unreasonable charges for items purchased under the contract (such as an \$80 PVC elbow that a competitor was selling for \$1.41), could go undetected until such time when the government conducts these reviews.

Insufficient Numbers of, or Inadequately Trained Oversight Staff

CORs serve as the eyes and ears of the contracting officer to ensure the U.S. government receives the supplies and services it needs and is appropriately billed for the goods and services it receives. We found several instances where the number of CORs was insufficient for the workload or the CORs were inadequately trained to perform their oversight functions. The following examples illustrate these weaknesses.

Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support, SIGIR 06-029 and DoS-OIG-AUD/IQO-07-20, 1/30/2007

The joint SIGIR/DoS Office of Inspector General review found that one COR in Iraq was responsible for a contract with a potential value of about \$1.8 billion. His responsibilities included accepting contractor work, informing the contracting officer of performance failure, reviewing and approving invoices, and maintaining a COR file. For Task Order 0338 with a not-to-exceed value of \$188.7 million, we found weak and sometimes non-existent contract administration. Our previously mentioned subsequent review of the contract, SIGIR 10-008, found that DoS had increased the number of CORs to a maximum of four permanent personnel, but that number was still insufficient to adequately oversee the contract. Moreover, we found the CORs needed additional guidance on what they were to do because they did not perform functions for which they were responsible and performed other activities for which they were not responsible.

Control Weaknesses Remain in Oversight of Theater-wide Internal Security Services Contracts, SIGIR 11-018, 7/28/2011

We found issues that could adversely impact the CORs' ability to perform their 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 lacked sufficient time to conduct effective oversight. We found similar issues in an audit of the contract in 2009.⁴

Poor Inventory Controls

Poor inventory controls over U.S. purchased government property leave the property vulnerable to undetected loss or theft. The following examples illustrate weaknesses we found in inventory controls over U.S. government property.

Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center, SIGIR 08-004, 1/15/2008

Our review found that Parsons, the prime contractor, experienced problems in closing out inventory records. In August 2005, Parsons provided an inventory of property to another contractor performing reconstruction work at the Taji base. However, the Parsons' report addressing the amount of government property was incomplete. At the time we completed our report, the task order for the reconstruction projects remained open because of questions about the accuracy of government property inventory records.

Logistics Civil Augmentation Program Task Order 130: Requirements Validation, Government Oversight, and Contractor Performance, SIGIR 07-001, 6/22/2007

We found weaknesses in Kellogg Brown & Root Services, Inc.'s fuel receiving, distribution, and accountability processes of such magnitude that we were unable to determine an accurate measurement of the fuel services provided under the task order. These were material weaknesses that could result in the improper use of fuel. We also determined that government monitoring was not particularly strong during the period under review because the government lacked qualified oversight staff for this technical area. However during our discussions with the contractor, the contractor took corrective actions to improve controls. Also, the government improved its oversight by appointing a skilled Contracting Officer's Technical Representative.

High Staff Turnover and Poor Recordkeeping

We found that U.S. government agencies participating in Iraq reconstruction activities did not anticipate the large and long-term staffing needs required to effectively manage reconstruction efforts. Program and project management offices were significantly understaffed even after major reconstruction projects were well under way. Exacerbating this problem was a lack of staff continuity and knowledge due to the high turnover of personnel and poor recordkeeping. These problems contributed to poor oversight, waste, and inefficiencies in government expenditures. The following examples illustrate these problems.

⁴ *Need To Enhance Oversight of Theater-wide Internal Security Services Contracts, SIGIR 09-017, 4/24/2009.*

Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred, SIGIR-10-013, 4/26/2010

DoD's efforts to create a commercial economic zone at the Baghdad International Airport with CERP funds were hampered by the frequent rotation of civil affairs brigades charged with project management and inadequate expertise in engineering and airport development. The brigades had tours of duty ranging from six to nine months, with an average of eight months. In addition to the frequent staff turnover, we found poorly maintained project files and incomplete project tracking data.

Begun in December 2006, the project aimed to establish the Baghdad airport as an international gateway that would generate revenue for Iraq and provide prosperity, stability, and social development. After four years and more than \$35 million in expenditures for 46 projects, about half the projects and project funds were at risk of being wasted without further actions to complete the projects.

Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation, SIGIR 08-011, 4/29/2008

The U.S. government paid the Perini Corporation almost \$123 million to build electrical transmission and distribution facilities in southern Iraq. We found high turnover of government contracting officials adversely impacted contract management because it undercut the effectiveness and efficiency of contract administration. We also found that between March 2004, when the contract was issued, and September 2006, 14 contracting officers were assigned for an average of 1 new contracting officer every 65 days. The high turnover was caused by the uncertain length of rotations, high work volume, intense operational tempo, limited incentives, high-risk environment, and shortfalls in qualified personnel. We reported that our assessment was constrained by incomplete documentation of the U.S. Army Corps of Engineers Gulf Region Division's quality assurance program.

Management of the Primary Healthcare Centers Construction Projects, SIGIR 06-011, 4/29/2006

The U.S. Army Corps of Engineers Gulf Region Division was responsible for managing 400 projects from a Parsons Delaware, Inc.'s contract to construct primary health care centers throughout Iraq. However, we found that the Gulf Region Division employed fewer than 40 military and civilian field engineers and construction inspectors in the southern region of operations to do so, and according to government officials, 5% to 8% of these individuals were on rest and recuperation leave at any one time. As an indicator of the severe shortage of these inspectors, U.S. government officials told SIGIR at the time SIGIR was conducting the audit that it was trying to hire and train 115 Iraqi engineers to compensate for their personnel shortages.

Insufficient Price Competition by Subcontractors

Competition in contracting helps ensure that the U.S. government gets a fair price for the goods and services it procures. Our audits found weaknesses in that competitive environment which raise issues of excess pricing and possible fraud. Similarly, the Commission on Wartime Contracting found that the lack of subcontractor oversight significantly raises the risk of fraud.

The following examples illustrate the problems of achieving competition in high risk or dangerous environments.

Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center, SIGIR 08-004, 1/15/2008

SIGIR obtained information indicating that there were significant limitations to full and open competition in awarding contracts to Parsons' subcontractors, which accounted for almost three-quarters of the \$37.4 million in reconstruction costs. These conditions created risks, especially to ensuring fair and reasonable subcontract prices. Parsons officials acknowledge that limited competition was prevalent and due to several factors: the lack of means, such as newspapers, radio, the Internet, or common mail service for distributing solicitations to a large supplier base; the inability for subcontractors to assume additional workload; and the inability of many potential subcontractors to prepare proposals. Also, as a result of the dangers of working in Baghdad and at Taji and the urgent need to begin construction quickly, Parsons said that using suppliers known to the company was essential to ensuring that it would be capable of performing the work.

Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected, SIGIR 11-022, 7/30/2011

We found significant weaknesses in the government's oversight of Anham's business systems and other contract administration functions, which left the government at significant risk of paying unreasonable costs. Specifically, we found that the Defense Contract Audit Agency did not review Anham's estimating system; the Defense Contract Audit Agency reviewed Anham's billing system and found significant weaknesses; and the Defense Contract Management Agency reviewed and recommended approval of Anham's purchasing system despite identifying significant gaps in documentation on the degree of price competition obtained. In a November 2011 report, the Government Accountability Office found deficiencies in the oversight of contractor business systems and challenges facing both the Defense Contract Audit Agency and the Defense Contract Management Agency.⁵

Weak Oversight of Cash Transactions

Because cash is especially vulnerable to theft and misappropriation, it must be appropriately safeguarded. Cash transactions were especially prevalent in Iraq due to the absence of a modern banking system. The following examples illustrate some of the control issues we found with U.S. government agencies' cash controls.

Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak, SIGIR 11-010, 1/28/2011

Overall, we found the U.S. Multi-National Corps–Iraq exercised weak financial controls over its cash payments to the Sons of Iraq. We found that payments were often made to a Sons of Iraq leader to distribute instead of directly to the individual Sons of Iraq member and without any means of verifying that each member received his salary. Moreover, considerable documentary

⁵ *Defense Contract Management Agency: Amid Ongoing Efforts to Rebuild Capacity, Several Factors Present Challenges in Meeting Its Missions*, GAO-12-83, 11/03/2011.

evidence was missing that would have helped account for cash disbursements. Among the most significant missing documents were receipts and statements of agent officer's accounts. These receipts and statements are important internal control documents that ensure funds are used appropriately. We reported that in December 2009, a U.S. Army Captain pled guilty to stealing approximately \$690,000 in Sons of Iraq funds.

Control of Cash Provided to South-Central Iraq, SIGIR 05-006, 4/30/2005

We found that the processes the Development Fund for Iraq account manager's office used for completing, controlling, and maintaining accurate records for the issuance of cash to paying agents in the South-Central Region and for clearing those agents' cash account balances for these Government of Iraq funds were flawed. Specifically, the Development Fund for Iraq account manager did not:

- adhere to the clearing process for receipts of cash disbursements to ensure that cash accountability records were complete, accurate, and reconciled
- have required cash accountability documentation to identify the total amount of money provided to paying agents
- properly document transfers of cash between paying agents
- review required documentation and clear the cash accounts of all division level agents every 30 days and instruct those agents to review required documentation and clear the cash accounts of field paying agents every 30 days
- review required documentation in a timely manner
- issue appointment letters to all individuals to whom cash was entrusted

As a result, the Development Fund for Iraq account manager and paying agents in the South-Central Region did not fully comply with applicable guidance and did not properly control, account for, and turn-in cash assets. We further concluded that the South-Central Region paying agents and the Development Fund for Iraq account manager could not properly account for or support more than \$96.6 million in cash and receipts.

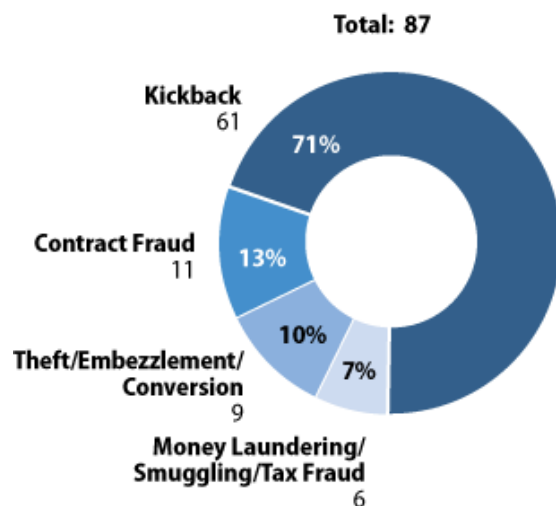
Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq, SIGIR 04-009, 7/28/2004

We found the Coalition Provisional Authority created policies and regulations which, although well-intended, did not establish effective funds control and accountability over \$600 million in the Government of Iraq's Development Funds for Iraq funds held as cash available for disbursement. This included \$200 million with the Comptroller and more than \$400 million with agents. Specifically, (1) proper cash accountability was not maintained, (2) physical security was inadequate, (3) fund agent records were not complete and (4) fund managers' responsibilities and liabilities were not properly assigned. While we did not identify any actual losses of cash, these funds were susceptible to fraud, waste, and abuse. During the audit, we noted that management was taking corrective actions to strengthen controls.

Investigations Uncover Fraudulent Activities

Weaknesses in internal controls open the door to opportunities for fraud and other illegal activities. As of June 30, 2012, the joint work of SIGIR investigators and other agencies' investigators had resulted in 87 indictments, 71 convictions, and \$176.84 million in fines, forfeitures, and other monetary results. Figure 1 shows the indictments, by type of criminal activity, that the investigators uncovered.

Figure 1—Indictments, by Type of Criminal Activity, as of June 30, 2012



Source: SIGIR investigations data.

The fraudulent activities uncovered by SIGIR and other agencies' investigators include bribery, kick-backs, theft of government funds and property, inflated invoices, delivery of insufficient or inferior goods, and bid rigging. The following sections and examples illustrate the types of crimes that have been successfully investigated and prosecuted.

Theft of Funds and Property

U.S. Army Major Kevin Schrock was convicted of stealing CERP funds⁶ that were to be used for humanitarian relief or rebuilding purposes. Major Schrock was deployed with the 1st Brigade, 25th Infantry Division, Mosul, Iraq, from September 2004 to September 2005. From September 2004 to January 2005, he was appointed the paying agent for CERP funds and was responsible for requesting and obtaining the funds from the Army finance office and disbursing the funds.

⁶ The \$4.0 billion CERP was a program that allowed commanders to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibilities. The CERP was intended for small-scale projects that can be quickly executed and sustained by the local population or government. Commanders were authorized to provide cash for micro grants to individual Iraqis to help revitalize economic markets in areas that had been heavily targeted by insurgent violence.

Major Schrock was the COR during the second half of this tour and was responsible for day-to-day contact with contractors in Iraq on behalf of the U.S. government. While in Iraq, Major Schrock stole more than \$47,000 and deposited the funds to his bank accounts. He broke the deposits up in smaller amounts to try to avoid currency reporting requirements. Major Schrock pled guilty in February 2011 and was subsequently sentenced to three years' probation and required to pay \$47,241 in restitution.

U.S. Army Captain Michael Dung Nguyen also stole CERP funds. Captain Nguyen pled guilty to stealing approximately \$690,000 while he was deployed in Iraq. He gained access to the funds (which were intended as payments of security contracts with the Sons of Iraq and humanitarian relief and reconstruction programs) in his capacity as the project purchasing officer for the U.S. Army. Captain Nguyen was sentenced to 30 months in prison followed by three years of supervised release and was required to pay \$200,000 in restitution, and forfeit his interest in all personal property bought with the stolen money.

U.S. Army Sergeant Robert Nelson was convicted of stealing generators from a lot on a base that held used equipment. Once the generators were taken off the base, they were sold on the black market in Iraq. Sergeant 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. For this crime, Sergeant Nelson was given four years of probation with the first six months in home confinement and was required to pay \$44,930 in restitution and special assessment.

Mr. Robert Young, a contractor, pled guilty to participating in a scheme to steal more than 10 million gallons of fuel from a U.S. Army fuel point in Iraq. Along with two other conspirators, Mr. Young created and obtained false documentation that allowed individuals to draw fuel, which was then resold on the black market. Mr. Young was sentenced to 97 months in prison followed by 3 years of supervised release, was required to forfeit \$1.0 million, and pay \$26.28 million in restitution.

U.S. Marine Corps Gunnery Sergeant Eric Hamilton pled guilty to a conspiracy to steal more than 70 electrical generators from two Marine Corps bases in Iraq in 2008. He was in charge of a military storage yard containing the generators and other equipment for use by U.S. Marine Corps units in Iraq. Sergeant Hamilton admitted that he identified the generators to be stolen, painted markings on them to designate them for theft by the Iraqi contractors, and facilitated access to the storage yard by the contractors' trucks to load and remove the generators. He also admitted that he received more than \$124,000 in payment from a Marine Corps officer and the Iraqi contractor in return for facilitating the theft. Sergeant Hamilton was sentenced to 18 months in prison, three years of supervision release, and ordered to pay \$124,944 in restitution to the United States.

Inflated Invoices

Mr. Christopher Cahill, a regional vice president of a logistics company, participated in a scheme to inflate invoices for military shipments to Baghdad through the firm's contract. The invoices were adjusted by adding a bogus "war risk surcharge" of \$.50 for each kilogram of freight transported to Baghdad. This matter involved contracts worth approximately \$13 million and an estimated loss to the U.S. government of approximately \$1 million. Mr. Cahill was sentenced to

30 months in prison followed by 2 years of supervised release and required to pay a \$10,100 fine and assessment.

Mr. Stephen Day, president and owner of a logistics company, colluded with another company to submit inflated invoices that were passed on to the U.S. government. The fictitious and fraudulent invoices totaled about \$32,472. Mr. Day's company arranged shipments of food to a Houston-based company that, in-turn, furnished food items to a Kuwaiti company working under a prime contract with the U.S. government to deliver food to troops in Iraq. In about 37 transactions, Mr. Day provided 2 sets of invoices to the Houston-based company. The Houston-based company paid Day's company the lower-cost invoices but submitted for payment the higher-cost invoices to the prime contractor (the Kuwaiti company). These higher-cost invoices were subsequently passed on to the U.S. government for payment. For his financial misconduct, Mr. Day received three years' probation and was required to pay \$41,522 in restitution and a \$2,000 fine.

Insufficient or Inferior Goods

U.S. Marine Corps Captain Eric Schmidt worked with his wife to steal about \$1.69 million from U.S. government contracts. After using his position as a contracting officer to steer contracts to the Al-Methwad Company, an Iraqi firm, Captain Schmidt's wife found U.S.-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the terms of the contract. Ms. Janet Schmidt purchased the goods using Al-Methwad-provided funds, often purchasing far fewer or inferior products than the contract required. She then arranged for the delivery of the goods to Iraq. Once the shipment arrived in Iraq, Captain Schmidt falsely certified that Al-Methwad provided both the number and type of goods the contract required. Using this false certification, Al-Methwad sought and received payment from the U.S. government. Captain Schmidt was sentenced to 72 months in prison followed by 3 years probation. Ms. Schmidt was sentenced to 1 year of home confinement and 3 years probation. Both were required to pay \$2.1 million in total restitution.

Mr. Samir Itani owned and operated American Grocers Inc, which furnished food to Public Warehousing Company under a DoD subcontract to supply food to U.S. troops in Iraq. Mr. Itani conspired with Public Warehouse Company to overcharge the government for bogus trucking costs and for food shipments that never occurred. Mr. Itani was sentenced to two years imprisonment followed by three years supervised release and was required to pay a \$100,000 fine.

Bid Rigging

Mr. Jeff Mazon, a materials and property procurement manager for Kellogg Brown & Root Services, Inc., the prime contractor for the government under the Logistics Capabilities contract, inflated the bid from one subcontractor and then inflated the bid from a second subcontractor by a greater amount to make the first subcontractor appear to be the lower bidder. Kellogg Brown & Root Services subsequently awarded the contract to the lower cost first subcontractor. The scheme resulted in Kellogg Brown & Root Services paying an excess of \$5.5 million to the subcontractor. Mr. Mazon was sentenced to 1 year probation and 6 months of home confinement and was required to pay a \$5,000 fine.

U.S. Army National Guard Lieutenant Colonel Levonda Selph served as a member of a team to select the winning contractors in competitive procurements. In her official capacity, Lieutenant Colonel Selph solicited bribes, including cash and vacations in Thailand, in exchange for rigging the bidding process to ensure a Kuwaiti contractor received a renewal on his contract for the construction, maintenance, and operation of warehouses in Iraq. Lieutenant Colonel Selph was sentenced to 12 months in prison followed by 3 years of supervised release and was required to pay a \$5,000 fine and \$9,000 in restitution.

Mr. Anthony Martin, a subcontracts administrator and subsequently a subcontracts manager with Kellogg Brown & Root, received kickbacks from the managing partner of a Kuwaiti company to award a subcontract related to U.S. military supply lines between Kuwait and Iraq. In conjunction with his duties to solicit bids from prospective subcontractors and negotiate and award Kellogg Brown & Root subcontracts, Mr. Martin selected the Kuwaiti company's bid and then added \$200,000 to the subcontract amount which he then received as his kickback. Mr. Martin was sentenced to one year and one day in prison followed by two years of supervised release and was required to pay \$200,504 in restitution.

Kickbacks and Bribes for Contract Awards

Ms. Bonnie Murphy, a DoD civilian in Iraq, was tasked along with others to manage and dispose of surplus DoD property. Ms. Murphy was authorized to recommend qualified contractors to carry out those tasks. She accepted jewelry, worth approximately \$9,000, from the owners and employees of an Iraqi company in exchange for justifying a non-competitive contract to the Iraqi company. Ms. Murphy was sentenced to one year of supervised release and was required to pay a \$1,500 fine.

U.S. Army Captain Faustino Gonzales received approximately \$25,000 in kickbacks in exchange for awarding reconstruction contracts at inflated prices in Iraq. Captain Gonzales deposited bribe money in bank accounts in Killeen and San Antonio, Texas and also used some of the money to purchase a vehicle. Captain Gonzales was sentenced to 15 months in prison followed by 1 year supervised release and was required to pay a \$10,000 fine and \$25,100 in restitution and a special assessment.

U.S. Army Major Roderick Sanchez was deployed overseas in Afghanistan, Iraq, and Kuwait as a contracting officer. Major Sanchez admitted to accepting bribes from foreign companies seeking to secure Army contracts. In return, Major Sanchez used his official position to steer Army contracts to these companies. During the course of this criminal scheme, Major Sanchez accepted Rolex watches, cash payments, and other items of value totaling more than \$200,000. Major Sanchez was sentenced to five years in prison followed by three years of supervised release and a fine of \$15,000.

Retired Navy Lieutenant Commander Frankie Hand, and co-defendant Michelle Adams, a U.S. contractor, met in May 2007 at Camp Taji, Iraq. Lieutenant Commander Hand agreed to assist Ms. Adams and her business partner, Peter Dunn, in obtaining U.S. government contracts in exchange for Lieutenant Commander Hand becoming a "silent partner" in their companies. Thereafter, Hand, Adams, and Dunn agreed to pay Mark Carnes, a U.S. Air Force Master Sergeant at Camp Taji, for his "assistance" in getting contracts awarded to their companies. In

August and September 2007, Sergeant Carnes helped to steer two government contracts for work on Camp Taji to businesses run by Adams and Dunn, and their silent partner, Hand. After the United States paid \$757,525 for the work on these two contracts, Ms. Adams, Mr. Dunn, and Lieutenant Commander Hand jointly paid Sergeant Carnes approximately \$50,000 in bribes. Lieutenant Commander Hand received three years in prison and forfeiture of \$757,525. Ms. Adams received 15 months in prison followed by supervised release. Mr. Dunn received 14 months in prison followed by 2 years supervised release. Sergeant Carnes received 20 months in prison followed by 3 years supervised release and forfeiture of \$57,030.

Few Problems Found with Agencies' Payment Processes

Our tests of 180,000 payment transactions processed by DoD, DoS, and USAID for Fiscal Years 2003 through 2009, and totaling about \$40 billion, found few problems such as duplicate payments, payments to fictitious vendors, or inappropriate separation of duties of individuals in the payment process. The few problems or questionable transactions we found were either resolved upon further examination or referred to others for resolution. Our tests of the transactions indicate that once the invoices were approved for payment, the payments were essentially processed correctly and to valid vendors. However, because of serious internal control weaknesses found in our reviews of projects and programs, government agencies cannot be certain that the payments were for goods and services that (1) were received, (2) met contractual specifications, (3) were in accordance with the contract prices, or (4) were competitively priced.

The nearly 180,000 transactions we tested for Fiscal Years 2003 through 2009 represent approximately 84% of the appropriations or funds made available to DoD, DoS, and USAID from four major funds—ISFF, IRRF, CERP, and ESF—and about 75% of the total funds appropriated or made available for Iraq reconstruction. The payment transactions were from the following agencies' financial databases:

- DoD—Corps of Engineers Financial Management System, Computerized Accounts Payable Systems, and Deployable Disbursing Systems
- DoS—Global Financial Management Systems
- USAID—Phoenix database

The following sections describe the results of our tests.

Few Duplicate Payments Uncovered

Our tests initially identified 1,131 transactions totaling \$267 million where it appeared the vendors were paid two or more times for the same work or product. These transactions involved about 800 vendors associated with DoD, DoS, and USAID IRRF- and ISFF-funded programs. After further analysis, we verified that 50 payments totaling \$52.14 million were duplicative. However, agencies have identified and corrected most of the duplicate payments as summarized below.

- Twelve DoD payments valued at \$142,000 were duplicative. At our request, DoD sought and received reimbursement for the overpayments.
- Two DoS payments valued at approximately \$4 million were duplicative. We later learned that DoS had also identified these duplicate payments and took actions to recover the overpayments.

- Thirty-six USAID payments valued at approximately \$48 million were duplicative. We later learned that USAID had also identified these duplicate payments and took actions to recover the overpayments.

Few Instances Where Duties Did Not Appear To Be Appropriately Segregated

Segregation of duties is an important element of internal controls. For example, if one individual in an organization was responsible for approving the orders for goods, validating the receipt of the goods, and approving the payments for the goods, the organization would be vulnerable to fraud and abuse by the individual.

Our tests initially identified 108 transactions valued at \$41 million where duties did not appear to be appropriately segregated. For example, we found that generic titles were used to represent individuals creating, certifying, modifying, and paying a voucher such as “Cashier C. Cashier” and “Input T. Input,” rather than an individual’s actual name as the signatory. However, upon close examination of vouchers and supporting documentation, we determined that except for a few instances, there appeared to be appropriate separation of duties. In the few instances where we noted one signatory was acting or signing on behalf of another, we referred the instances to investigative personnel for review and appropriate action.

No Instances of Questionable Vendors, Fictitious Contractors, or Suspect Addresses

Our tests identified 124 transactions that appeared to indicate:

- payments to contractors with no associated DUNS number or government code identifier
- payments to possibly fictitious addresses and/or high-risk locations or known high-risk banking centers such as Cyprus and Beirut, Lebanon
- payments to vendors with generic names (e.g., cash, vendor), and vendors whose businesses did not appear to align with program goals

However, upon further review of key documentation such as state business licenses, web sites, invoices, receiving documents, and payment records, we confirmed the legitimacy of these contractors.

Few Instances of Debarred/Suspended Contractors

Our tests found four vendors that received payments and that were also included in the Excluded Parties List System of debarred/suspended contractors.⁷ One vendor was the subject of an on-

⁷ The Excluded Parties List System is a web-based system maintained by the General Services Administration to provide a single comprehensive list of individuals and firms excluded by Federal government agencies from receiving federal contracts or federally approved subcontracts and from certain types of federal financial and nonfinancial assistance and benefits.

going investigation. We further examined the other three vendors and found that based upon a review of the transactions, most of the activity appeared to be related to existing contracts. The Federal Acquisition Regulation does not preclude payments during a suspension, proposed debarment, or debarment. Rather, it precludes new contract awards.

Notable Variances in Payment Activity Did Not Surface Any Issues

Our tests identified 3,435 payments to vendors that appeared outside the “norm” for those vendors. For example, a \$50 million payment to a vendor would be outside the norm if the other payments to that vendor were for substantially lesser amounts. We reviewed 18 of the largest out-of-norm transactions, valued at almost \$470 million but did not uncover issues that would indicate questionable activities. Rather, we found instances where larger invoices were processed at the same time.

Poor or Delayed Accounting for Invoices Surfaced During Date Analysis

Our tests identified 2,145 payments that were dated prior to, or on, the invoiced dates. We reviewed three payments where there was considerable time between the invoiced and payment dates. Specifically, the certifying officers signed the invoices up to 22 months after agencies records indicate agencies paid the vendor. Our review found that the anomalies resulted from poor or delayed accounting for the transactions rather than fraud. For example, we found that the agencies recorded the invoices in accounting systems months after they were paid, and the systems captured the dates the invoices were recorded as the invoiced dates.

Application of Benford’s Law Did Not Surface Any Issues

Our tests identified 10,746 nonrandom transaction amounts that met Benford’s Law. The law states that in listings or tables of statistics, the digit 1 tends to occur with probability much greater than the expected 11.1% (i.e., one digit out of 9). An assumption follows that when numbers are fabricated (for example, for use in false billings), they will be distributed uniformly. We reviewed 11 high-dollar-value transactions that appeared to meet Benford’s Law. Our review of the payment vouchers and other contract documentation found no evidence of questionable activities.

Conclusions

Conclusions

The U.S. government Iraq relief and reconstruction program had serious internal control weaknesses that put billions of American taxpayer dollars at risk of fraud, waste, and abuse. The precise amount lost to fraud and waste may never be known, but SIGIR's audits and investigations have demonstrated that the amount could be substantial. The end result of the dollars lost to fraud and waste is that those funds were not available to assist the Iraqi people and help rebuild their country.

Effective internal controls are the first line of defense in the protection of U.S. government property and funds, and ultimately, American taxpayer dollars. They make the possibility for fraud and waste that much more difficult, but they are not foolproof. And when they don't exist or are weak, the opportunity for wasted resources or misappropriation of those resources increases.

U.S. government audits of contractors' business systems can also help prevent fraud, waste, and abuse by providing some assurance that the contractors' accounting, billing, purchasing and estimating systems meet U.S. government standards. However, we and others found instances where these reviews were either not done or not done in a timely manner.

Despite the deficiencies we found, our tests of almost 200,000 payment transactions determined that once the invoices were approved for payment, those payments were essentially processed correctly and to valid vendors. Although controls over the payment processes are important, they cannot substitute for effective controls over the entire procurement process because weak controls earlier in the process provide no assurance that the payments were for goods and services that (1) were received, (2) met contractual specifications, (3) were in accordance with the contract prices, or (4) were competitively priced.

Overall, audits of programs and activities and investigations of individuals and companies can help uncover wasteful practices and the possibility for fraudulent activities, but they are far less effective than preventive measures. Further, proving and prosecuting fraud is difficult, costly, and time consuming. As such, proactive measures such as enhancing internal control procedures and carefully reviewing contractor and grantee business systems and practices are the key to establishing a climate where fraud, waste, and abuse is not the norm.

Appendix A—Scope and Methodology

Scope and Methodology

This report presents a compilation of audit and investigative forensic work in compliance with Public Law 108-106, as amended, which requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on all funds appropriated for Iraq relief and reconstruction. The audits were performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978.

In performing the final forensic report, we took a systematic examination of a program's internal controls over expenditures and financial data for indications of fraudulent, wasteful, or abusive activities. Specifically, we reviewed over 200 audit reports focusing on the level of management oversight of major reconstruction contracts and programs. In doing so, we identified several internal control weaknesses that increased vulnerabilities to fraud, waste, and abuse. In addition, we reviewed criminal cases developed by both SIGIR investigators and other government agencies' investigators to determine the connection between internal controls and fraudulent activities. Lastly, we tested anomalous expenditure transactions obtained from DoD, DoS, and USAID databases for fraudulent activities. We developed the list of anomalies for our tests through discussions with auditors, investigators, and agency officials as well as industry-established test criteria; and we applied the criteria relevant to the anomalies to the financial transactions. When anomalies were identified, we further examined the details of the transactions to determine whether they were fraudulent or improper.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Use of Computer-processed Data

We used computer-processed data to identify anomalous expenditure transactions. The data came from the Defense Finance and Accounting Service, the U.S. Army Corps of Engineers' Financial Management System, the USAID Phoenix System, and the DoS Global Financial Management System. We performed reconciliations of disbursement data received from the various accounting systems to determine that they were complete and reliable. The reconciliation process included a comparison of the detailed disbursement totals to other sources of information, including summary-level data. This reconciliation process yielded a variance of tolerable amounts.

Internal Controls

As discussed in the body of the report, SIGIR has conducted audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. We reported on those weaknesses in each report.

Prior Coverage

We reviewed the following reports by SIGIR; the Department of Defense, Office of the Inspector General; and Government Accountability Office.

Special Inspector General for Iraq Reconstruction

Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected, SIGIR 11-022, 7/30/2011.

Control Weaknesses Remain in Oversight of Theater-Wide Internal Security Services Contracts, SIGIR 11-018, 7/28/2011.

Sons of Iraq Program: Results Are Uncertain and Financial Controls Were Weak, SIGIR 11-010, 1/28/2011.

Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds, SIGIR 11-006, 10/28/2010.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #5, SIGIR 11-005, 10/28/2010.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #4, SIGIR 10-019, 7/26/2010.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #3, SIGIR 10-017, 4/28/2010.

Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred, SIGIR-10-013, 4/26/2010.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #2, SIGIR 10-011, 1/28/2010.

Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program, SIGIR 10-008, 1/25/2010.

Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM To Go Undetected, SIGIR 10-005, 10/30/2009.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #1, SIGIR 10-004, 10/28/2009.

Developing a Depot Maintenance Capability at Taji Hampered by Numerous Problems, SIGIR 9-027, 7/30/2009.

Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices, SIGIR 09-024, 7/30/2009.

Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful, SIGIR 09-025, 7/26/2009.

Commander's Emergency Response Program: Hotel Construction Completed, but Project Management Issues Remain, SIGIR 09-026, 7/26/2009.

Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq, AUD/IQO-09-16 and SIGIR 09-021, June 2009.

Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems, SIGIR 09-014, 4/26/2009.

Need To Enhance Oversight of Theater-Wide Internal Security Services Contracts, SIGIR 09-017, 4/24/2009.

Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense, SIGIR 09-010, 1/14/2009.

Cost, Outcome, and Oversight of Iraq Oil Reconstruction Contract with Kellogg Brown & Root Services, Inc., SIGIR 09-008, 1/13/2009.

Review of Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute, SIGIR 09-003, 10/21/2008.

Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc., SIGIR 08-019, 7/28/2008.

Review of Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC, SIGIR 08-018, 7/15/2008.

Review of Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation, SIGIR 08-011, 4/29/2008.

Report on Review of Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006, SIGIR 08-010, 1/28/2008.

Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center, SIGIR 08-004, 1/15/2008.

Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program, SIGIR 07-016, 10/23/2007.

Review of Bechtel's Spending under Its Phase II Iraq Reconstruction Contract, SIGIR 07-009, 7/25/2007.

Logistics Civil Augmentation Program Task Order 130: Requirements Validation, Government Oversight, and Contractor Performance, SIGIR 07-001, 6/22/2007.

Iraq Reconstruction: Lessons in Program and Project Management, March 2007.

Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support, SIGIR 06-029 and DoS-OIG-AUD/IQO-07-20, 1/30/2007.

Control of Cash Provided to South-Central Iraq, SIGIR 05-006, 4/30/2005.

Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq, SIGIR 04-009, 7/28/2004.

Department of Defense, Office of the Inspector General

Controls Over Army Deployable Disbursing System Payments Need Improvement—(Report No. D-2011-101), 8/17/2011.

Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System—(Report No. D-2010-037), 1/25/2010.

Internal Controls Over Payments Made in Iraq, Kuwait and Egypt—(Report No. D-2008-098), 5/22/2008.

Government Accountability Office

Defense Contract Management Agency: Amid Ongoing Efforts to Rebuild Capacity, Several Factors Present Challenges in Meeting Its Missions, GAO-12-83, 11/03/2011.

Defense Contracting Integrity: Opportunities Exist to Improve DOD's Oversight of Contractor Ethics Programs, GAO-09-591, 9/22/2009.

Improper Payments: Significant Improvements Needed in DoD's Efforts to Address Improper Payment and Recovery Auditing Requirements, GAO-09-442, 7/29/2009.

Excluded Parties List System: Suspended and Debarred Businesses and Individuals Improperly Receive Federal Funds, GAO-09-174, 2/25/2009.

Appendix B—Acronyms

Acronym	Description
CERP	Commander's Emergency Response Program
COR	Contracting Officer Representative
DoD	Department of Defense
DoS	Department of State
DUNS	Data Universal Numbering System
ESF	Economic Support Fund
INCLE	International Narcotics Control and Law Enforcement account
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRRF	Iraq Relief and Reconstruction Fund
ISFF	Iraq Security Forces Fund
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

Appendix C—Audit Team Members

This report was prepared under the direction of James Shafer, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

Staff members who contributed to the report include:

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Appendix D—SIGIR Mission and Contact Information

SIGIR’s Mission

Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

1. oversight and review through comprehensive audits, inspections, and investigations
2. advice and recommendations on policies to promote economy, efficiency, and effectiveness
3. deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse
4. information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports

Obtaining Copies of SIGIR Reports and Testimonies

To obtain copies of SIGIR documents at no cost, go to SIGIR’s Web site (www.sigir.mil).

To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs

Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline:

- 1 Web: www.sigir.mil/submit_fraud.html
- 2 Phone: 703-602-4063
- 3 Toll Free: 866-301-2003

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