

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 spread wings, a shield on its chest, and olive branches in its talons. The words "INSPECTOR GENERAL" are written in an arc at the top, and "RECONSTRUCTION" is written in an arc at the bottom. In the center, there is Arabic text: "مفتش العام" (Inspector General) at the top and "إعادة إعمار العراق" (Reconstruction of Iraq) at the bottom.

MULTI-NATIONAL SECURITY
TRANSITION COMMAND-IRAQ
MANAGEMENT OF THE TRANSFER
OF IRAQ RELIEF AND
RECONSTRUCTION FUND
PROJECTS TO THE IRAQI
GOVERNMENT

SIGIR-06-006
APRIL 29, 2006

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SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 29, 2006

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, MULTI-NATIONAL SECURITY
TRANSITION COMMAND-IRAQ

SUBJECT: Audit Report on Multi-National Security Transition Command-Iraq
Management of the Transfer of Iraq Relief and Reconstruction Fund Projects
to the Iraqi Government (SIGIR-06-006)

We are providing this audit report for your information and use. We performed the audit in accordance with our statutory duties contained in Public Law 108-106, as amended, which requires that we provide for the independent and objective conduct of audits, as well as leadership and coordination of and recommendations on policies designed to promote economy, efficiency, and effectiveness in the administration of Iraq relief and reconstruction programs and operations and to prevent and detect waste, fraud, and abuse.

We considered management comments from the Multi-National Security Transition Command-Iraq, on a draft of this report when preparing the final report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Joseph T. McDermott at (703) 343-7926, or by email at joseph.mcdermott@iraq.centcom.mil; or Mr. Clifton Spruill at (703) 343-9275, or by email at clifton.spruill@iraq.centcom.mil. For the report distribution, see Appendix C.

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

Stuart W. Bowen, Jr.
Inspector General

cc: Distribution

Special Inspector General for Iraq Reconstruction

SIGIR-06-006

April 29, 2006

Multi-National Security Transition Command-Iraq Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government

Executive Summary

This report is one of a series of reports addressing the management, by U.S. government organizations, of the transfer of completed reconstruction projects to the Iraqi government.

Introduction. In November 2003, the United States Congress appropriated \$18.4 billion, through Public Law 108-106, for the Iraq Relief and Reconstruction Fund (IRRF) to support security, relief, rehabilitation, and reconstruction projects in post-war Iraq; and National Security Presidential Directive No. 36 gave the responsibility to the Chief of Mission for Iraq, under the guidance of the U.S. Secretary of State, to provide policy direction for Iraq reconstruction efforts.

The Multi-National Security Transition Command-Iraq (MNSTC-I) is a principal organization in the Iraq relief and reconstruction effort, with a mission to organize, train, equip, and mentor Iraqi security forces. In that capacity, it has provided professional engineering and project management support for 1,634 IRRF-funded projects with a projected completion cost of \$1.7 billion.

In a previous Special Inspector General for Iraq Reconstruction report,¹ we found the Gulf Region Division-Project Contracting Office, U.S. Army Corps of Engineers' management of the transfer of IRRF-funded assets to the Iraqi government did not involve notification to the Iraqi government at the ministerial level when assets were transferred at the local and provincial levels. In the same report, we also noted a working group was formed in December 2005 to develop a policy to direct U.S. organizations in the management and reporting of asset transfers to the Iraqi government ministerial level.

A formal asset recognition and transfer process is necessary to enable the Iraqi government to integrate the completed project assets into a nationwide infrastructure management plan, adequately budget for sustaining the transferred project assets, account for the assets, and leverage the project assets to obtain financing for additional projects from world markets. The Calendar Year 2007 Iraqi budget cycle requires that the Ministry of Finance recognize assets transferred to Iraqi control by June 2006 in order to include adequate sustainment funds for the assets in the budget.

¹*GRD-PCO Management of the Transfer of IRRF-funded Assets to the Iraqi Government*, SIGIR-05-028 (January 24, 2006).

Objectives. The overall objective of this audit was to determine whether the U.S. government organizations responsible for managing IRRF projects have developed and approved policies and procedures for transferring the billions of dollars of assets – purchased, renovated and constructed with IRRF funds – to the Iraqi government and its citizens. This audit focused specifically on asset recognition and transfer policies and procedures used by MNSTC-I.

Results. MNSTC-I used standard U.S. Department of Defense (DoD) facilities management procedures to transfer project assets to the Iraqi government at the local level, but did not provide formal notification of the project asset transfer to the Iraqi Ministry of Planning and Ministry of Finance, largely because a requirement to report projects at that level has not yet been established. The need to formally transfer assets to the Ministries of Defense and Planning was first identified in the late summer of 2005, but the U.S. Department of State (DoS) did not establish a formal working group to develop policy until December 2005. Currently, the working group reports that it anticipates having a directive in place by May 1, 2006. MNSTC-I is a member of this working group and has stated that it will follow the new policy once it is established.

Although MNSTC-I is actively participating in the DoS asset recognition and transfer program, a number of significant challenges remain. Planning for the Iraqi budget must be completed by late summer 2006 and the Iraqi Ministry of Finance and Ministry of Planning must have information on the assets by that time if they are to ensure that labor, security, operations and maintenance, and training costs associated with these projects are appropriately recognized and budgeted.

MNSTC-I has a well-established process for transferring capital assets to the Iraqi Ministry of Defense. Using this process it should successfully meet the Iraqi budget deadlines. However, there are problems in transferring capital assets to the Iraqi Ministry of Interior. The Ministry of Interior has not recognized the project assets transferred to the Iraqi police forces for the past two years and it also does not have an effective process in place to receive and recognize assets for budgetary purposes. For example, there were no project sustainment costs for Ministry of Interior projects in the 2006 budget. While the same MNSTC-I management team that appears to be successful in the transfer of Defense assets is leading this effort, the Iraqi Ministry of Interior's limited management and budgeting capacity poses a significant risk.

The problems within the Ministry of Interior may be helped by the DoS Iraq Reconstruction Management Office's (IRMO's) newly created ministerial capacity development program. The Embassy has developed a comprehensive approach to train Iraqi officials in key ministries and to inculcate best practices. In support of this effort, Ministerial Assistance Teams were established that are led by IRMO senior consultants. These teams will work with key Ministries and provide a baseline assessment of each ministry's ability to perform key functions. This will also serve to identify the basic needs of each ministry upon which action plans will be developed to train ministry leadership and staff in efficient and effective governance.

Management Actions. MNSTC-I facilities engineers worked closely with the Ministry of Defense to create a well-defined plan that has successfully begun to take shape. However, the relationship at the Ministry of Interior has not been as successful because of ongoing political problems within the Ministry and a turbulent and unpredictable project approval process.

Recommendations. We recommend that MNSTC-I continue to participate fully in the development of a common U.S. government policy and process facilitating the transfer of completed project assets to the Iraq government, and lend their professional engineering and facilities management expertise to the working group process. When DoS directs a policy to provide formal notification of the project asset transfer to the Iraqi Ministry of Planning, Ministry of Finance, and the appropriate operating ministry, MNSTC-I should ensure that appropriate resources are made available so that its project information is provided in time to meet the planning deadline.

Management Comments and Audit Response. MNSTC-I officials concurred with the finding and recommendations. Actions are underway to implement the recommendations. The comments received are fully responsive.

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Introduction

Background

On November 6, 2003, the U.S. Congress appropriated \$18.4 billion, through Public Law 108-106, for the Iraq Relief and Reconstruction Fund (IRRF) to fund Iraq reconstruction requirements that had been identified by the Coalition Provisional Authority during the summer and fall of 2003. Although this audit focuses on the IRRF, there are additional programs such as the Commander's Emergency Response Program, the Development Fund for Iraq, the Commander's Humanitarian Relief and Reconstruction Program and other sources that are funding thousands of additional reconstruction projects.

The Multi-National Security Transition Command-Iraq (MNSTC-I) managed 1,634 IRRF-funded projects with a projected cost of \$1.7 billion. Asset recognition and transfer is the final step in a process which should begin with Iraqi government involvement in the programming and design of the project and continue through the inspection process and development and receipt of the contract deliverables necessary for operations and maintenance of the completed project. The final acceptance and transfer of the project assets should be the culmination of a collaborative process between the appropriate United States and Iraqi Government representatives. An effective transfer process will help MNSTC-I, in coordination with others, prepare the Iraqi government to sustain completed project assets after transfer. In addition, proper recognition of the completed project assets will enable the Iraqi government to leverage those assets to obtain financing from world markets, including the International Monetary Fund, World Bank, non-governmental organizations and donor nations.

Asset recognition and turnover is important because the Iraqi government needs to plan for and fund infrastructure and sustainment of completed projects on a nation-wide basis. This requires a comprehensive knowledge by all appropriate ministries of assets being transferred to its control. According to a senior Iraq Reconstruction Management Office official, an effective asset recognition and transfer program in the current Iraqi political and security environment should include notification of the transfer to the Ministry of Planning, Ministry of Finance, and appropriate operating ministry (Electricity, Water, Oil, Health, Education, Transportation, Roads, Communications, Justice, Interior and Defense) at the central government level in Baghdad.

The Ministry of Planning has final planning responsibility for all capital assets. Recognition of transferred assets by the Ministry of Planning is necessary in order to integrate them into a nation-wide infrastructure plan for future capital projects that will best serve the people of Iraq. The Ministry of Finance is responsible for the overall Iraqi budget. Recognition by the Ministry of Finance is necessary to assure adequate budgeting for sustainability of the transferred assets. In addition, proper recognition of the completed projects will enable the Ministry of Finance to leverage those assets to obtain financing from world markets, including the International Monetary Fund, World Bank, non-governmental organizations and donor nations.

Responsibilities

According to National Security Presidential Directive 36, entitled, “United States Government Operations in Iraq,” the Chief of the U.S. Mission in Iraq, under guidance from the Secretary of State, is responsible for the direction, coordination, and supervision of all United States government employees, policies, and activities in country, except those under the command of an area military commander. This includes the continuous supervision and general direction of all assistance for Iraq. The Directive also creates a temporary organization within the Department of State (DoS), called the Iraq Reconstruction Management Office (IRMO) to facilitate the reconstruction in Iraq.

The Department of Defense (DoD) created MNSTC-I as a temporary organization whose staff was assigned to the Commander, Multi-National Force-Iraq, to provide program management services for reconstruction projects for Iraqi security forces. In that capacity, MNSTC-I has managed a large engineering workload in the field for major construction projects while it coped with a huge demand to develop statements of work, site layouts and design, as well as utilities planning for all levels of the Iraq government. MNSTC-I has created working relationships with the Ministry of Defense overseeing the Iraqi Armed Forces and the Ministry of Interior for the Iraqi Police Service, Directorate of Border Enforcement, Facilities Protection Service, and Iraqi Highway Patrol to institutionalize infrastructure sustainment responsibility.

Objective

The overall objective of this audit was to determine whether the U.S. government organizations responsible for managing IRRF projects have developed and approved policies and procedures for transferring the billions of dollars of assets purchased, renovated and constructed with IRRF funds to the Iraqi government and its citizens. This audit focused specifically on asset recognition and transfer policies and procedures used by MNSTC-I. We have also reported on the asset recognition and transfer policies and procedures used by the U. S. Army Corps of Engineers, Gulf Region Division-Project and Contracting Office,² and the U.S. Agency for International Development.³

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

² *GRD-PCO Management of the Transfer of IRRF-funded Assets to the Iraqi Government*, SIGIR-05-028 (January 24, 2006).

³ *U.S. Agency for International Development Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government*, SIGIR-06-007, April 2006.

Asset Recognition and Transfer Policies and Procedures

Effective asset recognition and transfer requires that assets be properly accepted by the U.S. government, accounted for, and then formally transferred to the Iraq operating ministry and the Iraq Ministries of Finance and Planning so they can appropriately plan and budget for their support. MNSTC-I officials have developed procedures for transferring defense-related assets to the Ministry of Defense (the operating ministry) based upon DoD standard facilities management policies and procedures. MNSTC-I has had less success transferring law enforcement-related assets to the Ministry of Interior because that ministry has a limited management and budgeting capacity. MNSTC-I is also a part of a DoS working group that is developing a common policy and procedure for transferring assets to the Iraqi Ministries of Finance and Planning. DoS officials report that these policies and procedures will be completed by May 1, 2006, contingent upon the Iraqi government's participation and concurrence, and MNSTC-I has reported that it will comply with these policies and procedures once they are developed.

Ministry of Defense

MNSTC-I, in coordination with the Iraqi Ministry of Defense, created a successful working relationship and a well-defined process for the Ministry to recognize MNSTC-I-developed defense projects. The process includes a simplified requirement and approval process, and a capital investment and sustainment plan. A working group has also been established to prioritize projects and submit those requirements to the appropriate Ministry of Defense committees, if higher-level approval is required. The Ministry will manage and prioritize projects for multiple bases using the Ministry Master Plan and in consideration of facility standards.

MNSTC-I program managers created processes and procedures for asset transfer of individual facilities and whole bases. The Real Property Transfer Report documents the facilities, infrastructure systems, site security and transition life support responsibility, such as base operations and maintenance and long-range capital investment requirements. The report is signed on-site by all parties to the asset transfer. This document serves as the basic information that feeds into the planning, programming, and budgeting processes required to effectively manage real property assets. In addition, the information for sustainment of facilities will provide Iraqi infrastructure engineers information to manage the transferred assets.

For whole base transfers, MNSTC-I's process entails a 120-day notification timeline. The process involves the Ministry in all phases of the transfer process, including notification, a Transfer Committee, turnover package, a Real Estate Transition Committee, joint site surveys, an inventory, and at the turnover date a joint inspection, formal acceptance ceremony, and the passing of responsibility for life support, infrastructure sustainment and security.

Although MNSTC-I told us there is a long-road ahead, they estimate that the Ministry of Defense will be capable of establishing, preparing and maintaining their infrastructure by December 2006. Along with taking these steps, MNSTC-I is working to train their counterparts in the Ministry to plan, program and budget for future infrastructure requirements, and perform the management, execution and capitalization phases required to prioritize current and future requirements.

Ministry of Interior

MNSTC-I also attempted to develop a working relationship with the Ministry of Interior, but it has not been as successful. The uncertain and changing political climate at the Ministry has created a turbulent and unpredictable organizational process. MNSTC-I program managers report that, as a result, the Ministry has not recognized assets transferred at the local level for the past two years. While there are numerous reasons for this situation, including the requirement for police stations to be located in more dangerous, populated areas; issues of uncertain property ownership; and the constant rebuilding of projects due to damage and destruction caused by insurgents, the lack of progress is rooted in the Ministry's political difficulties, not a lack of effort by MNSTC-I.

MNSTC-I developed a timeline in November 2005 for the Ministry of Interior to organize both national and provincial infrastructure planning for projects, to include funding and development of statements of work and engineering packages. However, a complicated, multi-step approval process contributed to the failure to meet the organizational milestones set by MNSTC-I. The breakdown in planning for operating and maintenance and sustainment of project assets, such as police and border guard facilities, has created a very high risk for a successful, timely transition of those responsibilities from the U.S. government to the Iraqi government.

Conclusion

MNSTC-I has developed an excellent process for transferring defense-related assets to the Ministry of Defense, but a lack of capability in the Ministry of Interior is impeding the transfer of police-related assets. MNSTC-I is also actively participating in the DoS working group that is developing the policies and procedures for transferring assets to the Iraqi Ministries of Finance and Planning. MNSTC-I's challenges are (1) to continue its reform efforts in the Ministry of Interior and get an infrastructure management system in place, and (2) complete the development of a common policy and process facilitating the transfer of completed projects to Iraqi Ministry of Finance and Ministry of Planning, and then implement that policy in time to meet the Iraqi government's budget planning deadlines.

Recommendation, Management Comments and Audit Response

We recommend that the Commanding General, Multi-National Security Transition Command-Iraq continue to support the evolving policies and procedures for transferring completed projects to the Iraqi Ministries of Finance and Planning and, once those procedures are finalized, ensure sufficient resources are made available to fully implement the procedures in sufficient time that the information can be used by the Iraqi government in formulating its calendar year 2007 budget.

Management Comments and Audit Response. MNSTC-I officials concurred with the finding and recommendations. Actions are underway to implement the recommendations. The comments received are fully responsive.

Additional Observations

In the course of our review, we also noted that in addition to the IRRF, Iraq reconstruction activities are also being funded by the Development Fund for Iraq, the Commander's Emergency Response Program, and the Commander's Humanitarian Relief and Reconstruction Program as well as various other U.S. government-administered funding sources. As with IRRF-funded projects, formal asset recognition and transfer policies and procedures are similarly needed for the transfer of additional billions of dollars worth of assets. We believe that the transfer of all assets developed or funded by U.S. programs should be governed by a common set of policies and procedures.

MNSTC-I officials recognized the need to improve their policies and procedures for closing contracts and transferring IRRF-funded assets to the Iraqi government, and also participates in three multi-agency working groups -- the Asset Recognition and Transfer Team Working Group, the Information Technology Working Group, and the Sustainment Working Group, comprised of representatives from the principal agencies of the U.S. government charged with the relief and reconstruction effort in Iraq. These agencies include, among others, the Gulf Region Division-Project Contracting Office, U.S. Army Corps of Engineers; the Iraq Reconstruction Management Office, the Multi-National Force-Iraq, the Joint Contracting Command-Iraq/Afghanistan, and the U.S. Agency for International Development.

Appendix A. Scope and Methodology

In January 2006, we initiated this audit (Project No. 2005-20) to determine if MNSTC-I had adequate policies and procedures in place to manage the transfer of assets to the Iraq government. We conducted interviews with MNSTC-I representatives, including the J7 Commander, Program Manager for Northern Iraq, the Resource Advisor, the Iraqi Ministry of Interior Liaison and the Iraqi Ministry of Defense Liaison. We also interviewed representatives from the Iraq Reconstruction Management Office to gather information about how the asset transfer process affects planning and budgeting at the Iraqi central government level.

We reviewed MNSTC-I's policies and procedures regarding the asset transfer process. We did not visit MNSTC-I's Forward Operating Bases to review completed asset transfer documentation to determine if they were accomplished in accordance with MNSTC-I policies and procedures.

We conducted this audit from January 2006 through March 2006, in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. We used computer-processed data from the Iraq Reconstruction Management System (IRMS) to validate that MNSTC-I managed 1,634 IRRF-funded projects with a projected cost of \$1.7 billion. We did not assess the general or application controls of IRMS.

Prior Coverage. "GRD-PCO Management of the Transfer of IRRF-funded Assets to the Iraqi Government", SIGIR-05-028, January 24, 2006.

Appendix B. Acronyms

DoD	U.S. Department of Defense
DoS	U.S. Department of State
GRD-PCO	Gulf Region Division-Project and Contracting Office, U.S. Army Corps of Engineers
IRMO	Iraq Reconstruction Management Office
IRRF	Iraq Relief and Reconstruction Fund
MNSTC-I	Multi-National Security Transition Command-Iraq

Appendix C. Report Distribution

Department of State

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

U.S. Ambassador to Iraq

Director, Iraq Reconstruction Management Office

Mission Director-Iraq, U.S. Agency for International Development

Inspector General, Department of State

Department of Defense

Secretary of Defense

Deputy Secretary of Defense

Director, Defense Reconstruction Support Office

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition,

Logistics, and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Director, Project and Contracting Office

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commanding General, Gulf Region Division

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central

Other Federal Government Organizations

Director, Office of Management and Budget

Comptroller General of the United States

Inspector General, Department of the Treasury

Inspector General, Department of Commerce

Inspector General, Department of Health and Human Services

Inspector General, U.S. Agency for International Development

President, Overseas Private Investment Corporation

President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations

- Subcommittee on Defense

- Subcommittee on State, Foreign Operations and Related Programs

Senate Committee on Armed Services

Senate Committee on Foreign Relations

- Subcommittee on International Operations and Terrorism

- Subcommittee on Near Eastern and South Asian Affairs

Senate Committee on Homeland Security and Governmental Affairs

- Subcommittee on Federal Financial Management, Government Information and International Security

- Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations

- Subcommittee on Defense

- Subcommittee on Foreign Operations, Export Financing and Related Programs

- Subcommittee on Science, State, Justice and Commerce and Related Agencies

House Committee on Armed Services

House Committee on Government Reform

- Subcommittee on Management, Finance and Accountability

- Subcommittee on National Security, Emerging Threats and International Relations

House Committee on International Relations

- Subcommittee on Middle East and Central Asia

Appendix D. Audit Team Members

This audit report was prepared and the audit work was conducted under the direction of Joseph T. McDermott, the Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed to the report include:

Sandra Cross

Glenn Furbish

Robert Gabriel

Management Comments

Multi-National Security Transition Command-Iraq



MULTI-NATIONAL SECURITY TRANSITION COMMAND-IRAQ
BAGHDAD, IRAQ
APO AE 09316

28 March 2006

Mr. Joseph T. McDermott
Assistant Inspector General for Audit
Special Inspector General for Iraq Reconstruction
400 Army Navy Drive
Arlington, VA 22202

Sir,

I am pleased to provide our response to the one recommendation addressed to this command as contained in your draft audit report on Multi National Security Transition Command-Iraq Management of IRRF-funded Assets to the Iraqi Government, Report No. SIGIR-06-006, 19 March 2006. We appreciate your efforts to help us to perform our mission better.

If you have any questions or require other assistance, please contact LTC Kenneth Wherry, Chief, Command Audit at DSN (318) 852-1351.

Sincerely,

ORIGINAL SIGNED
JAMES K. GREER
COL, AR
Chief of Staff

Encl

COMMAND REPLY
OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ
RECONSTRUCTION
AUDIT OF THE MULTI-NATIONAL SECURITY TRANSITION COMMAND-
IRAQ MANAGEMENT OF THE TRANSFER OF IRRF-FUNDED ASSETS TO
THE IRAQI GOVERNMENT REPORT NO. SIGIR-06-006, 19 MAR 2006

Audit Objective: The overall objective of this audit was to determine whether the U.S. government organizations responsible for managing IRRF (Iraqi Relief and Reconstruction Fund) projects have developed and approved policies and procedures for transferring the billions of dollars of assets purchased, renovated and constructed with IRRF funds to the Iraqi government and its citizens. This audit focused specifically on asset recognition and transfer policies and procedures used by the Multi-National Security Transitional Command-Iraq (MNSTC-I). We previously reported on the asset recognition and transfer policies and procedures used by the U.S. Army Corps of Engineers, Gulf Region Division-Project and Contracting Office. We will report on the U.S. Agency for International Development in a separate report.

Audit Conclusion: MNSTC-I has developed an excellent process for transferring defense-related assets to the Ministry of Defense, but a lack of capability in the Ministry of Interior is impeding the transfer of police-related assets. MNSTC-I is also actively participating in the DoS working group that is developing the policies and procedures for transferring assets to the Iraqi Ministries of Finance and Planning. MNSTC-I's challenges are (1) to continue its reform efforts in the Ministry of Interior and get an infrastructure management system in place, and (2) complete the development of a common policy and process facilitating the transfer of completed projects to Iraqi Ministry of Finance and Ministry of Planning, and then implement that policy in time to meet the Iraqi government's budget planning deadlines.

Recommendation: We recommend that the Commanding General, MNSTC-I continue to support the evolving policies and procedures for transferring completed projects to the Iraqi Ministries of Finance and Planning and, once those procedures are finalized, ensure sufficient resources are made available to fully implement the procedures in sufficient time that the information can be used by the Iraqi government in formulating its calendar year 2007 budget.

Command Reply: Concur: MNSTC-I will continue its active involvement with the IRMO Asset Recognition and Transfer working group which focuses on the development and refinement of transfer procedures to the Iraqi Ministries of Finance and Planning. In support of the Ministry of Interior's real property management program, MNSTC-I is organizing a dedicated team to address the Ministry's infrastructure management system and its acceptance of transferred properties. One of the primary missions is to quickly establish a baseline policy for sustainment of transferred assets in order to support the

submittal of appropriate facility sustainment funding request to meet the April 2006 start of the budget cycle. This new team will concurrently work on establishing a functional Ministry of Interior infrastructure management capacity by reviewing and updating existing policies and procedures. Personnel from the team will work from FOB Shield, beginning April 2006, and embed within the Ministry of Interior to assist and ensure development and implementation of the appropriate real property data management systems to provide for planning, budgeting and sustainment of transferred assets throughout their lifecycle.