

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 its wings spread, perched on a shield with vertical stripes. The eagle is holding an olive branch in its right talon and arrows in its left. The shield is positioned in front of the eagle's chest. The seal is surrounded by text in both English and Arabic. The English text reads "INSPECTOR GENERAL" at the top and "RECONSTRUCTION" at the bottom. The Arabic text reads "مفتش العام" at the top and "إعادة إعمار العراق" at the bottom.

**COMMANDER'S EMERGENCY
RESPONSE PROGRAM: MUHALLA 312
ELECTRICAL DISTRIBUTION PROJECT
LARGELY SUCCESSFUL**

**SIGIR 09-025
JULY 26, 2009**

Report Documentation Page

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SIGIR

Special Inspector General for Iraq Reconstruction

July 26, 2009

COMMANDER'S EMERGENCY RESPONSE PROGRAM: MUHALLA 312 ELECTRICAL DISTRIBUTION PROJECT LARGELY SUCCESSFUL

Summary of Report: SIGIR 09-025

Why SIGIR Did This Audit

The Special Inspector General for Iraq Reconstruction (SIGIR) has issued four reports on the management controls and accountability of Commander's Emergency Response Program (CERP) funds. This report focuses on the outcome, cost, and oversight of one CERP project—the electrical distribution grid in a Baghdad neighborhood known as Muhalla 312, located in the Al Ahdameya Governorate. At about \$11.7 million, the Muhalla 312 electrical distribution grid is the most expensive project undertaken with CERP funds in Iraq: the project encompassed the entire Muhalla (estimated to be 10 square blocks).

SIGIR's objectives were to examine: 1) project outcome in terms of final costs and completion time, 2) effectiveness of the contracting process and oversight of the contract, 3) coordination of the project with other reconstruction agencies, and 4) transfer to and sustainment efforts by the Government of Iraq (GOI).

Lesson Learned

The Muhalla 312 electrical distribution grid project showed that obtaining host country buy-in of a project and its design can help achieve positive results in the project's transfer and sustainment phases. This lesson learned applies to CERP implementation in other contingency situations, such as Afghanistan.

Because this report did not contain any recommendations, the responsible agencies were not required to, and did not, submit comments. However, the Multi-National Corps-Iraq provided technical comments that we considered when preparing the final report.



Typical Street in Muhalla 312.

What SIGIR Found

The Muhalla 312 distribution grid project was largely successful in meeting its intended outcome and was completed within cost. In November 2006, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) awarded a contract to Civilian Technologies Limited for nearly \$11.7 million to rehabilitate the electricity distribution facility at Muhalla 312. Over the next 26 months, JCC-I/A issued four contract modifications, including a design change that increased the contract amount to nearly \$11.8 million. The increase was minimal—less than 1%; however, the project took considerably longer than anticipated. Project delays were the result of challenges in obtaining approvals from the Iraqi Ministry of Electricity and security problems.

Contract management and project oversight were generally effective. The Gulf Region Division-Central District (GRC) of the U.S. Army Corps of Engineers performed effective quality assurance on the project. SIGIR reviewed the contract award and solicitation documentation, which showed that JCC-I/A found only one contractor to be technically acceptable. The statement of work for the contract was well defined. We reviewed contractor invoices and receiving documents and determined that invoices equaled the total contract price.

The project was coordinated effectively with the GOI; however, we were unable to confirm that Multi-National Corps-Iraq coordinated the project with other U.S. reconstruction agencies. Lack of project coordination could reduce the overall impact of the intended results.

On January 13, 2009, GRC effectively transferred the electrical distribution grid to the GOI. On May 20, 2009, SIGIR visited the project site and observed that the GOI was sustaining the project.

Although the project took longer to complete than anticipated because of GOI approval delays and security issues, this was a successful CERP project. This supports an earlier SIGIR lesson learned that early engagement of GOI officials on projects can lead to a more effective transition and a commitment to sustain the project. Contract management and project oversight were effective, and GOI is sustaining the electrical distribution grid even though Multi-National Division-Baghdad did not obtain a sustainment agreement up front.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 26, 2009

MEMORANDUM FOR U.S. SECRETARY OF DEFENSE
U.S. SECRETARY OF STATE
U.S. AMBASSADOR TO IRAQ
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, MULTI-NATIONAL CORPS-IRAQ
COMMANDING GENERAL, GULF REGION DIVISION, U.S.
ARMY CORPS OF ENGINEERS
COMMANDING GENERAL, JOINT CONTRACTING COMMAND-
IRAQ/AFGHANISTAN

SUBJECT: Commander's Emergency Response Program: Muhalla 312 Electrical Distribution
Project Largely Successful (SIGIR 09-025)

We are providing this audit report for your information and use. It discusses our review of the Commander's Emergency Response Program project for electrical distribution in a Baghdad neighborhood known as Muhalla 312, located in the Al Ahdameya Governorate. The Special Inspector General for Iraq Reconstruction conducted this audit as project 9015. The audit was 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.

This report does not contain recommendations; accordingly, the addressees were not required to provide comments. However, the Multi-National Corps-Iraq provided technical comments, which we considered while preparing the final report.

We appreciate the courtesies extended to the SIGIR staff. For additional information on the draft report, please contact Joan Hlinka, Deputy Assistant Inspector General for Audits (Washington, DC), (703) 604-0945/ joan.hlinka@sigir.mil, or Nancee Needham, Deputy Assistant Inspector General for Audits (Baghdad), (240)-553-0581, ext. 3793/ nancee.needham@iraq.centcom.mil.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a period at the end.

Stuart W. Bowen, Jr.
Inspector General

Table of Contents

| | |
|---|-----------|
| Introduction | 1 |
| Background | 1 |
| Objectives | 3 |
| Project Outcome Successful Despite Schedule Delays and a Small Cost Increase | 4 |
| Modifications to Contract | 4 |
| Cost Increase for Muhalla 312 Project | 4 |
| Schedule Delays for Muhalla 312 Project | 4 |
| Contract Management and Oversight Were Generally Effective | 6 |
| Contract Files Contained Most Documents | 6 |
| Project Met MNC-I's CERP Criteria | 7 |
| Proper Contract Solicitation and Award Process Were Used | 7 |
| Contract Statement of Work Was Well Defined | 7 |
| Contract Oversight Was Generally Effective | 8 |
| Payment Documentation Was Proper | 9 |
| Project Was Coordinated with GOI But Not with U.S. Reconstruction Agencies | 10 |
| Transfer and Sustainment of the Project Has Been Effective | 11 |
| Muhalla 312 Project Effectively Transferred to the GOI | 11 |
| Sustainment of Electrical Distribution Grid in Muhalla 312 | 11 |
| Conclusions and Lesson Learned | 15 |
| Conclusions | 15 |
| Lesson Learned | 15 |
| Management Comments and Audit Response | 15 |
| Appendix A—Scope and Methodology | 16 |
| Appendix B—Acronyms | 19 |
| Appendix C—Audit Team Members | 20 |
| Appendix D—Management Comments | 21 |



Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful

SIGIR 09-025

July 26, 2009

Introduction

This is the fifth in a series of Special Inspector General for Iraq Reconstruction (SIGIR) audit reports on the Commander's Emergency Response Program (CERP). Since October 2005, SIGIR has issued four reports on the management controls and accountability of CERP funds. This report focuses more narrowly on the outcome, cost, and oversight of one CERP project—the electrical distribution grid in a Baghdad neighborhood known as Muhalla 312.¹ Muhalla 312 is an approximately 10 square block area in the Al Ahdameya Governorate, which is located in a northeast area of Baghdad on the north side of the Tigris River. Figure 1 depicts a street scene in Muhalla 312. SIGIR selected this project for review because it is the most expensive CERP project completed thus far in Iraq.

Background

CERP

In May 2003, the Coalition Provisional Authority formalized the CERP in Iraq, authorizing U.S. field commanders to use available funds to respond to urgent humanitarian, relief, and reconstruction requirements within the commander's area of responsibility by executing programs that immediately assist indigenous populations and achieve focused effects. Initial funding for CERP came from seized Iraqi assets and the Development Fund for Iraq.² By late 2003, the United States began to appropriate funds to the CERP; since 2003, the Congress has appropriated more than \$3.58 billion for projects in Iraq. CERP is intended for small-scale, urgent humanitarian relief and reconstruction projects benefiting the Iraqi people, but larger scale projects may be undertaken if approved by appropriate Department of Defense officials.

The Muhalla 312 Project

In conjunction with the Government of Iraq (GOI), Multi-National Division-Baghdad (MND-B) designed the Muhalla 312 electrical distribution grid project to provide critical "last mile" electrical connections for the citizens in the neighborhood. The project cost nearly \$12 million to provide power to about 12,000 people.

The renovation of the electrical distribution grid enabled Muhalla 312 residents to receive electricity from the national grid from the amount available to Baghdad. U.S. Army Corps of

¹ Muhalla is the Arabic word for neighborhood.

² In May 2003, the United Nations Security Council Resolution 1483 established the Development Fund for Iraq as a means to channel revenue from Iraqi oil sales, unencumbered oil-for-food deposits, and repatriated Iraqi assets to the relief and reconstruction efforts for Iraq.

Engineers Gulf Region Division-Central District (GRC) officials informed us that Muhalla 312 was connected to the national grid on May 28, 2009.

Figure 1—Street Scene in Muhalla 312



Source: SIGIR photograph taken during the site visit on May 20, 2009.

Responsible Organizations

The Multi-National Corps-Iraq (MNC-I), headquartered in Baghdad, Iraq, provides the overall program coordination for the CERP in Iraq. MNC-I currently comprises seven major subordinate commands headquartered throughout Iraq. Brigade Combat Teams are located throughout the major subordinate commands' areas of responsibility and are responsible for much of the day-to-day management of CERP projects. MNC-I publishes a policies and procedures manual, *Money as a Weapon System* (MAAWS), which directs program execution and establishes goals for CERP funding. At the time of contract award for the Muhalla 312 project, the June 1, 2006 MAAWS was in effect. However, this guidance states that the primary reference document for the CERP is the MNC-I CERP Standard Operating Procedures (SOP), dated April 24, 2006. The MAAWS has since been revised and the MNC-I CERP SOP has been incorporated into the MAAWS.

MND-B justified the project on the basis that the electrical distribution grid provided essential services to the citizens of the Muhalla. MND-B transferred CERP funds for the project to the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers through four military interdepartmental purchase requests. According to an MND-B official, Muhalla 312 was the

largest electrical distribution project undertaken with CERP funds in Iraq: it encompassed the entire Muhalla (estimated to be 10 square blocks).

GRD provides engineering and construction services to Multi-National Force-Iraq and the GOI in support of military and civil construction through its division headquarters in Baghdad, three district offices, and numerous field offices located throughout Iraq. GRD's Central District provided quality assurance for the project.

Objectives

Our reporting objectives were to examine:

- project outcome, in terms of final costs and completion time
- effectiveness of the contracting process and the oversight of the contract
- coordination of the project with other reconstruction agencies
- transfer to and sustainment by the GOI

For a discussion of the audit scope and methodology, see Appendix A. For a list of acronyms used in this report, see Appendix B. For a list of the audit team members, see Appendix C. For management comments, see appendix D.

Project Outcome Successful Despite Schedule Delays and a Small Cost Increase

The Muhalla 312 distribution grid project was generally successful. There was a minimal increase in the cost of the project; however, the project took considerably longer than anticipated. In November 2006, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) awarded contract W91GXY-07-C-0002 to Civilian Technologies Limited (CTL) to rehabilitate the electricity distribution grid in Muhalla 312. Over the next 26 months, JCC-I/A issued four contract modifications that resulted in increasing contract costs by nearly \$88,810 (less than 1%). Project delays were the result of challenges in obtaining approvals from the Iraqi Ministry of Electricity (MOE) and security problems that were beyond the control of the contractor. In January 2009, the electrical distribution grid project was completed and officially transferred to the MOE.

Modifications to Contract

Over the 26 months of the contract, JCC-I/A issued four modifications to contract W91GXY-07-C-0002 for the Muhalla 312 project:

- Modification 1 (December 14, 2006) incorporated a clause for the contractor to support a U.S. Agency for International Development Community Stabilization Program for hiring Iraqi apprentices.
- Modification 2 (April 18, 2007) changed the line of accounting and the payment office address from Millington, Tennessee to Rome, New York.
- Modification 3 (April 22, 2007) de-obligated \$11,676,000 and re-obligated \$11,676,000 to the same line of accounting to change the funding source. This modification also rescinded modification 2 in its entirety.
- Modification 4 (September 19, 2007) changed the secondary circuit breaker for the project, which increased the amount of the contract by nearly \$88,810 because the MOE requested a circuit breaker with higher amperage.

Cost Increase for Muhalla 312 Project

A design change requested by MOE to increase the amperage from 630 to 1,000 resulted in a modification to increase the contract amount by nearly \$88,810. The total amount of the contract increased from \$11,676,000 to the final contract amount of nearly \$11,764,810 (less than 1%).

Schedule Delays for Muhalla 312 Project

Our review identified construction delays for the electrical distribution project caused by the GOI approval processes and security problems in Muhalla 312.

Even though JCC-I/A awarded the contract in November 2006, JCC-I/A did not issue the notice to proceed until October 16, 2007. The notice to proceed required the project to be completed within 120 days, or by February 14, 2008. However, the electrical distribution project was not completed until January 13, 2009—15 months after the notice to proceed. The following issues resulted in project delays that the contractor could not control:

- the contractor awaiting final approval from the MOE
- the contractor awaiting permits for the project from the MOE
- work stoppages because of a death threat to the contractor and an explosion in Muhalla 312

According to GRD, CTL submitted the final design to the MOE on November 27, 2007; however, the MOE did not approve the new design until January 27, 2008. Further, until GRD provided additional funding to increase the amperage of the circuit breaker from 630 to 1,000, the MOE did not provide the proper permits for the project. Additionally, the contractor did not receive an excavation permit until February 6, 2008, which delayed the start of construction until February 11, 2008. The contractor continued work on the project until GRC issued a stop-work order because the contractor received a death threat letter on May 6, 2008. GRC lifted the stop-work order the next workday. GRC issued a second stop-work order on August 18, 2008, because of an explosion in Muhalla 312.³

³ GRC was unable to provide the date when the second stop-work order was lifted.

Contract Management and Oversight Were Generally Effective

We found that the contract management and project oversight were generally effective. The CERP Standard Operating Procedures (SOP) listed the criteria for project approval and award, and we found that documentation in the contract file generally complied with the CERP guidance. Additionally, the Statement of Work for the contract was well defined, and GRC’s quality assurance oversight of the Muhalla 312 project was effective. We reviewed all eight of the contractor invoices, receiving documents, and payment forms and found that the U.S. Army Corps of Engineers had followed CERP guidance for the payment process.

Contract Files Contained Most Documents

Our review of the June 1, 2006 MAAWS showed that MNC-I’s CERP SOP, dated April 24, 2006, was the primary reference document for use of CERP funds. We reviewed the SOP and identified the approval process and the documents required for using CERP funds. The contract file contained most of the required documents, except for the MNC-I Commander’s Clearance Memorandum and the Major Subordinate Command Comptroller Clearance Document. Table 2 shows the results of our contract file review.

Table 2—Documents Required by MNC-I CERP SOP for the Muhalla 312 Project

| Required Documents | Document Provided to SIGIR |
|---|----------------------------|
| DA 3953 (Purchase Request and Commitment)/DD Form 1149 (Requisition and Invoice/Shipping document) | Yes |
| DD Form 577 (Appointment/Termination Record - Authorized Signature) ^a | N/A |
| Copy of complete contract | Yes |
| SF 44 (Purchase Order-Invoice-Voucher) or SF 1034 (Public Voucher for Purchases And Services Other Than Personal) | Yes |
| DD Form 250 (Material Inspection and Receiving Report) ^b | Yes |
| Invoice from vendor (if provided) | Yes |
| Project proposal or statement of work | Yes |
| Commander’s Clearance Memorandum | No ^c |
| Major Subordinate Command Comptroller clearance memorandum | No ^c |
| Legal reviews | Yes |

Notes:

^a A warranted Contracting Officer is required for this project.

^b Form ENG 93 was used instead of DD Form 250 for this project. The ENG 93 is a computer form generated by the U.S. Army Corps of Engineers’ financial management system.

^c These documents were not provided to SIGIR.

Source: MNC-I CERP SOP and SIGIR Analysis

Project Met MNC-I's CERP Criteria

The MNC-I Commander approved the Muhalla 312 project using regulations and guidance that were in effect at that time. The regulations and guidance gave Commanders wide discretion as to the types of projects that could be undertaken. However, the National Defense Authorization Act (NDAA) for 2009 now caps CERP projects at \$2 million unless the Secretary of Defense waives the limit. As a result, future projects similar to the Muhalla 312 project will receive more scrutiny.

In January 2009, the DoD Financial Management Regulation was revised to implement the NDAA for Fiscal Year 2006, as amended by the NDAA for Fiscal Year 2008 and the NDAA for Fiscal Year 2009. The new regulation more clearly defines “urgent” as any chronic or acute inadequacy of an essential good or service that, in the judgment of a local commander, calls for immediate action. It also clarifies that CERP is intended for small-scale projects (less than \$500,000). In Iraq, projects using CERP are capped at \$2 million, but the Secretary of Defense may waive this limit if the Secretary determines that a project is required to meet urgent humanitarian relief and reconstruction requirements and notifies the Congressional Defense Committees within 15 days of the waiver. The law also requires the Secretary of Defense, or Deputy Secretary of Defense (if authority is delegated), to certify that all projects over \$1 million address urgent humanitarian relief and reconstruction needs. MNC-I's MAAWS manual has been updated to reflect these new requirements.

Proper Contract Solicitation and Award Process Were Used

The contract solicitation and award process for this project were proper. JCC-I/A issued the solicitation for award on September 19, 2006, and closed it on September 25, 2006. Documentation showed that 11 known Iraqi contractors selected by the contracting officer had the capability to meet the contractual performance requirements. According to JCC-I/A, the request for proposal listed two evaluation factors—technical and price. Technical was significantly more important than price. Four contractors submitted proposals, but JCC-I/A disqualified two because they were late. JCC-I/A determined that CTL was the only technically acceptable contractor. The contract was to CTL on November 26, 2006.

Contract Statement of Work Was Well Defined

The statement of work for this contract was well defined. It stated that the contractor would:

- Provide drawings, design, engineering, procurement, complete installation, testing, and commissioning for the installation of 11kV feeders and accessories.
- Install 46 kiosk⁴ substations, including transformers and ring main units.
- Install various cable sizes and lengths and 600 low-voltage feeder pillars⁵ and approximately 439 high-pressure mercury lamps.

⁴ A kiosk is a metal box that houses a transformer, high-voltage switchgear, and low-voltage switchgear.

⁵ A pillar is a plastic box that houses copper bars so that the low-voltage coming from the kiosk can feed into a centralized location and branch off into meter boxes at individual residences.

- Supply all engineering services and material—including all construction tools, equipment, and supervision necessary to rehabilitate the distribution networks per the MOE route surveys shown on the route map attached to the scope of work.
- Provide labor, fill, and any necessary construction equipment.
- Arrange for the MOE to be present for inspections and tests and to review changes to the work to ensure that any proposed resolution of problems was adequate technically and will produce a quality result.
- Be responsible for maintaining security on the work site 24 hours per day to deter theft of materials. Any lost materials would be the responsibility of the contractor.
- Use proven installation techniques attached to this scope of work.

The statement of work also included the exact grid location of the electrical distribution grid in Muhalla 312.

Contract Oversight Was Generally Effective

Contract oversight was generally effective. During the project, GRC assigned two CORs that monitored the project's progress, quality assurance and control, and approved payments made to the contractor. For example, one COR stated that he communicated with the contractor weekly, primarily via e-mail. The COR also stated that verbal communications with the contractor required the assistance of Iraqi bilingual employees who worked in the office. The Iraqi quality assurance representative (QAR) maintained project visibility for GRC to ensure that the contractor's work complied with the terms and conditions of the contract. Further, the COR approved payments to the contractor based on a negotiated schedule of values that the QAR filled out periodically to verify the contractor's completion percentage.

GRC hired an Iraqi engineer who completed the daily quality assurance reports. These multi-page documents identified the subcontractors and included information on the construction completed, tests performed, security and safety issues, progress, and problems. Daily reports indicated that Iraq MOE technical staff was present at the construction site. For example, one report noted that a high-pressure test was conducted to verify the integrity of the entire route and indicated a satisfactory result. The QAR for this project told SIGIR that he was sufficiently trained for his duties as a QAR, communicated with the COR closely, and had sufficient communication with the contractor.

In May 2009, we conducted a site visit to the electrical distribution grid in Muhalla 312 and observed that CTL installed kiosks, pillars, and high-pressure mercury lamps. The contractor also provided all engineering services and materials for the project, and submitted drawings and designs to the MOE for approval. Further, the QAR documented that the MOE was also present at inspections and tests throughout the project. Documents also show that CTL prepared and implemented quality control plans, safety plans, security plans, activity hazard analysis, and weekly tracking reports.

Payment Documentation Was Proper

SIGIR received all supporting payment documents required by CERP guidance. We reviewed all eight of the invoices that were based on a detailed analysis by the contractor, which were later verified by the COR in order for the contractor to be paid. Our analysis determined that the amounts listed in these invoices equaled the amount of the total contract amount—nearly \$11,764,810. Additionally, we received payment documents from the U.S. Army Corps of Engineers finance center to confirm payments made to the contractor.

Project Was Coordinated with GOI But Not with U.S. Reconstruction Agencies

The project was coordinated effectively with the GOI; however, we were unable to confirm that MNC-I coordinated the project with other U.S. reconstruction agencies. The contractor sought approval from the MOE for design plans, permits, and other equipment used at the project.

The electrical distribution grid project was effectively coordinated with the GOI. Additionally, GRC documentation showed that CTL worked closely with the MOE and GRC on the design and installation of the electrical distribution grid and that the MOE approved the design and installation for the project. From April 2007 through January 2008, CTL sought approval from the MOE for design plans, permits, and other equipment used for the project. For example, on September 23, 2007, the MOE approved the concrete pillar design for the project and submitted its approval to CTL. The MOE also provided written agreement for the light fittings, kiosks, lighting poles, pillars, and concrete base designs CLT submitted for the project.

Lack of coordination for this project with other U.S. reconstruction agencies did not adversely impact the successful completion of the project; however, this should not be construed as an accepted practice. According to CERP guidance, commanders should coordinate and determine project needs with local Iraqi government agencies, civil affairs elements, engineers, and the Provincial Reconstruction and Development Councils or the Provincial Reconstruction Teams to gain the greatest effect and reduce duplicative efforts. Coordination of efforts includes complementary programs provided by the U.S. Agency for International Development and other non-governmental agencies operating in their area of responsibility. An Iraq Transition Assistance Office official in the electric sector stated that they were not aware of any coordination efforts between their organization and MNC-I. A senior Iraq Transition Assistance Office official stated that they do not ordinarily coordinate with CERP projects. Lack of project coordination could reduce the overall impact of the intended results.

In technical comments on a draft of this report, MNC-I stated that it coordinates projects with the Provincial Reconstruction Teams because the PRTs possess the most current information on projects in their areas. SIGIR agrees that coordination with the Provincial Reconstruction Teams is a step in the right direction. However, PRTs may not always be aware of plans at the Embassy and agency level. Consequently, SIGIR believes that higher level coordination would be a better means of deconflicting plans, particularly as reconstruction planning becomes centralized under the Embassy's new Deputy Chief of Mission for Assistance Transition in Iraq.

Transfer and Sustainment of the Project Has Been Effective

GRC effectively transferred the project to the GOI on January 13, 2009. When this project was completed, there was no requirement for MNC-I to obtain a sustainment plan from the GOI. Nonetheless, on May 20, 2009, SIGIR conducted a site visit to Muhalla 312 and found that the GOI was effectively sustaining the project. During the May site visit, SIGIR had an opportunity to speak with local Iraqis. It was evident that new businesses were in the process of opening, and the area was benefiting from the improved power distribution.

Muhalla 312 Project Effectively Transferred to the GOI

On January 13, 2009, GRC transferred the electrical distribution grid to the GOI. We reviewed the transfer letter and found that the COR and an MOE official signed the transfer letter officially transitioning the facility to the GOI. On January 13, 2009, the GOI received a notice of beneficial occupancy.⁶ GRC's QAR checked the construction and found no deficiencies. CTL provided a certificate of deliverables, dated January 13, 2009, signed by the COR, CTL, and an MOE official. CTL also provided a one-year warranty signed by the COR, CTL, and an MOE official which is effective until January 13, 2010.

Sustainment of Electrical Distribution Grid in Muhalla 312

Our comparison of the 2006 and 2009 versions of the MAAWS identified a key difference regarding CERP projects. The 2006 MAAWS did not require MNC-I to obtain sustainment plans from the GOI; consequently, MNC-I did not request sustainment plans. With MAAWS updates subsequent to 2006, there is a requirement for sustainment plans for all projects over \$50,000. The intent of sustainment agreements is to educate GOI entities on the project and how to budget for the maintenance of an asset once it is transferred to them.

On May 20, 2009, SIGIR visited Muhalla 312 and observed that the GOI was sustaining the electrical distribution grid project. While visiting the project, SIGIR observed several of the installed kiosks and pillars and confirmed that power lines from the distribution project were not visible. The cables from the kiosks were buried to prevent tapping into the power source. Further, SIGIR observed that the contractor had secured each of the kiosks and pillars with padlocks and metal bands. SIGIR observed that none of the kiosks or pillars appeared to have been tampered with (see Figures 2 and 3). According to an MND-B official, the project included the installation of 469 high-pressure mercury street lamps connected to the new distribution lines; cables from the kiosks and pillars are underground at least one meter to deter residents and shop owners from illegally tapping into the distribution lines. As shown in figures 4 and 5, the neighborhood appears to have a large amount of resident-installed electrical lines strung from building to building, which increases the risk of electrocution and disruption of power.

⁶ Occupants can move into an asset once it is completed even if the asset has not been transferred to the GOI.

During our site visit, we interviewed local Iraqis. One Iraqi store owner was in the process of renovating his shop and connecting it to the renovated electrical distribution grid. We spoke with another Iraqi who stated that many of his neighbors' homes were part of the new grid. An MND-B official stated that in his opinion the main contributing factor for the renewed business interest in Muhalla 312 was the result of improved security, the newly installed street lamps, and the improving supply of electrical power. Based on our observations in Muhalla 312, it was evident that new businesses were in the process of opening, and the area was benefiting from the improved electric distribution.

Figure 2—Locked Kiosk



Source: SIGIR photograph taken during the site visit on May 20, 2009.

Figure 3—Banded and Locked Pillar



Source: SIGIR photograph taken during the site visit on May 20, 2009.

Figure 4—Resident-Installed Electrical Lines in Muhalla 312



Source: SIGIR photograph taken during the site visit on May 20, 2009.

Figure 5—Resident-Installed Electrical Lines in Muhalla 312



Source: SIGIR photograph taken during the site visit on May 20, 2009.

Conclusions and Lesson Learned

Conclusions

Although the project took longer to complete than anticipated because of GOI approval delays and construction site security issues, this was a successful CERP project. This supports an earlier SIGIR lesson learned that early engagement of GOI officials on projects can lead to a more effective transition and a commitment to sustain the project. Contract management and project oversight were effective, and the GOI is sustaining the electrical distribution grid even though MND-B did not obtain a sustainment agreement up front. The only minor problem noted is that the project was not coordinated with other U.S. reconstruction agencies. On the other hand, coordination with the GOI was excellent.

Lesson Learned

The Muhalla 312 electrical distribution grid project supports a key lesson learned that has been previously identified by SIGIR that should be applied in other CERP projects in Iraq and Afghanistan. The lesson learned shows that obtaining host country buy-in of a project and its design can contribute to an effective transition and commitment to sustain the project.

Management Comments and Audit Response

Management comments were not required because SIGIR did not make recommendations. Nevertheless, the Multi-National Corps-Iraq provided technical comments that we considered in preparing the final report. We included the comments in Appendix D.

Appendix A—Scope and Methodology

The Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 9015 in April 2009 to review the Commander's Emergency Response Program (CERP) project for electrical distribution in Muhalla 312. SIGIR's objectives for this report were to examine: (1) the project outcome, in terms of final costs and completion time; (2) the effectiveness of the contracting process and the oversight of the contract; (3) the coordination of the project with other reconstruction agencies; (4) the transfer to and sustainment by the Government of Iraq (GOI).

To examine project outcome in terms of final costs and completion time, we:

- Met with officials from Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), U.S. Army Corps of Engineers Gulf Region Division (GRD) and Gulf Region Central (GRC) district, Multi-National Division-Baghdad (MND-B), and Multi-National Corps-Iraq (MNC-I).
- Reviewed the contract, statement of work, and all modifications for the Muhalla 312 project to examine project outcome.

To examine the effectiveness of the contracting process and oversight of the contract, we:

- Met with officials from JCC-I/A, GRD, and GRC.
- Examined criteria and guidance in MNC-I's Money as a Weapon System (MAAWS) and CERP Standard Operating Procedures (SOP) guidance, dated April 2006, to determine if the contracting process and oversight of the contract was effective.
- Reviewed the contract award documentation, solicitation paperwork, contract, statement of work, notice to proceed, and modifications for the Muhalla 312 project to determine if the contracting process was effective.
- Reviewed documents to determine if contract management was effective.
- Reviewed daily and weekly quality assurance reports completed by the Quality Assurance Representative (QAR) and the contractor to determine if project oversight was generally good.
- Reviewed remarks from surveys provided to the Contracting Officer Representative (COR) and the QAR that clarified their responsibilities and provided information on monitoring conducted during the Muhalla 312 project.

To examine coordination of the project with other reconstruction agencies, we:

- Met with officials from Iraq Transition Assistance Office, JCC-I/A, GRD, and GRC.
- Reviewed documents that showed coordination between GRC, the contractor, and the GOI.

To examine U.S. government efforts to transition to and sustainment of the project by the GOI, we:

- Met with officials from JCC-I/A, GRD, and GRC.
- Reviewed transfer documents for the Muhalla 312 project.
- Conducted a site visit to Muhalla 312 to observe the project and to determine if the GOI was sustaining the project.
- Interviewed local Iraqis to determine whether they believed the rehabilitation of the electrical grid was enhancing their standard of living.

We performed this audit under authority of P.L. 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended. We conducted this review from April 2009 through July 2009 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 from the U.S. Army Corps of Engineers' Financial Management System and the Iraq Reconstruction Management System to determine if payments were obligated and paid for this project. To determine the reliability of the data provided, we validated the data provided with other documents in the JCC-I/A and GRC contract files. We determined that this data was the best available for the purposes of our review.

Internal Controls

In conducting the audit, we assessed certain internal controls pertinent to the audit objectives regarding the administration and oversight of CERP. Specifically, we identified and reviewed internal and management control procedures in the MNC-I CERP SOP and MAAWS for CERP projects. We relied on available documents in the contract files and analyzed these documents to determine if the internal controls for this project were adequate. The specific results of our review are contained in the findings sections of the report.

Related Reports by SIGIR

- Commander's Emergency Response Program: Hotel Construction Completed, But Project Management Issues Remain Unresolved (SIGIR 09-026), 7/23/2009.
- Commander's Emergency Response Program in Iraq Funds Many Large-scale Projects (SIGIR 08-006), 1/25/2008.
- Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006 (SIGIR 07-006), 4/26/2007.

- Management of the Commander's Emergency Response Program for Fiscal Year 2005 (SIGIR 05-025), 1/23/2006.
- Management of Commanders' Emergency Response Program for Fiscal Year 2004 (SIGIR 05-014), 10/13/2005.

Appendix B—Acronyms

| Acronym | Definition |
|----------------|--|
| CERP | Commander's Emergency Response Program |
| COR | Contracting Officer's Representative |
| CTL | Civilian Technologies Limited |
| GOI | Government of Iraq |
| GRC | U.S. Army Corps of Engineers, Gulf Region Central |
| GRD | U.S. Army Corps of Engineers, Gulf Region Division |
| JCC-I/A | Joint Contracting Command-Iraq/Afghanistan |
| MAAWS | Money as a Weapon System |
| MNC-I | Multi-National Corps-Iraq |
| MND-B | Multi-National Division-Baghdad |
| MOE | Ministry of Electricity |
| QAR | Quality Assurance Representative |
| SIGIR | Special Inspector General for Iraq Reconstruction |
| SOP | Standard Operating Procedures |

Appendix C—Audit Team Members

This report was prepared and the audit was conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

Clarence Brooks

Dorian L. Herring

Milton L. Naumann

Nancee K. Needham

William Shimp

Appendix D—Management Comments

SIGIR Draft Report

**Commander's Emergency Response Program: Muhalla 312 Electrical Distribution
Project Largely Successful
(SIGIR 09-025)**

COMMENTS TO THE DRAFT REPORT

No recommendations were given for this project. No concurrence responses needed.

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GENERAL COMMENTS ON THE REPORT

1. (U) Page 10. The report notes that an ITAO official in the electrical sector was unaware of any coordination with MNC-I which stated as such, is not a definitive fact that coordination did not occur. A requirement of the CERP program is to have coordination between the Multi-National Division (MND) and the local Provincial Reconstruction Team (PRT) on reconstruction projects. Since local PRTs possess the most current information on projects in their area of responsibility, communication at this level is appropriate and should be noted and encouraged in future SIGIR reports.

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