



**Special Inspector General for  
Iraq Reconstruction**

**Iraq Reconstruction:  
Lessons from Auditing U.S.-funded Stabilization  
and Reconstruction Activities  
October 2012**

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## Part I: Background

In April 2003, the United States completed initial combat operations in Iraq, defeating Iraqi forces and overthrowing Saddam Hussein. That month also marked the beginning of U.S. efforts to provide relief and reconstruction assistance to the war-torn country.

As of the end of June 2012, the U.S. government had appropriated or otherwise made available \$60.45 billion to support assistance efforts in Iraq. Nearly \$51.46 billion, or more than 85% of the funding, was provided through five major funds—the 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) account. These major funds sought to meet a variety of Iraqi needs, including the reconstruction of infrastructure, the development of security forces, the promotion of economic and political stability, the institution of the rule of law, and the provision of humanitarian relief.

The Coalition Provisional Authority (CPA), created in May 2003, served for 14 months as the interim entity for the governance of Iraq. It developed, implemented, and oversaw initial reconstruction activities, including the expenditure of U.S. and Iraqi funds.

Six months after the CPA started the reconstruction mission, the Congress created an Office of Inspector General within the CPA. The Inspector General eventually was appointed in late January 2004, and he made two trips to Iraq within the following 30 days. The urgent oversight needs identified during those trips led him to deploy two tiger teams of auditors to Baghdad, who were on the ground and working by mid-March 2004. After termination of the CPA in June 2004 and the concurrent establishment of the new U.S. Mission to Iraq, the Congress reauthorized the CPA Inspector General as the Special Inspector General for Iraq Reconstruction (SIGIR) through the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005.

SIGIR quickly began providing substantial in-country oversight of the use of taxpayer funds in the reconstruction program. The Inspector General’s growing accountability team was buttressed by the development of innovative oversight practices, including an integrative approach to inspections, a focus on timely performance auditing rather

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than *ex post facto* financial reviews, and an ever-increasing coordination among executive branch audit and investigative agencies serving in Iraq.

At its peak in 2008, SIGIR had a staff of 150 with 35 auditors and 8 investigators permanently stationed in Iraq conducting audits and investigations to root out fraud, waste, and abuse. The in-country audit teams were supported by visits from audit managers based in Arlington, Virginia, who regularly traveled to Iraq to strengthen specific reviews or support particular oversight missions. The Inspector General and the Deputy Inspector General visited Iraq every quarter to consult with staff and meet with senior U.S., Iraqi, and other officials. The Inspector General made his 33rd visit to Iraq in September 2012.

SIGIR's audit plan sought to determine whether programs and operations funded by the United States were managed efficiently and effectively. Further, it aimed at promoting on-the-ground change through near-real-time reporting. Between 2004 and October 2012, SIGIR published 217 audit reports that covered a range of reconstruction issues, including oversight of contracting, the promotion of democracy, the transfer of completed projects to the Government of Iraq (GOI), and the development of the Iraqi Security Forces.

SIGIR's audits have had positive financial effects, resulting in about \$645 million in actual savings from the identification of more than \$1.6 billion in potential financial benefits. In addition, the Inspector General testified before the Congress on 34 occasions on the work of SIGIR's audit, investigation, and inspection teams. Notably, a key aspect of SIGIR's work has been to capture lessons learned from the Iraq experience that could be applied to other contingencies, including Afghanistan.

In July 2008, SIGIR issued an audit report that identified key recurring systemic management issues. This Lessons Learned study builds on that report, documenting many lessons learned by SIGIR auditors from 2004 through 2012. The numerous problems uncovered in SIGIR's audits reduced program effectiveness and increased potential for fraud, waste, and abuse. If the causes and effects of these problems are not fully understood—and if actions are not taken to forestall their recurrence—then future stability and reconstruction operations (SROs) could experience similar negative outcomes.

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## **Part II: Principal Lessons Learned from Auditing Stabilization and Reconstruction Activities in an SRO**

During the course of conducting 217 audits of stabilization and reconstruction programs, projects, contracts, grants, and other activities in Iraq, SIGIR identified an array of deficiencies that elicit important lessons. These lessons point to remedies that could help improve outcomes in future SROs.

### **1. A Successful Reconstruction Program Requires a Balancing of Security, Political, and Economic Interests**

The United States assumed that reconstruction in Iraq would take place in a relatively stable environment. This assumption proved wrong. But the U.S. government nevertheless pursued a high-risk strategy of pushing forward with a very large and ambitious relief and reconstruction strategy in a war zone.

SIGIR audits revealed that reconstruction during the insurgency resulted in the waste of money, the unacceptable loss of life, and the large-scale diversion of funds from projects and programs to ad hoc efforts supporting security needs. Reconstruction program managers apparently decided to proceed with projects despite the risks associated with building in a very unstable environment.

Security threats in Iraq increased project duration, raised material costs, and limited funding available for training and other democracy-building activities. SIGIR found that poor security conditions resulted in a high human toll within the reconstruction program. All of these findings underscore the need to plan more carefully for the costs and consequences of reconstruction in unstable settings. Future planning should anticipate the financial and human costs associated with rebuilding in insecure environments. This lesson was explicated in SIGIR's *Lessons in Inspections of U.S.-funded Stabilization and Reconstruction Projects*.<sup>1</sup>



#### **a. Risks of Violence Must Be Assessed at the Outset of Reconstruction Activities**

U.S. officials did not sufficiently anticipate the levels of violence that would occur in Iraq after Saddam Hussein's fall. The consequences of the oversight were reflected in SIGIR audits, which highlighted the effects of the insurgency on U.S. reconstruction efforts.

In January 2006, SIGIR reported that strategy changes caused by the deteriorating security environment contributed to the U.S. decision to shift reconstruction funds from infrastructure and reconstruction projects to security and law-enforcement efforts. Approximately \$1.78 billion in planned projects, predominantly in the water and electricity sectors, were dropped and the funds moved to the security sector.<sup>2</sup> Hundreds of projects intended to benefit the Iraqi people were canceled.

Other SIGIR reports identified adverse effects caused by the dangerous security situation:

- About \$560 million was wasted because construction efforts were sabotaged and had to be rebuilt (or were delayed).<sup>3</sup>
- Provincial Reconstruction Teams working in the provinces were often unable to have face-to-face contacts with local officials, a critical objective of their program.<sup>4</sup>
- SIGIR's 2012 audit of the Police Development Program found that U.S. advisors could not safely travel to Iraqi-controlled facilities and that security concerns had significantly hampered training operations.<sup>5</sup>

Security issues were the major factor causing the cost increases and delays in the \$345 million U.S. effort to build more than 130 primary healthcare centers (PHCs) in Iraq. SIGIR reviews of this program found:<sup>6</sup>

- The U.S. government did not complete six PHCs after spending nearly \$3 million because explosives destroyed portions or all of the buildings during construction.
- The United States spent \$126,000 on al-Tahrir PHC, which insurgents bombed in July 2006. In August 2006, U.S. officials identified substantial damage but reported that the site was salvageable. However, the next day, three improvised explosive devices detonated in

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the center, causing additional damage. The area was so volatile that no one was able to assess damages.

- The United States spent \$756,000 on the Hai al-Intisar PHC, which had to be abandoned when insurgents used explosives to seriously damage the structure.

Dangerous conditions prevailed in Falluja in June 2004 when the CPA awarded FluorAMEC a task order to design, procure, and construct a major wastewater treatment system. Initially envisioned as a \$28.6 million project that was to be completed in one year, the plant ultimately cost \$107 million, took seven years to finish, and ultimately serviced approximately 38,400 residents—well short of the 100,000 originally intended to benefit from the system. Many people, including U.S. government personnel, were killed while working on this project.<sup>7</sup> Additionally, the U.S. government, citing security concerns, abandoned the Khan Bani Sa'ad Correctional Facility after spending about \$40 million and completing only about half of the construction project.<sup>8</sup>

#### **b. Risks to Human Life Must Be Weighed against Potential Outcomes**

SIGIR reports identified the need to better assess risks when initiating projects or programs in an SRO. The report on the Falluja Wastewater Treatment System questioned the wisdom of pursuing the project given the persistent danger, the loss of life, and the fact that descopeing of the facility meant it would serve far fewer individuals than originally planned.<sup>9</sup>

SIGIR issued a special report in July 2012 that reviewed the loss of life during the Iraq reconstruction effort, finding that 719 people were killed while engaged in reconstruction and stabilization activities between May 1, 2003, and August 31, 2010 (the end of Operation Iraqi Freedom). This number includes 318 Americans (U.S. military, federal civilian employees, and U.S. civilian contractors), 111 third-country nationals, and 271 Iraqis working in support of the U.S. reconstruction and stabilization mission.<sup>10</sup> The report recognized that the actual number of deaths related to reconstruction and stabilization activities was certainly higher. The



Bombed Hai al-Intisar Primary Healthcare Center. (GRD photo)

absence of a central database of reconstruction and stabilization casualties made an exact calculation impossible.

Individual SIGIR audits reported on some of the U.S., Iraqi, and third-country-national personnel who were killed while performing official duties:

- A National Democratic Institute (NDI) staffer was killed when her convoy was ambushed in Baghdad.<sup>11</sup>
- An ambush on three Baghdad-based contractor engineers planning for the construction of the Falluja Wastewater Treatment System resulted in two killed and one seriously wounded. In May 2009, three U.S. reconstruction officials were killed by an improvised explosive device while returning from the treatment plant.<sup>12</sup>

Additionally, a SIGIR auditor stationed in Iraq was killed when a rocket hit his trailer in the International Zone, and other SIGIR auditors have been injured.



Khan Bani Sa'ad Correctional Facility abandoned after approximately \$40 million had been spent. (GRD photo)

### **c. Costs and Benefits of Initiating Projects Requiring High Security Costs Must Be Carefully Weighed**

During an SRO, the costs of providing security for project protection may sometimes be so high as to render the cost of the project greater than the benefit. Early into the Iraq rebuilding effort, U.S. agencies faced very high reconstruction costs, which was chiefly the consequence of running the program in a war zone.

In 2006, SIGIR reported that, of \$9 billion allocated for construction activities as of June 2005, approximately \$2 billion was attributable to security—\$1.46 billion for direct security costs and an additional \$560 million to rework damaged facilities, replace damaged materials, and pay for additional security due to construction delays.<sup>13</sup> In 2007, SIGIR reported that nine major contractors estimated their security costs ranged from 7.6% to 16.7%.<sup>14</sup>

While there is no universal gauge for appropriate security costs, when protective measures consume the vast share of total expenditures, it is incumbent upon the U.S. government and implementing organizations to determine whether the endeavor is worth the costs. In January 2010, SIGIR reported on security costs for seven democracy grants awarded to the International Republican

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Institute (IRI) and NDI. The review found that only 41% of the grant funds were actually spent on direct program activities. NDI spent almost one-third of its funds on security, and IRI spent more than half of its funds on security. SIGIR noted that an acceptable level of security expenditures for a grant is a case-by-case decision and should be based on a cost-benefit analysis. However, the audit found that no analysis had been conducted, so there was no basis for assessing the appropriateness of the security costs incurred.<sup>15</sup>

In a subsequent audit, SIGIR examined the security costs of six nonprofit organizations that received grants in Iraq. Taken together, these organizations paid about \$40.16 million for their private-security contract costs out of nearly \$185.82 million in grant funds expended in FY 2010. One organization paid \$8.01 million in private-security contract costs in FY 2010, or almost 53% of its total grant expenditures. Another organization's private-security contract costs totaled about \$13.71 million, or about 44% of its total grant expenditures for the year.<sup>16</sup>

## **2. An Integrated Management Structure That Provides Clear Lines of Authority on Program Coordination and Delivery of Projects Is Critical for SRO Success**

The reconstruction experience in Iraq demonstrated that the U.S. government must reform its approach to managing reconstruction programs in an SRO. Fragmented organizational structures resulted in poor interagency coordination, weak management oversight, and inefficient program implementation. Ultimately, the entire reconstruction program suffered, chiefly because no single organization was in charge of the effort.

SIGIR documented the extent of the fragmentation in a 2006 audit report, identifying at least 62 agencies or major agency sub-organizations involved in the reconstruction program in Iraq.<sup>17</sup> To address this problem, the audit identified the need to clarify agency roles and missions and ensure that managers were accountable and programs coordinated.

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**a. Defining Roles and Missions of All Involved U.S. Agencies Is a Necessary Prerequisite for Effective Reconstruction Planning**

SIGIR audits highlighted that constant leadership and organizational changes contributed to waste, identifying a number of U.S. efforts that were weakened by the adverse effects of diluted accountability. For example:

- In 2006, a SIGIR audit found that no single office had the authority or responsibility to oversee and ensure that U.S. anticorruption efforts were focused on a common goal or that efforts were being performed in an efficient manner.<sup>18</sup>
- Another 2006 report on the U.S. management of programs to train and equip the Iraqi Oil Protection Force and the Electrical Power Security Service found that the lack of a clear management structure severely degraded the effective management of the programs. Further, there were limited records documenting program cost, the use of funds, and the location of millions of dollars of government equipment. These problems raised concerns that fraud may have occurred and that the \$147 million expended on the programs may not have been used for its intended purposes.<sup>19</sup>

**b. Programs Require Management Accountability and Effective Coordination To Avoid Waste**

When multiple agencies implement related programs in an SRO, they must closely coordinate their work to avoid duplication of effort and consequent waste. SIGIR found that capacity-development programs, anticorruption efforts, and asset-transfer initiatives were not adequately coordinated. In each area, auditors found that agencies implemented their programs with little interagency engagement.

The U.S. Embassy, U.S. Agency for International Development (USAID), U.S. Army Corps of Engineers (USACE), and Multi-National Security Transition Command-Iraq (MNSTC-I) each managed its own ministerial capacity-development program rather than coordinating an overarching, integrated U.S. government capacity-building program with defined roles, responsibilities, goals, objectives, and milestones.<sup>20</sup>

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The same predicament afflicted anticorruption programs. Many agencies conducted efforts without sufficient coordination with or oversight by the U.S. Embassy. In 2006, SIGIR recommended that the U.S. Ambassador establish a policy that would require all agencies conducting anticorruption programs to vet their programs through a joint executive steering group and direct a joint executive steering group to conduct a complete review of each U.S.-funded anticorruption program, assessing how that program helped achieve the U.S. government's anticorruption strategic goals.<sup>21</sup>

### **3. An Integrated U.S. Reconstruction Management Information System Is Critical To Promote Accountability**

The U.S. government must be able to account for its reconstruction funding during an SRO. In Iraq, multiple civilian and military agencies used their own unique information systems to document their activities. When coupled with the lack of agency coordination, the U.S. government frequently was not able to provide the most basic information on projects it had undertaken, including their location and cost. This created significant internal control weaknesses. The Iraq experience demonstrated the need for all agencies to use one uniform system that can provide the level of program and project specificity necessary for oversight and visibility.

The consequences of this project-tracking problem included the U.S. government's inability to report completely on how U.S. reconstruction funds were spent or what was achieved. A SIGIR audit found in 2006 that the United States lacked an integrated management information system for reporting contracting, financial, and construction management data for reconstruction projects and programs managed by multiple U.S. government agencies. Such a system could have facilitated program and project management coordination and decision making.<sup>22</sup>

U.S. agencies were not able to easily comply with reporting and monitoring requirements that the Congress called for. In 2008, SIGIR reported on a U.S. government project to develop an integrated reporting system to address the problem. Development of the Iraq

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Reconstruction Management System (IRMS) began in 2004, but by June 2007, the system had achieved only limited functionality. SIGIR's audit concluded that the IRMS could not provide a complete or consistent picture of reconstruction activities in Iraq.<sup>23</sup> Recognizing the difficulty of developing a management information system under the best of circumstances, SIGIR noted the additional challenges of doing so where not even the most basic off-the-shelf solutions were available and where skilled information-technology managers were reluctant to serve because of the growing danger.

Unavailable or imprecise data adversely affected the implementation of reconstruction programs. A July 2008 SIGIR report pointed out that information on billions of dollars in projects was missing from the system, and information on project completions was inaccurate. SIGIR found that approximately \$35.3 billion in IRRF, ISFF, ESF, and CERP funds had been obligated, but the IRMS contained data on projects amounting to just \$25.08 billion or 71% of total obligations.<sup>24</sup> In April 2009, SIGIR reported that unreliable and incomplete IRMS data continued to burden managers trying to track the status of reconstruction projects.<sup>24</sup>

Ultimately, incomplete data prevented a complete accounting of what has been accomplished in Iraq. Further, the lack of reliable information limited U.S. efforts to monitor projects and make assessments about the type and extent of further assistance that might be necessary.

#### **4. Managing Staffing Needs and Reducing Staff Turnover Is Vital for Effective Program Implementation and Oversight**

Anticipating and planning for the requisite number of skilled personnel is an important component in managing an SRO. Reconstruction in Iraq suffered because the participating U.S. agencies did not anticipate the large and long-term staffing needs required to effectively manage a massive and prolonged rebuilding effort. Program, project management, and contracting offices were significantly understaffed, even after major reconstruction projects were well under way, and existing staff often lacked the right skills to manage the contracting and program-management workload. As highlighted



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in a number of SIGIR reports, this problem was exacerbated by high turnover in understaffed offices that were continuously trying to bring new employees up to speed on programs and projects.

**a. Obtaining the Required Number of Skilled Personnel Is Essential in Managing Reconstruction During an SRO**

SIGIR found that the number of skilled personnel—particularly those overseeing and managing contracts and grants—was insufficient to provide adequate safeguards against fraud, waste, or abuse. This deficiency caused poor contract and program administration and resulted in major oversight problems. The lesson learned is that planning for any large reconstruction efforts to be undertaken during an SRO must include planning for the number and type of staff necessary to provide requisite program oversight and project management.

SIGIR's audits are replete with examples of insufficient oversight staffing and the resulting problems.

- Neither USAID nor USACE had a sufficient number of personnel to manage and oversee a \$1.33 billion contract with Bechtel National, Inc., for the construction of multiple facilities in Iraq. Under this contract, 24 job orders were issued, including 14 in water and sanitation, 8 in power, 1 in telecommunications, and 1 to build the Basrah Children's Hospital. USAID was responsible for the overall implementation of reconstruction activities and for providing technical and management oversight of the contractor. USACE signed a memorandum of agreement with USAID to oversee Bechtel's construction, monitor its quality control, and provide other construction-management services. SIGIR assessed USAID's and USACE's personnel strength at about the midpoint of contract execution and, in July 2007, reported that just under half (18 of 37) of the required USACE positions were filled. At the same time, USAID had filled only 170 of 251 of its authorized positions.<sup>26</sup>
- A SIGIR review of the construction of healthcare facilities in Iraq found that, while USACE's Gulf Region Division (GRD) was responsible for managing 400 projects in the southern region of Iraq, it had fewer than 40 military and civilian field

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engineers and construction inspectors to do so. Further, GRD reported that 5%–8% of these positions were vacant due to individuals who were on rest and recuperation leave. Indicative of the severe shortage of inspectors, GRD informed SIGIR that it sought to hire and train 115 Iraqi engineers to compensate for GRD personnel shortages.<sup>27</sup>

- During a 2006 audit of the Basrah Children's Hospital project, SIGIR could not identify a government program manager or government program management team for the project. Instead, SIGIR was told that Bechtel, the overall construction contractor, fully managed the contract for USAID. SIGIR concluded that the lack of an independent government management team was a critical internal control weakness.<sup>28</sup>

Personnel problems were not sufficiently abated over the course of the rebuilding program. For example, in July 2011, SIGIR found that 40% of surveyed contracting officer representatives for security services contracts stated that the training they received did not prepare them for their duties in overseeing private security companies.<sup>29</sup>

#### **b. Reducing Turnover of Contract and Program Management Personnel Is Necessary for Effective Management**

Ensuring continuity of personnel with the applicable experience and knowledge is crucial to effective contract management in SROs. In Iraq, problems stemming from shortages in contracting and program management personnel were compounded by the high turnover of government personnel in these areas. As SIGIR reported in 2006, this caused weaknesses in continuity and contributed to a perception that government officials were inexperienced.<sup>30</sup>

A SIGIR report found that high turnover of government officials adversely affected the management of a major contract with the Perini Corporation to build electrical transmission and distribution facilities in southern Iraq. Between March 2004, when the contract was issued, and September 2006, 14 contracting officers were assigned—an average of 1 new contracting officer every 65 days. A former electricity sector official told SIGIR that the turnover rate



Incomplete building at Khan Bani Sa'ad Correctional Facility, 2006.

negatively affected the Perini contract because it undercut the effectiveness and efficiency of contract administration.<sup>31</sup>

Personnel shortages and high turnover rates contributed to frequent contracting problems. Contractors commonly had poorly defined statements of work, and the high turnover rate meant that the government failed to take timely action to remedy these problems. For example:

- SIGIR found that DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) and Office of Acquisition Management poorly administered a contract to build facilities for a police training program, which resulted in millions of dollars being put at risk of waste. DoS paid about \$43.8 million for manufacturing and temporary storage of a residential camp that was not being used. This amount included \$4.2 million for unauthorized work.<sup>32</sup>
- SIGIR's 2008 audit of a contract with Parsons Delaware, Inc. found high turnover of contracting and program management personnel throughout the contract's two-year duration. SIGIR identified 18 different contracting officers assigned to this contract from March 2004 through termination of the last task order in July 2006. While the audit concluded that the effect of this turnover on the project was difficult to quantify, a 2005 draft GRD memorandum on the

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contractor's performance stated that the significant turnover of personnel contributed significantly to a perception of inexperience and unresponsiveness. Ultimately, because of these and other security and management problems, only about one-third of the planned projects contemplated under the contract were completed.<sup>33</sup>

- A 2010 SIGIR report highlighted the personnel challenges U.S. Army civil-affairs brigades faced in managing 46 CERP projects at Baghdad International Airport. Because of rotations, multiple brigades with varying levels of experience handed off management of many incomplete projects. Army personnel overseeing the program in 2007 acknowledged to SIGIR that they were not subject matter experts in engineering or airport development. Moreover, they said that the civil-affairs training did not prepare them for large-scale reconstruction efforts.<sup>34</sup>
- CERP officials cited several factors affecting good file maintenance: the turnover of military personnel (especially of contracting officers) as unit rotations occurred, the relatively short time for transitioning from one unit to the next, and the lack of knowledge of CERP program requirements among transition teams and incoming units. Officials noted that when new units arrived, they were expected to pick up where others left off, including managing numerous project files, conducting on-site surveys, writing status reports, and processing project file documentation, with little or no prior knowledge or experience.<sup>35</sup>

## **5. Enhanced Oversight of Contracts, Grants, and Other Procurements in SROs Is Necessary To Avoid Fraud and Waste and To Promote Efficiency**

Aggressive and wisely targeted oversight is the best means of ensuring that projects are not vulnerable to fraud, waste, and abuse. Assessing and mitigating vulnerabilities at the front end of a contract or grant is the most effective oversight approach.

Since 2004, SIGIR conducted numerous audits that identified weak controls over the expenditure of reconstruction funds. Although not all projects and programs displayed severe weaknesses, SIGIR found

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enough instances to conclude that billions of dollars of reconstruction funds were vulnerable to fraud, waste, and abuse. Reflective of the insufficient number and experience of oversight and management personnel discussed previously, SIGIR determined that there were inadequate reviews of contractors' business systems, invoices and costs, delivery of required goods and services, and cash disbursements. Grants awarded for work in unstable security and political conditions in contingency environments clearly require greater oversight than grants awarded in more permissive environments.

**a. Advance Planning Reduces Opportunities for Fraud, Waste, and Abuse to Occur**

In a July 2012 report, SIGIR noted that reviews of contractors' business systems and associated internal controls are the first line of defense in the fight to reduce the risk of fraud, waste, and abuse. These reviews address the adequacy of a company's accounting and purchasing systems and the company's financial and management relationships with its subcontractors and the subcontractors' pricing of goods. Further, the revelation of such relationships through a business-system review raises red flags regarding possible inappropriate or excessive charges to the government.

SIGIR found significant gaps in such reviews for the 35 Department of Defense (DoD) contractors sampled. Of the 21 contractors that had at least one business system reviewed, most had their accounting and billing systems reviewed, but less than a third had their estimating and purchasing systems reviewed.<sup>36</sup>

The lack of purchasing system reviews or weaknesses in those reviews is noteworthy because SIGIR had identified the consequences of this type of oversight gap in a previous audit of another major contract. Specifically, SIGIR's July 2011 report on a \$119.1 million contract with Anham, LLC (Anham) found significant weaknesses in the government's oversight of contractor business systems and other contract administration functions. These weaknesses left the government at risk of paying excessive costs:<sup>37</sup>

- The Defense Contract Audit Agency (DCAA) was responsible for reviewing three Anham business systems, but it had audited the

accounting system. DCAA had not reviewed the estimating system, and had reviewed the billing system very late into the contract, finding significant weaknesses with that system.

- The Defense Contract Management Agency (DCMA) reviewed and recommended approving Anham's purchasing system but did so without asking important questions about close and/or affiliated relationships that Anham may have had with its subcontractors. SIGIR believes that identifying these types of relationships is critical to determining the level of risk of overbillings to the government.
- DCMA reviewed and recommended approving Anham's purchasing system even though Anham did not justify sole-source purchases in 32 of 34 cases, and in all 34 cases there was no documentation showing Anham determined that the U.S. government was getting a fair and reasonable price.



Anham billed the government \$80 for a 1.5" x 4.0" 90-degree PVC elbow.

SIGIR performed a limited incurred cost review of the contract, questioning 39%, or \$4.4 million, of the costs reviewed. As a result of the multiple problems identified with the Anham contract, SIGIR subsequently questioned all reported costs.

#### **b. Reviews of Contractor Invoices and Audits of Final Incurred Costs Are Necessary To Ensure Payments Are Correct**

SIGIR found numerous instances where U.S. government employees or their designated representatives had not thoroughly reviewed contractor invoices before payment to ensure the bills were correct or



Anham, through the contractor Knowlogy, billed \$20,000 for installation of a “Plug and Play” Voice System.

appropriate. In some instances, invoices were reviewed months after they were paid. Poor or delayed invoice reviews increase the risk that the government may overpay or pay unallowable and unreasonable costs.

To illustrate, in 2004, INL had only one staff member in Iraq responsible for validating invoices for a DynCorp task order to support the Iraqi Police Training Program. The task order had \$800 million in obligations.<sup>38</sup> Because oversight of the DynCorp contract was weak, INL decided to reconcile all historical invoices. As of July 2009, INL reported to SIGIR that its voucher review process had saved or collected over \$60 million and that other questioned vouchers were still in process.

In addition, SIGIR’s audit of the U.S. Army Contracting Command’s Global Maintenance and Supply Services contract with AECOM Government Services to provide maintenance activities for the U.S. Army, Iraqi Army, and Afghan Army also found inadequate invoice reviews. SIGIR’s 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 SIGIR examined. Given the billing issues, the weaknesses in invoice review procedures, and the size of the contract, SIGIR concluded that the U.S. government was highly vulnerable to having paid questionable costs.<sup>39</sup>

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Finally, SIGIR's audit of Anham's 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. The administrative contracting office reviewed only \$32.74 million in vouchers, and the contracting officer representatives reviewed another \$32.20 million in vouchers for trucking services out of \$113.4 million in expenses. Additionally, SIGIR found that the reviews were not comprehensive. For example, vouchers were not compared to receiving documents, and officials signed for delivery of goods without verifying that the goods were delivered. Moreover, Anham's employees were allowed to sign for receipt of \$10 million in goods.<sup>40</sup>

**c. Close Oversight of Deliverables and Inventory Is Required To Oversee Compliance to Contract and To Deter Loss and Theft**

Poor inventory controls over U.S. government-financed property left the property vulnerable to undetected loss or theft. SIGIR examined Kellogg Brown & Root Services, Inc., inventory controls for a logistics task order to support U.S. Embassy operations. Examination of fuel receiving, distribution, and accounting processes uncovered weaknesses of such magnitude that SIGIR could not determine how much fuel was provided under the task order. These were material weaknesses that resulted in the improper use of fuel.<sup>41</sup>

Similarly, SIGIR reported that Parsons Infrastructure & Technology Group, Inc., a prime contractor involved in reconstruction of the Taji Military Base and Baghdad Recruiting Center, provided an incomplete accounting of government property. As SIGIR completed the report in 2008, the task order for these projects remained open because of questions surrounding the accuracy of government property inventory records.<sup>42</sup>

**d. Close Oversight of Cash Transactions Is Necessary To Deter Fraud and Abuse**

Cash transactions must have strong controls, especially in a war zone where they may be highly vulnerable to theft or misappropriation. In Iraq, cash transactions were especially prevalent due to the absence of a



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modern banking system. SIGIR audits found that programs designed to use cash payments failed to include the requisite internal controls to ensure that the funds were used as intended or reached their intended recipient.

The CERP-funded Sons of Iraq (SOI) program had weak financial controls over its cash payments. In June 2007, the Multi-National Corps-Iraq (MNC-I) began using CERP funds to hire former insurgents and their passive supporters to guard checkpoints, buildings, and key parts of neighborhoods. The SOI program, in combination with other events (most notably the 2007 surge of U.S. forces into Iraq) has been credited with helping reduce the overall levels of violence.

While this may be true, SIGIR found weak controls in the program—that is, payments were often made directly to an SOI leader to distribute instead of to individual members and without any means of verifying that each member received his salary. Moreover, considerable documentary evidence was missing that would have helped account for cash disbursements. Among the most significant missing documents were receipts and statements of pay agent officer's accounts—important internal control documents that ensure funds are used appropriately. In December 2009, a U.S. Army captain pled guilty to stealing approximately \$690,000 in SOI funds.<sup>43</sup>

SIGIR found weak controls in its review of the DoS Quick Response Fund (QRF) program, which used cash to fund local projects to promote economic and social development in Iraq. The QRF funded grants, microgrants, or direct purchases of materials (such as seed, fertilizer, or books) for local neighborhood and government officials and members of community-based groups (such as nonprofit organizations, business and professional associations, charities, and educational institutions). In a 2011 report, SIGIR concluded that DoS had made some improvements in keeping records of its cash payments since an earlier review in 2009, but problems with QRF recordkeeping from 2007–2008 had not been addressed, and 35% of the records that could document the uses of funds and program outcomes were missing. SIGIR concluded that DoS could not be assured that these projects were completed or that the funds were used as intended.<sup>44</sup>

#### **e. Grants Awarded in SROs Require Stronger Oversight Than Those Awarded in Peaceful Areas**

Grants and cooperative agreements differ from contracts but still require oversight to ensure that funds are being properly and efficiently used. These assistance instruments may be used when it is anticipated that the agency and the recipient will have no substantial involvement during performance of the grant and the principal purpose is the transfer of money, property, or services to accomplish a public purpose of support or stimulation authorized by federal statute. DoS's standard operating procedure for grant management states that the Department has a fiduciary responsibility to monitor the funds it allocates and administers. This would include not only financial oversight but also oversight of what the grant is accomplishing.

SIGIR recognizes that managing grants and related cooperative agreements in an SRO is difficult. The limited number of oversight personnel assigned in country, the fluid security conditions, and the challenging cultural considerations made direct U.S. contact with grant recipients difficult. However, as addressed in several of SIGIR's reports, these conditions did not relieve U.S. officials from their management responsibilities. In fact, the challenges dictate the need for even more oversight because of the inherent vulnerabilities to fraud, waste, and abuse.

A prime example of this problem was USAID's management of the Community Action Program (CAP). SIGIR reported in 2011 that, since 2003, USAID had obligated about \$675 million to non-government organizations to implement the CAP, which worked in rural and urban communities to promote grass-roots democracy and local governance. SIGIR's audit found that USAID's oversight of one of the principal implementing partners, Cooperative Housing Foundation International (CHF), failed to detect questionable charges, allocations of costs against the agreement, or accounting practices. Based on the examination of selected FY 2010 costs CHF claimed, SIGIR questioned the reasonableness, allocability, and allowability of about \$1.08 million. SIGIR's audit showed that USAID officials may have relied too heavily on CHF, contractors, and external audit agencies for information on activities in the field. SIGIR noted that



Bathroom with no running water in a school built in Anbar province with CAP funds, February 2011.

travel restrictions and the lack of personnel made it difficult for USAID officials to adequately monitor projects in the field.<sup>45</sup>

#### **f. Maintaining Comprehensive Contract and Project Records Is Crucial To Effective Oversight**

The rapid turnover of contract and project management personnel and the extensive use of cash payments require comprehensive records to ensure some level of management continuity. SIGIR's audits found, however, that contract, program, and project files were often not comprehensive and did not contain sufficient information to document, for example, why critical decisions were made.

SIGIR's review of a CERP contract to construct a hotel found that critical documents were missing. The auditors could not determine how and why significant actions occurred, such as why costs increased from \$2.7 million to \$4.2 million, and there was no documentation showing that the U.S. government conducted quality assurance activities.<sup>46</sup>

### **6. Reconstruction Programs Need Clear and Measurable Goals and Objectives**

Sufficient planning is the critical prerequisite for any SRO. Identifying the needs to be addressed, setting goals and objectives, and establishing a path to measure progress are critical first steps before any expenditure



Entrance to the Baghdad International Airport Caravan Hotel, May 2009.

of funds should occur. However, in Iraq, SIGIR found that agencies implemented expensive programs without this analysis. As a result, program objectives were sometimes not clear and outcomes were difficult to measure. Overall, the absence of a clear definition of what was to be achieved left programs vulnerable to inefficiencies and waste.

**Departments of Defense and State Police Training and Development Programs.** SIGIR issued a number of reports detailing the difficulties in assessing the outcomes of DoD and subsequent DoS efforts to train the Iraqi police forces. A 2010 report found that after spending more than \$7.3 billion to train the Iraqi police forces, DoD reported in June 2009 that the forces were more capable than when the coalition members began training in 2003, but the extent of those capabilities was unknown. The inability to assess the success of this training resulted from the lack of a comprehensive plan that laid out goals, objectives, and measures for progress. Absent usable metrics to assess outcomes, DoD used quantitative measures, such as the number of personnel trained, to determine progress.<sup>47</sup>

This lack of clearly defined objectives and metrics to evaluate success was also endemic in the follow-on DoS Police Development Program. On October 1, 2011, DoD transferred to the DoS responsibility for managing police training. SIGIR's October 2011 report noted that DoS, with assistance from DoD, had been planning



Counterinsurgency training for Iraqi police forces, April 2010.

for more than two years for the transfer of the program. However, SIGIR concluded that DoS had not assessed Iraqi police capabilities to the extent necessary to provide a sufficient basis for developing detailed program tasks and an effective system for measuring program results. That is, it had not developed specific goals on what was to be accomplished, intermediate and longer-term milestones, metrics to assess progress and accomplishments, or the means to ensure transparency and accountability for program costs and performance.<sup>48</sup>

**Commander's Emergency Response Program.** SIGIR's reports on the \$3.96 billion CERP program, established to enable military commanders to respond to urgent humanitarian relief and reconstruction requirements, highlight the problems that can occur when goals and performance measures are not adhered to. SIGIR found that, as the program progressed, commanders did not always use the funds for the purposes directed in DoD guidance. The Congress was sufficiently concerned about this discrepancy that, in July 2009, the Chairman of the House Appropriations Defense Subcommittee wrote a letter to the Secretary of Defense, stating:<sup>49</sup>



Riot-control training for Iraqi police forces, April 2010.

Today, a majority of CERP funds are spent on ... projects that, while important, far exceed the intended scale and scope of urgent projects CERP was intended to support. Over the last five years, CERP has grown from an incisive [counterinsurgency] tool to an alternative U.S. development program with few limits and little management.

A 2011 audit determined that DoD used FY 2011 CERP funds primarily for civil capacity-development projects. However, USAID and DoS funds already provided for such efforts, and SIGIR did not find any guidance or directive that explained DoD's role in civil capacity development that is not part of a larger counterinsurgency effort. DoD guidance continued to state that the CERP was intended for "urgent humanitarian needs" on the battlefield to help meet military objectives in a counterinsurgent environment. Given that focus, DoD capacity-development projects should have shown some link to specific military objectives, but SIGIR's examination of FY 2011 projects did not find this to be the case, raising questions about the need for such a large incremental focus on capacity development.<sup>50</sup>

**Sons of Iraq Program.** SIGIR's 2011 audit of the \$370 million SOI program noted that the effort has been credited with helping reduce

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the overall levels of violence in Iraq. However, SIGIR's audit found that the ability to evaluate the effects of the program was made much more difficult because there was no comprehensive plan with specific goals, metrics, or milestones from which to measure the individual or collective impact of the effort. Moreover, there was no requirement for local commanders to document what their SOI contingents achieved. Given the absence of such information coupled with the difficulty in segregating the effect of the SOI from other factors, such as the influx of large numbers of additional U.S. forces, SIGIR's auditors were unable to measure effects against the specified program goals and metrics.<sup>51</sup>

**U.S. Development Assistance Programs.** SIGIR's reviews of worldwide U.S. development assistance programs used in Iraq indicate that they too were constrained because of a lack of defined benchmarks and other criteria to assess outcomes. As a result, assessments were often made on what the agency did or bought—outputs—as opposed to the long-term result of the effort, or outcomes. This occurred despite the existence of U.S. and international expertise in designing effective performance measures.

For example, USAID developed a 1998 handbook to enhance the ability of democracy and governance project managers to monitor progress in achieving planned results. The guidance offers a general process for developing a performance-monitoring system and provides specific measurable metrics to evaluate impact. Nevertheless, SIGIR concluded that NDI and IRI were not providing DoS assessments of the impact of their grants to promote democracy in Iraq.<sup>52</sup>

## **7. Working Closely with Host Governments Is Essential to the Long-term Success of U.S. Investments in Reconstruction Projects**

SIGIR's audits of U.S. reconstruction efforts in Iraq demonstrated that, when U.S. agencies make decisions about investments in reconstruction projects without obtaining the views and buy-in of host-country officials, the result can be, at best, inefficient and, at worst, entirely wasteful.



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Foreign assistance practitioners have long identified the need for host governments and citizens to actively participate in identifying needs and to financially and otherwise support activities to best ensure that foreign aid is used effectively and not wasted. Such buy-in may take a number of forms, such as cost-sharing or other in-kind support and agreements to sustain and maintain facilities or programs once finished. This is essential not only to ensure that donor funds are used effectively but also to promote the nation-building skills of the recipient country.

SIGIR's work identified two important steps in ensuring that the activity will be used and sustained after U.S. participation has ended: host-government involvement in identifying reconstruction needs and priorities, and a requirement for the host country to share project costs. These efforts are both critical and difficult in situations where the stability of the host government is fragile.

#### **a. Host Governments Must Be Involved in Identifying Sustainable Reconstruction Priorities and Needs**

SIGIR audits identified numerous instances where U.S. agencies initiated reconstruction projects without GOI input and support and the wasteful expenditure of funds that ensued. In 2008, SIGIR reported that U.S. agencies often made many decisions about investments without ascertaining Iraqi needs or obtaining the views and buy-in of Iraqi officials. SIGIR concluded that the failure to obtain host-government agreement on construction projects and efforts to foster a functioning democracy can lead to the waste of U.S. investments.<sup>53</sup>

Early in the reconstruction process, the CPA recognized the need for the Iraqi government to have a financial management information system. According to USAID officials, however, the CPA made a policy decision to not identify Iraqi ministry user requirements. This decision was made despite International Monetary Fund and the World Bank studies concluding that a sound information technology project design is predicated on identifying such requirements.

SIGIR found that U.S. reconstruction policy decisions and guidance drove development of the Iraqi Financial Management Information System and that the project was suspended for reasons related



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principally to the lack of GOI commitment. In November 2007, USAID attempted to garner GOI support for reviving the project, and in mid-January 2008 the Iraqi Minister of Finance and Acting Mission Director of USAID signed a memorandum of understanding to restart the effort. However, the entire system was ultimately abandoned as unworkable.<sup>54</sup>

Host-government support at the outset is critical for politically sensitive programs aimed at building democracy and improving security. SIGIR's audits of anticorruption efforts noted that a long-term and sustained commitment was needed by both the U.S. government and GOI to achieve any measurable improvement in the pervasive corruption the country faced. In 2008, SIGIR recommended that the U.S. efforts be based on assurances that the GOI supported the U.S. approach and that there were measurable indicators of progress. The audit concluded that, absent such assurances, the U.S. programs were vulnerable to waste.<sup>55</sup>

SIGIR also found that GOI political decisions could adversely affect program success. For example, although SIGIR's auditors found that U.S. Special Operations Forces successfully trained and equipped the Iraqi Special Operations Force (ISOF), U.S. officials were concerned that the ISOF would not remain an impartial and fully functioning military force. The ISOF's extra-constitutional move from the Ministry of Defense to the Office of the Prime Minister raised concerns about how the force would be used in the future. This, in turn, left its status as a Ministry of Defense agency or a Prime Minister agency unclear, which created budget problems, poor logistical and recruiting support, and irregular payments.<sup>56</sup>

DoS's recent experience in planning its Police Development Program is indicative of what can happen when the scope and objectives of a program are not mutually agreed upon by the host country. SIGIR reported in July 2012 that DoS designed a billion-dollar program, to include some construction, without securing an agreement from the GOI. In the face of GOI rejection, DoS was forced to change and downsize the program, and about \$200 million was wasted because funds were not meaningfully used for the purpose of their appropriation.<sup>57</sup>

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While it is not feasible to anticipate every host-government action, the greater the involvement, the greater the probability that U.S. assistance efforts will be supported and sustained. In Iraq, unfortunately, SIGIR found that the lack of GOI knowledge and support of projects led to difficulties in transferring them to the Iraqi government because they had not agreed to or were unaware of their existence.<sup>58</sup>

#### **b. Obtaining Host-government Cost Sharing Is the Best Way To Ensure Long-term Sustainment**

SIGIR's experience in auditing assistance programs in Iraq supports an important conclusion of U.S. and international foreign-aid institutions: the most effective means of ensuring host-country support is to require it to share in the costs.

USAID's Global Development Alliance encourages partnering with entities such as host-country governments and indigenous nongovernmental organizations to mobilize the strengths and participation of the host country and enhance the developmental impact of the assistance. When such relationships are forged, USAID expects the partner to make financial or in-kind contributions to increase the impact and sustainability of development efforts. However, in 2009, SIGIR examined the status and direction governing GOI cost sharing and found that none of the U.S. agencies involved in reconstruction had developed specific guidance for obtaining GOI support for U.S. assistance programs. Rather, there appeared to be more of an effort to explain why they were not required to solicit matching funds.<sup>59</sup>

USAID officials informed SIGIR that its agency-wide cost-sharing requirement was not applicable to Iraq. The guidance requires cost sharing for those programs funded from USAID's universal Development Assistance and Child Survival foreign assistance accounts, which were not used in Iraq. As such, USAID said it was seeking Iraqi support "to the extent that it makes sense."

Agencies responded that GOI support took many forms, providing the following examples:<sup>60</sup>

- According to DoS, the matching requirement of Public Law 110-252 applied to only six of its foreign assistance programs, and the GOI capital budget for 2008 contained \$12 billion for these six

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programs, which more than matched U.S. assistance as required by the legislation.

- DoD noted that the GOI had spent more than \$8 billion to support its security and police forces from 2004 through 2008 and more than \$4 billion to purchase U.S. military equipment and supplies. The GOI also provided financial or in-kind support for individual U.S.-funded projects, such as the Sons of Iraq.
- USAID asserted that it managed programs incorporating cost-sharing elements at the project level.

A January 2011 SIGIR report highlighted SIGIR's concerns regarding GOI support for a U.S. project to develop an executive-level educational facility for the Iraqi Security Forces and other branches of the government. When completed, the facility was to serve as a regional center of excellence for officials from other countries. Iraqi Ministry of Defense officials informed SIGIR that the GOI had no plan to fund the operation of the facility after it opened and had assumed that U.S. financial support would continue.<sup>61</sup>

Recognizing these deficiencies, the Congress, in a number of appropriations, authorizations, and accompanying conference reports, placed explicit demands for GOI cost sharing.<sup>62</sup> However, such direct congressional intervention should not be necessary if agencies providing reconstruction assistance utilize the same cost-sharing guidelines as those embedded in traditional foreign-assistance programs.

## **8. Accountability and Oversight of Private Security Contractors Is Vital in Politically Sensitive Contingency Operations**

The U.S. government relied extensively on private security contractors (PSCs) in Iraq to perform critical security missions, including protecting personnel movements, supply convoys, and facilities. However, issues surfaced on PSC oversight, control, and costs.

The 2007 Blackwater incident in which 17 Iraqi citizens were killed brought to the forefront the need for better U.S. oversight of these companies to ensure that their actions do not place mission objec-

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tives at risk. It took time before U.S. government agencies and partners began to consider PSC costs when deciding whether to proceed with reconstruction projects in Iraq, and most still do not. Given that any future reconstruction efforts would likely take place in a hostile environment, it is critical that the issues surrounding the use of PSCs be considered up front as reconstruction plans are being designed and before any monies are obligated or expended.

**a. Establishing Core Standards and Immediately Investigating Possible Breaches Are Essential Steps in Ensuring that Use of Private Security Contractors Does Not Adversely Affect the Mission**

It was not until after a serious incident involving PSCs and the death of Iraqi civilians that DoS and DoD agreed to jointly develop, implement, and follow core standards, policies, and procedures for the accountability, oversight, and discipline of PSCs in Iraq. Primary among several goals was reducing the number and strategic impact of serious incidents involving PSCs. A central part of this oversight was the reporting of incidents. SIGIR noted that the agencies learned lessons over time and applied them incrementally, but there were still gaps in oversight. For example, SIGIR found that DoD was not following its own regulations to investigate reports of serious incidents involving PSCs.

SIGIR concluded that, in SROs requiring the extensive use of PSCs, DoD and DoS must establish common standards, policies, and procedures early in the contingency operation. This guidance should address standards of conduct, use of deadly force, a common definition and reporting requirements for serious incidents, and a method for DoD units and the U.S. Embassy to share information on incidents.<sup>63</sup>

**b. Obtaining an Accurate Accounting of Private Security Contractor Costs Is Essential for Planning and Budgeting Operations**

PSC costs can consume a large portion of a contract, project, or program's overall budget. In 2008, because agencies were not required to systematically identify PSC costs, SIGIR could not readily and reliably calculate costs of these services. As a result, SIGIR recommended that agencies develop processes for routinely capturing this information

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and that program managers weigh these costs relative to the expected benefits for all new projects.<sup>64</sup>

This became increasingly important as the reconstruction effort evolved from large-scale infrastructure projects to capacity building, and physical security became a larger portion of total contract cost. Additionally, with the withdrawal of U.S. forces, the need for private security services increased to compensate for support previously provided by the U.S. military.

SIGIR's 2012 audit of the DoS Police Development Program indicates that the cost of security appears to have increased relative to the total cost of the assistance effort, but DoS had still not fully calculated that amount to assess program feasibility. In a 2011 report, SIGIR noted that security and life and mission support costs comprised 88% of the program's budget, while this latest audit reported that support costs would increase to 94% of the proposed 2013 budget. DoS did not, however, provide SIGIR an explicit breakdown for security costs alone.<sup>65</sup>

## **9. Linking an Inspector General's Authority to the Mission, Rather Than Funding, Is Critical To Ensure Complete Coverage**

In 2004, the Congress created SIGIR as the successor to the CPA Office of Inspector General and identified its duties "to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Iraq, and of the programs, operations, and contracts carried out utilizing such funds."<sup>66</sup> The words "appropriated or otherwise made available for reconstruction" generally limited SIGIR to reviews of projects funded by the IRRF, and later, those funded by the ISFF, CERP, and ESF. However, a large amount of the Iraq relief and reconstruction program management and operation was carried out by DoS and DoD personnel and contractors who were generally paid out of their agency operating accounts. Neither DoS nor DoD believed these accounts were subject to SIGIR's oversight authority, and therefore they did not allow SIGIR to review their

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internal organization and structure, such as office staffing, contracting workload, and security costs.

In 2008, SIGIR's authority was broadened to include "the efficacy of Department of Defense management and oversight, including the adequacy of staffing and training of officials responsible for such management and oversight."<sup>67</sup> SIGIR's authority to review DoS's management and oversight was not included in this new law. As a result, DoS objected to SIGIR conducting an audit of its contract to provide personal protective services because most of the funding came out of its Diplomatic and Consular Programs account, over which DoS asserted SIGIR did not have oversight authority. While SIGIR ultimately teamed with the DoS Inspector General to conduct the audit, DoS resistance caused delays and inefficiencies.

The lesson for future SROs is that limiting an Inspector General's authority to an appropriation rather than the mission limits oversight. SIGIR was unique in that it had authority to cross agency boundaries to arrive at systemic planning and other deficiencies, but at the same time, it was inhibited from doing so by restrictions on what funds it could audit. In response, SIGIR was forced to audit multiple projects and contracts to identify individual agency operational weaknesses, and from there, to extrapolate systemic reconstruction problems. In contrast, when authority is linked to the mission, auditors can review overall agency funding streams and operations, which would facilitate identification of systemic weaknesses.

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## **Part III: Agency Perspectives on SIGIR's Lessons Learned**

SIGIR offered agencies the opportunity to provide their perspectives on these lessons, to include the extent to which they have taken actions to address them. Agency responses vary in their assessment of the validity of the lessons as presented, as well as in agency actions to deal with them. The opinions provided represent the positions of the individual organizations and may not represent official positions of the Departments of Defense and State.

### **Office of the Secretary of Defense (OSD)**

The responding OSD official did not disagree with the lessons learned presented. On the issue of balancing security, political, and economic interests in decision making, he noted that such analyses are part of DoD doctrine. Nevertheless, he cautioned that such examinations are hampered by the fact that one cannot see the future. He further explained that the lack of defined agency roles and mission overlap can be traced to the authorities given each agency by its congressional authorizing committee. Problems in the field occur if the Congress authorizes similar authorities and programs for more than one agency. As such, the lack of coordination is first at the legislative and highest executive branch level.

In addressing the need for a comprehensive management information system to provide information on how money was spent, the official noted that addressing this need would require purchasing a new system because none of the ones currently in service meet the requirements of all the major agencies. Finally, OSD agreed on the need to increase contract and grant oversight in contingency environments. The official noted that DoD's efforts to provide contract oversight in Iraq were ad hoc, and an institutional effort to provide an expeditionary force is needed.

### **U.S. Central Command (CENTCOM)**

CENTCOM responded that staff reviewed the report and discussed it with senior leadership, concluding that, while the lessons learned provides interesting observations, they are already part of DoD's

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overarching engagement charter and therefore embedded into daily operations they conduct in their theater. As such, CENTCOM stated that it had no further comments to provide.

### **U.S. Army Corps of Engineers (USACE)**

In a written response, USACE generally agreed with the lessons provided and noted how USACE had implemented those applicable to the agency. For example, regarding the need to assess the risks of violence, USACE noted that the Commander of the International Security Assistance Force in Afghanistan issued contracting guidelines on October 9, 2010, that include specific go/no go criteria that need to be factored into a risk assessment for all proposed construction projects. USACE also stated that it had taken steps to better manage staff needs and turnover by using rehired annuitants and extending tour lengths to 9 and 12 months, among other actions. To improve contract oversight through more comprehensive records, USACE noted that its own lessons learned conferences identified the need for all contingency districts and field offices to adhere to standard USACE business practices when operating in a contingency environment. Finally, in response to the lesson that host governments must be involved in identifying sustainable reconstruction priorities and needs, USACE stated that it executes the requirements of supported force commanders and other agencies. However, in Afghanistan the contracting guidelines require confirmation that local leaders and stakeholders have been consulted on the development of requirements for any project that Afghans will own, operate, and maintain.

### **Defense Contract Audit Agency (DCAA)**

DCAA officials generally agreed with the lessons as presented and stated that they have taken steps to address them. For example, to provide better personnel continuity and reduce turnover, they are deploying contracting officers to Afghanistan for a one-year tour. DoD is also working to address issues by establishing an expeditionary workforce and has allocated more staff for the agency.

DCAA noted that it still does not have sufficient staff to conduct the level of oversight needed and has taken mitigating measures, such



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as conducting risk analysis before selecting contracts to audit. DCAA expressed concern that SIGIR's lessons suggested that DCAA should conduct in-depth voucher reviews when that is not their organization's responsibility. DCAA emphasized the importance of government oversight from the start of a contract.

### **Defense Contract Management Agency (DCMA)**

DCMA officials stated that the lessons learned presented in the report are valid and that the agency director is committed to responding to these, and others DCMA has learned, to improve performance as a combat support agency. They detailed actions DCMA has taken to address personnel and oversight issues. Specifically, to address problems associated with rotations of staff with differing skill levels, DCMA has placed a contract director in both Iraq and Afghanistan and identified personnel who will receive special training as part of a contingency corps should another such operation arise.

To improve oversight, DCMA identified gaps and inconsistencies in policies and procedures that were designed for working in benign environments but did not meet demands of contingency operations. DCMA also is reevaluating current criteria used to determine when to conduct purchasing system reviews to include more lower-cost, but high-risk, contracts that SIGIR noted were particularly vulnerable to fraud and waste. They also noted that the U.S. government must recognize that the country cannot go to war without contractors and that it needs to have visibility and accountability over them. Additionally, they agreed on the need to consider the human costs of activities as they too lost a staff member in Afghanistan.

### **Department of State Bureau of International Narcotics and Law Enforcement Affairs**

DoS officials stated that, in general, they agreed with SIGIR's lessons learned. The extent to which these lessons now appear obvious, such as requiring metrics, is a reflection of what has been learned and applied since the early days of Iraq reconstruction. For example, they responded that they have embraced SIGIR recommendations on contract oversight by pushing oversight to the field, and have im-

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proved their working relationships with major contractors. Moreover, monitoring and oversight have become part of DoS culture. Nevertheless, they noted some issues with the presentation. For example, they posited that in a non-permissive, dangerous environment, even the most thorough cost-benefit analyses cannot necessarily predict the future security climate because unforeseen things happen. Furthermore, construction projects require a long lead time, and there is no way to determine with certainty what security conditions will prevail when the project reaches its final stages or concludes.

DoS disagreed with SIGIR's conclusion that it did not consider security costs because no specific written cost-benefit analyses existed. They noted that the internal (DoS and the Office of Management and Budget) and external (congressional) budget processes were rigorous and involved multiple layers of analysis and justification at all stages of the budget development and implementation process. Regarding staffing issues, they noted that, while staff rotations are a given, and staff members and their families already make tremendous sacrifices to take unaccompanied assignments in conflict zones, managers can mitigate the effects of frequent rotations by requiring documentation and using technology (such as Sharepoint) to ensure that knowledge transfers from one staff to another, and by targeting staff members with specific needed skills.

DoS agreed that coordination within or across organizations can be difficult, including in situations when DoD's assistance efforts do not fall under Chief of Mission authority. Appropriate organizational structures (such as Assistant Chief of Mission positions) and deployment of personnel with constructive, collaborative, and mission-focused perspectives can improve coordination.

### **U.S. Agency for International Development Bureau for the Middle East**

The USAID official representing the Bureau stated that, overall, he had little to disagree with, although he said that some overarching issues—such as the relationship between counterinsurgency and stabilization efforts—were not addressed, and some of the nuances in the specific issues SIGIR raised were not recognized. To illustrate,

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he disagreed with the need for assessing whether high security costs render an activity not worth the effort. He noted that USAID did not have experience in providing developmental assistance in such an insecure environment, and so had no basis to determine what was, or was not, a reasonable security cost. As such, a cost-benefit analysis was not practical. Additionally, some programs required more travel, so there were higher security costs, but overall, their security costs averaged about 25% to 30% of total program costs. From a developmental perspective, the official said it was worth the costs.

USAID further noted that reducing the number of agencies involved, rather than improving coordination among them, would be the principal factor needed to improve delivery of reconstruction assistance. On the other hand, he described USAID efforts to address the lessons delineated by SIGIR. Regarding personnel management, he noted that rotations will always be a problem but that USAID provided continuity by detailing third-country nationals from USAID missions in other countries to Iraq to manage programs and contracts. Also, he noted that cost sharing has always been a part of USAID culture and has increased significantly in Iraq, in part, to be responsive to congressional direction. He stated that USAID now has memoranda of understanding with ministries to provide financial support and that the Ministry of Finance provided funding to select ministries specifically to support USAID projects.

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## Part IV: Studies in Reconstruction Management

SIGIR's work identified numerous examples of both good and bad reconstruction management. In many cases, performance was mixed, demonstrating both positive and negative management decisions and project or program execution. Two of SIGIR's audits, however, provide the extremes: in one case, decisions were uniformly poor and resulted in failure; and in the other, decisions were uniformly good, which resulted in success.

### ***Falluja Waste Water Treatment System: A Case Study in Wartime Contracting***

*(SIGIR 12-007, October 30, 2011)*

The Falluja Waste Water Treatment System was one of the largest and most expensive construction projects in Iraq. It was part of a broad strategy to improve Iraq's infrastructure so as to win the hearts and minds of the Iraqi people. The project was initiated in June 2004 after U.S. officials approached the GOI and asked what could be done in Falluja to help



Raw sewage in the streets of Falluja, 2004.

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rebuild the city. The U.S. military had completed a major operation there earlier that year, and the city had sustained heavy damage. The GOI offered a list of projects for the city, including a request for a sewer network system. GOI officials wanted this system to service the residents of the city of Falluja. At the time, Falluja did not have a comprehensive sewage system.

SIGIR's report noted that, as of September 2011, the treatment facility had an estimated cost of \$107.9 million and was servicing 6,000 homes (or approximately 38,400 residents).<sup>68</sup> To complete the system the GOI will need to spend at least \$87 million more, and the entire network collection system is not estimated to be completed until at least 2014.

### **SIGIR Findings**

SIGIR's report concluded that heavy fighting in Falluja, poor planning, unrealistic cost estimates, and inadequate funding led to significant cost overruns and delays in constructing the city's new wastewater treatment system. After seven years and the expenditure of more than \$100 million, the backbone of a wastewater treatment system was in place in 2011 and servicing approximately 38,400 residents. But this was far short of the 100,000 residents originally intended to benefit from the system. Despite this shortfall, SIGIR noted that the facility was expandable and, with additional investment by the Iraqi government, tens of thousands of additional residents could be connected to it. At the time of SIGIR's audit, the GOI was supporting the system's operation and its future expansion. But completion of the existing backbone system was years late and millions of dollars over budget, leaving Falluja's streets torn up and in disrepair for years. Many people, including DoS personnel, died while working in support of this project.

After evaluating all the issues surrounding the project, SIGIR concluded that assessing the Falluja Waste Water Treatment System solely on its excessive costs and limited results would likely not fully realize the nature of its secondary goals and objectives. Wartime projects generally have secondary goals that shape management decisions made along the way. This project had the secondary goals of enhancing local citizens' faith in their government's ability to deliver essential services, building a service capacity within the local government, winning the hearts and minds of a critical segment of the Iraqi populace, and stimulating the

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economy by boosting employment (particularly for young men who were potentially recruitable by the insurgency).

This project was taken on in 2004 in a city wracked by violence. Little planning went into the project, and there was minimal understanding of site conditions, no skilled workforce available, and no clear idea about how much the new system would cost. Very early in the project, security conditions rapidly deteriorated such that the trenches and pipes laid by the U.S. contractor were regularly being blown up, and construction workers were subject to continual attacks. On several occasions, U.S. combatant commanders had to direct the contractor to stop construction until security improved. So many adverse conditions faced this project from the outset; thus, it is hard to understand why it was initiated and continued.

The absence of information or analysis on whether progress was made toward achieving any of the secondary goals makes an assessment of this project's worth or wisdom quite difficult. In the end, it would be dubious to conclude that this project helped stabilize the city, enhanced the local citizenry's faith in government, built local service capacity, won hearts or minds, or stimulated the economy. Coupled with the fact that the outcome achieved was a wastewater treatment system operating at levels far below what was anticipated, it is difficult to conclude that the project was worth the \$100 million investment and the many lives lost.

### ***Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices***

*(SIGIR 09-024, July 30, 2009)*

This review examined the Tikrit Location Command, a \$37.8 million ISFF-funded project to construct a new area support base for the Iraqi Army. The project was a joint effort between the Multi-National Security Transition Command-Iraq (MNSTC-I) and Iraq Training and Advisory Mission (ITAM). The Joint Contracting Command-Iraq/Afghanistan awarded the contract and was responsible for contract oversight. The Gulf Region-North (GRN) District of the U.S. Army Corps of Engineers provided program management and engineering oversight.

## **SIGIR Findings**

SIGIR found that, although completing the Tikrit Location Command project had taken longer than originally planned, the project's costs did not increase, the facilities were nearing completion at that time, project management oversight controls were working well, and plans for transferring and sustaining the project were being developed.

As of May 2009, the contractor was meeting the requirements of the contract, and cost disbursements were commensurate with management's estimate of the construction status. The building exteriors were mostly complete, and the contractor was completing the interiors and other infrastructure and was adding the utilities. The GRN Program Manager estimated that overall construction was 78% complete, and both the GRN manager and the contractor believed that construction would be completed by the end of the current period of performance, which is September 26, 2009. About \$25.2 million of the \$37.8 million—nearly 67% of the modified contract price—had been disbursed to the contractor.

Strong program, project, and contract management controls were in place from the beginning of this contract and improved over time. When construction deficiencies were identified, action was taken to resolve the issues. Additionally, lessons learned from prior construction projects were implemented. MNSTC-I officials indicated that a good security situation at Tikrit, among other factors, contributed to the positive outcome.

At the time the report was issued, the project was approximately three months from its scheduled completion date, and had not yet been transferred to the GOI. Nonetheless, SIGIR found that MNSTC-I had an asset-transfer plan in place and was working with the GOI to address several training and sustainment issues, including securing an adequate power supply for the facility and training Iraqi operators to run the reverse-osmosis water treatment facility. To monitor the project after its transfer, a logistics military advisory team would be located at the site to advise the location command's commander, and a logistics training assistance team would provide focused training. SIGIR also found that ITAM officials conducted capability assessments to track the GOI's progress in base services, water treatment, and other areas.

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## Appendix A: Focus of SIGIR Recommendations

SIGIR made 487 recommendations to deal with management problems discussed throughout the lessons learned presented in this report. In a number of cases, a single recommendation addressed more than one of the issues outlined above. To illustrate, SIGIR has provided:

- more than 190 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover
- nearly 80 recommendations to improve interagency coordination and cooperation and to better share information
- more than 205 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 200 recommendations to improve accountability and internal control weaknesses (These involve deficiencies such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing.)
- more than 40 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that these efforts will not be wasted



## Appendix B: SIGIR Potential and Actual Financial Accomplishments

		POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS (\$ MILLIONS)	QUESTIONED COSTS		ACTUAL SAVINGS (\$ MILLIONS)
REPORT NUMBER	REPORT TITLE	FUNDS THAT COULD BE BETTER USED	UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	DOLLARS SAVED & RECOVERED <sup>c</sup>
04-003	Federal Deployment Center Forward Operations at the Kuwait Hilton	18.20			18.20
04-011	Audit of the Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Baghdad	19.70			19.70
04-013	Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award			5.19	0.00 <sup>a</sup>
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.00 <sup>a</sup>
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq			2.70	0.00 <sup>a</sup>
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			0.00 <sup>a</sup>
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			7.80
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Kerbala Library		0.15		0.00 <sup>a</sup>
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.00 <sup>a</sup>
06-009	Review of Task Force Shield Programs	12.80			12.80
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	1.51		3.46	4.97
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	23.30			23.30
06-029	Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support		5.46		5.46
07-007	Status of U.S. Government Anticorruption Efforts in Iraq	3.80			3.80
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC		0.57		0.57

		POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS (\$ MILLIONS)		ACTUAL SAVINGS (\$ MILLIONS)	
REPORT NUMBER	REPORT TITLE	FUNDS THAT COULD BE BETTER USED	QUESTIONED COSTS		DOLLARS SAVED & RECOVERED <sup>c</sup>
			UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.06 <sup>a</sup>
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			16.62
10-008	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	448.49	502.25		508.66
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	5.00			5.00
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	16.10			16.10
10-022	Improved Oversight Needed for State Department Grants to the International Republican Institute		5.54		0.69
11-001	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited		0.08		0.08
11-009	Iraqi Government Support for the Iraq International Academy	12.00			–
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed		1.08		1.08
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected		113.40		–
12-006	Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency	387.00			–
			629.33	11.35	
Totals		973.62	640.68 <sup>b</sup>		644.89

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

<sup>b</sup>The total dollar amount of questioned costs comprises two subcategories, which are delineated in this table in order to clarify the nature of the questioned cost as defined by the Inspector General Act.

<sup>c</sup>Actual savings are funds that were actually saved because the agency under review accepted SIGIR's recommendation to put funds to better use or to recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding, or funds that were saved because the Congress elects to reduce appropriations based on SIGIR's work. No recovered funds or collection efforts to date related to Reports 11-009, 11-022, or 12-006.

## Appendix C: SIGIR Audit Products

SIGIR REPORT NUMBER	DATE	REPORT TITLE
13-003	10/4/2012	Development Fund for Iraq: U.S. Army Corps of Engineers Has Missing Receiving Reports and Open Task Orders
13-002	10/3/2012	Final Review of State Department's Management of Quick Response Funds in 2007 and 2008
13-001	10/4/2012	Sustaining the Progress Achieved by U.S. Rule of Law Programs in Iraq Remains Questionable
12-020	7/30/2012	Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program
12-019	7/30/2012	Gaps in Business System Reviews of Contractors with Generally Less Than \$100 Million Annually in Contracts in Iraq Increase U.S. Government Vulnerabilities to Fraud, Waste, and Abuse
12-018	7/27/2012	Status of Fiscal Years 2011–2012 Iraq Security Forces Fund
12-017	7/13/2012	Final Forensic Audit Report of Iraq Reconstruction Funds
12-016	4/30/2012	Interim Review of State Department's Progress in Implementing SIGIR Recommendations Addressing Quick Response Fund Management Controls
12-015	4/26/2012	Interim Report on Spend Plans for Fiscal Years 2011–2012 Iraq Security Forces Funds
12-014	4/18/2012	USACE Used or Deobligated Residual Funds on Terminated Contracts
12-013	4/30/2012	Development Fund for Iraq: The Coalition Provisional Authority's Financial Controls for Electronic Fund Transfer Payments Diminished over Time
12-012	1/13/2012	Development Funds for Iraq Returned to the Central Bank of Iraq
12-011	1/29/2012	Few Contracts Terminated by the U.S. Army Corps of Engineers Resulted in Wasted Funds in Iraq
12-010	1/27/2012	Status of Recommendations Made by the Special Inspector General for Iraq Reconstruction to the Department of Defense

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
12-009	1/29/2012	The Department of State's Process To Provide Information on Reconstruction Projects to the Government of Iraq
12-008	1/27/2012	Development Fund for Iraq: Department of Defense Cannot Fully Account for the Funds It Used after the Coalition Provisional Authority Dissolved
12-007	10/30/2011	Falluja Waste Water Treatment System: A Case Study in Wartime Contracting
12-006	10/24/2011	Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency
12-005	10/28/2011	U.S. Central Command Contracting Command Had Few Contract Terminations That Resulted in Wasted Funds in Iraq
12-004	10/27/2011	Department of Defense Agencies Have Taken Action on Most Open Audit Recommendations
12-003	10/27/2011	Status of International Narcotics Control and Law Enforcement Funds Allocated for Iraq Reconstruction
12-002	10/28/2011	Indirect Costs of Managing Private Security Contracts in Iraq
12-001	10/26/2011	Development Fund for Iraq: The Coalition Provisional Authority Transferred Control over Most of the Remaining DFI Funds to the Central Bank of Iraq
11-023	7/29/2011	Department of State Reports It Has Taken Action on Most Open Audit Recommendations, but Documentation Is Needed
11-022	7/30/2011	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected
11-021	7/29/2011	Management of the Iraq Commander's Emergency Response Program Needs To Be Improved (Interim Report)
11-020	7/29/2011	Commander's Emergency Response Program for 2011 Shows Increased Focus on Capacity Development
11-019	7/29/2011	Monitoring Responsibilities for Serious Incidents Involving Private Security Contractors Once U.S. Military Forces Leave Iraq Have Not Been Determined
11-018	7/28/2011	Control Weaknesses Remain in Oversight of Theater-wide Internal Security Services Contracts

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
11-017	4/22/2011	USAID Is Responsive to SIGIR Recommendations
11-016	4/27/2011	USACE Is Meeting Customer Needs, but Documentation of Project Decisions Could Improve
11-015	4/27/2011	Gulf Region District Is Adjusting Its Aegis Security Contract Requirements for Changes in Reconstruction Activities in Iraq
11-014	4/28/2011	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed
11-013	4/22/2011	Iraq Relief and Reconstruction Fund 2: Report on Apportionments, Expenditures, and Status at End of Fiscal Year 2010
11-012	1/31/2011	Commander's Emergency Response Program Obligations Are Uncertain
11-011	4/27/2011	Quick Response Fund: Management Controls Have Improved, but Earlier Projects Need Attention
11-010	1/28/2011	Sons of Iraq Program: Results Are Uncertain, and Financial Controls Were Weak
11-009	1/26/2011	Iraqi Government Support for the Iraq International Academy
11-008	1/28/2011	Interim Report: Action Needed To Address Missing Iraq Transaction Data
11-007	1/25/2011	Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Canceled Funds
11-006	10/28/2010	Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursement of Iraq Reconstruction Funds
11-005	10/28/2010	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #5
11-004	10/25/2010	Iraqi Security Forces: Special Operations Force Program Is Achieving Goals, but Iraqi Support Remains Critical to Success
11-003	10/25/2010	Iraqi Security Forces: Police Training Program Developed Sizeable Force, but Capabilities Are Unknown
11-002	10/15/2010	Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
11-001	10/13/2010	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited
10-022	7/29/2010	Improved Oversight Needed for State Department Grant to the International Republican Institute
10-021	7/30/2010	Plans To Preserve Iraq Reconstruction Program and Contract Records Need To Be Improved
10-020	7/27/2010	Development Fund for Iraq: Department of Defense Needs To Improve Financial and Management Controls
10-019	7/26/2010	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #4
10-018	7/21/2010	Most Iraq Economic Support Fund Appropriations Have Been Obligated and Liquidated
10-017	4/28/2010	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #3
10-016	4/23/2010	Most Iraq Security Forces Fund Appropriations Have Been Obligated
10-015	4/29/2010	Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved
10-014	4/27/2010	Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention
10-013	4/26/2010	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred
10-012	1/26/2010	Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute Democracy Grants
10-011	1/28/2010	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #2
10-010	1/26/2010	Department of State Contract To Study the Iraq Reconstruction Management System
10-009	3/25/2010	Interim Report on Projects to Develop the Iraqi Special Operations Forces

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
10-008	1/25/2010	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program
10-007	1/28/2010	Wamar International Successfully Completed Contracts, but Unanticipated Problems Affected Costs and Schedules
10-006	10/29/2009	Development Fund for Iraq: Policy Guidance Needed To Enhance Accountability of USACE-managed Funds
10-005	10/30/2009	Iraq Security Forces Fund: Weak Contract Oversight Allowed Potential Overcharges by AECOM To Go Undetected
10-004	10/28/2009	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #1
10-003	10/27/2009	Iraq Commander's Emergency Response Program Generally Managed Well, but Project Documentation and Oversight Can Be Improved
10-002	10/26/2009	Data Provided to the Government of Iraq on U.S. Reconstruction Projects Lacked Clarity
10-001	10/22/2009	Iraqi Security Forces Facilities: Environmental Chemical Corporation Projects Achieved Results but with Significant Cost and Schedule Delays
09-027	7/30/2009	Developing a Depot Maintenance Capability at Taji Hampered by Numerous Problems
09-026	7/26/2009	Commander's Emergency Response Program: Hotel Construction Successfully Completed, but Project Management Issues Remain
09-025	7/26/2009	Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful
09-024	7/30/2009	Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices
09-023	7/28/2009	Investigation and Remediation Records Concerning Incidents of Weapons Discharges by Private Security Contractors Can Be Improved
09-022	7/28/2009	Field Commanders See Improvements in Controlling and Coordinating Private Security Contractor Missions in Iraq

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
09-021 and AUD/IQO- 09-16	6/1/2009	Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq (with DoS OIG)
09-020	4/28/2009	Provincial Reconstruction Teams: Developing a Cost-tracking Process Will Enhance Decision Making
09-019	4/30/2009	Opportunities To Improve Processes for Reporting, Investigating, and Remediating Serious Incidents Involving Private Security Contractors in Iraq
09-018	4/29/2009	Information on Government of Iraq Contributions to Reconstruction Costs
09-017	4/24/2009	Need To Enhance Oversight of Theater-wide Internal Security Services Contracts
09-016	4/26/2009	Asset-transfer Process for Iraq Reconstruction Projects Lacks Unity and Accountability
09-015	4/29/2009	Construction of Primary Healthcare Centers Reported Essentially Complete, but Operational Issues Remain
09-014	4/26/2009	Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems
09-013	1/28/2009	Provincial Reconstruction Teams' Performance Measurement Process Has Improved
09-012	1/26/2009	The U.S. Has Reduced Its Funding for the Iraqi Security Forces, but Continued Support Will Likely Be Necessary
09-011	1/29/2009	Opportunities To Improve Management of the Quick Response Fund
09-010	1/14/2009	Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense
09-009	1/30/2009	Full Impact of Department of Defense Program To Restart State-owned Enterprises Difficult To Estimate
09-008	1/13/2009	Cost, Outcome, and Oversight of Iraq Oil Reconstruction Contract with Kellogg Brown & Root Services, Inc.
09-007	10/29/2008	Improvements Needed in Reporting Status of Reconstruction Projects to Chief of Mission
09-006	10/28/2008	Status of Department of State Economic Support Fund Interagency Agreements with the U.S. Army Corps of Engineers in Iraq
09-005	10/30/2008	Agencies Need Improved Financial Data Reporting for Private Security Contractors

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
09-004	10/27/2008	Iraq Reconstruction Project Terminations Represent a Range of Actions
09-003	10/21/2008	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute
09-002	10/21/2008	Challenges in Obtaining Reliable and Useful Data on Iraqi Security Forces Continue
09-001	10/22/2008	Opportunities To Enhance U.S. Democracy-building Strategy for Iraq
08-024	7/29/2008	Information on a Special Department of Defense Program To Foster Economic Recovery in Iraq
08-023	7/29/2008	Anticorruption Efforts in Iraq: U.S. and Iraq Take Actions, but Much Remains To Be Done
08-022	7/26/2008	Government of Iraq Increasingly Funding Iraq Security Forces Infrastructure Development, but Substantial U.S. Support Remains
08-021	7/26/2008	Comprehensive Plan Needed To Guide the Future of the Iraq Reconstruction Management System
08-020	7/27/2008	Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts
08-019	7/28/2008	Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc.
08-018	7/15/2008	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC
08-017	4/28/2008	Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste
08-016	4/24/2008	U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan
08-015	4/25/2008	Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report, Measuring Stability and Security in Iraq
08-014	4/22/2008	Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program
08-013	4/28/2008	Interim Report on Iraq Reconstruction Contract Terminations
08-012	3/13/2008	Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
08-011	4/29/2008	Outcome, Cost, and Oversight of Electricity-sector Reconstruction Contract with Perini Corporation
08-010	1/28/2008	Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006
08-009	1/24/2008	Appropriate Award-fee Conversion Scales Can Enhance Incentive for Contractor Performance
08-008	1/24/2008	U.S. Anticorruption Efforts in Iraq: Sustained Management Commitment Is Key to Success
08-007	1/25/2008	Efforts To Implement a Financial-management Information System in Iraq
08-006	1/25/2008	Commander's Emergency Response Program in Iraq Funds Many Large-scale Projects
08-005	1/29/2008	Differences in Services and Fees for Management and Administration of Iraq Reconstruction Contracts
08-004	1/15/2008	Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center
08-003	10/29/2007	Review of the Use of Contractors in Managing Iraq Relief and Reconstruction Projects
08-002	10/30/2007	Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement, and Transition
08-001	10/24/2007	Interim Report on Efforts and Further Actions Needed To Implement a Financial Management Information System in Iraq
07-016	10/23/2007	Interim Review of DynCorp International, LLC, Spending under Its Contract for the Iraqi Police Training Program
07-015	10/18/2007	Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq
07-014	7/25/2007	Status of the Provincial Reconstruction Team Program Expansion in Iraq
07-013	4/27/2007	Sustainment of the Advanced First Responder Network (Restricted)
07-012	4/26/2007	Review of Iraq Relief and Reconstruction Fund Unmatched Disbursements at the Department of State
07-011	10/23/2007	Controls over Unliquidated Obligations in the Iraq Relief and Reconstruction Fund

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
07-010	10/24/2007	Agency Management of the Closeout Process for Iraq Relief and Reconstruction Fund Contracts
07-009	7/24/2007	Review of Bechtel's Spending under Its Phase II Iraq Reconstruction Contract
07-008	7/26/2007	Fact Sheet on the Roles and Responsibilities of U.S. Government Organizations Conducting IRRF-funded Reconstruction Activities
07-007	7/24/2007	Status of U.S. Government Anticorruption Efforts in Iraq
07-006	4/26/2007	Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006
07-005	7/27/2007	Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction
07-004	7/25/2004	Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq
07-003	7/26/2007	Cost-to-complete Reporting for Iraq Reconstruction Projects
07-002	4/25/2007	Status of the Advanced First Responder Network
07-001	6/22/2007	Logistics Civil Augmentation Program Task Order 130: Requirements Validation, Government Oversight, and Contractor Performance
06-045	1/30/2007	Status of Ministerial Capacity Development in Iraq
06-044	1/30/2007	Fact Sheet on Major U.S. Contractors' Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities
06-043	1/30/2007	Review of Iraq Relief and Reconstruction Fund Unmatched Disbursements
06-042	1/30/2007	Fact Sheet on Major U.S. Contractors' Security Costs Related to Iraq Relief and Reconstruction Fund Contracting Activities (Restricted-Limited Distribution)
06-040	1/30/2007	Improper Obligations Using the Iraq Relief and Reconstruction Fund (IRRF 2)
06-039	1/29/2007	Review of USAID/Bechtel National, Inc., Property Management Controls for Contract SPU-C-00-04-00001-00

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
06-038	9/27/2006	Unclassified Summary of SIGIR's Review of Efforts To Increase Iraq's Capability To Protect Its Energy Infrastructure
06-037	9/22/2006	Interim Audit Report on Improper Obligations Using the Iraq Relief and Reconstruction Fund (IRRF 2)
06-036	1/29/2007	Follow-up on SIGIR Recommendations Concerning the Development Fund for Iraq (DFI)
06-035	10/26/2006	Interim Audit Report on Inappropriate Use of Proprietary Data Markings by the Logistics Civil Augmentation Program (LOGCAP) Contractor
06-034	10/29/2006	Status of the Provincial Reconstruction Team Program in Iraq
06-033	10/28/2006	Iraqi Security Forces: Weapons Provided by the U.S. Department of Defense Using the Iraq Relief and Reconstruction Fund
06-032	10/28/2006	Iraqi Security Forces: Review of Plans To Implement Logistics Capabilities
06-031	10/27/2006	Management of the Iraqi Interim Government Fund
06-030	1/30/2007	Status of Medical Equipment and Other Non-construction Items Purchased for Primary Healthcare Centers
06-029	1/30/2007	Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support
06-028	10/23/2006	Review of Administrative Task Orders for Iraq Reconstruction Contracts
06-026	7/31/2006	Review of the U.S. Agency for International Development's Management of the Basrah Children's Hospital Project
06-025	7/28/2006	Review of the Medical Equipment Purchased for the Primary Healthcare Centers Associated with Parsons Global Services, Inc., Contract Number W914NS-04-D-0006
06-024	7/26/2006	Joint Cash Count—Iraq National Weapons Card Program
06-023	7/28/2006	Changes in Iraq Relief and Reconstruction Fund Program Activities, January through March 2006

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<b>SIGIR REPORT NUMBER</b>	<b>DATE</b>	<b>REPORT TITLE</b>
06-021	7/28/2006	Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program
06-020	7/28/2006	Review of the Advanced First Responder Network
06-019	7/28/2006	Review of the Use of Definization Requirements for Contracts Supporting Reconstruction in Iraq
06-018	7/1/2006	Survey of the Status of Funding for Iraq Programs Allocated to the Department of State's Bureau of International Narcotics and Law Enforcement Affairs as of December 31, 2005
06-017	7/28/2006	Transition of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government
06-016	4/4/2006	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006
06-015	4/28/2006	Iraqi Armed Forces Seized Assets Fund: Review of Contracts and Financial Documents
06-014	7/27/2006	Review of Efforts To Increase Iraq's Capability To Protect Its Energy Infrastructure (Classified)
06-013	4/28/2006	Briefing to the International Advisory and Monitoring Board for Iraq: Management Controls over the Development Fund for Iraq
06-012	4/28/2006	Development Fund for Iraq Cash Accountability Review: Joint Area Support Group-Central/Falluja
06-011	4/29/2006	Management of the Primary Healthcare Centers Construction Projects
06-010	4/28/2006	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund
06-009	4/28/2006	Review of Task Force Shield Programs
06-008	4/28/2006	Development Fund for Iraq Cash Accountability Review: Joint Area Support Group-Central
06-007	4/29/2006	U.S. Agency for International Development: Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government
06-006	4/29/2006	Multi-National Security Transition Command-Iraq Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
06-005	4/28/2006	Follow-up on Recommendations Made in SIGIR Audit Reports Related to Management and Control of the Development Fund for Iraq
06-004	4/28/2006	Changes in Iraq Relief and Reconstruction Fund Program Activities, October through December 2005
06-003	4/28/2006	Review of Data Entry and General Controls in the Collecting and Reporting of the Iraq Relief and Reconstruction Fund
06-002	2/3/2006	Prompt Payment Act: Analysis of Expenditures Made from the Iraq Relief and Reconstruction Fund
06-001	4/24/2006	Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System
05-029	1/26/2006	Challenges Faced in Carrying Out Iraq Relief and Reconstruction Fund Activities
05-028	1/24/2006	GRD-PCO Management of the Transfer of IRRF-funded Assets to the Iraqi Government
05-027	1/27/2006	Methodologies for Reporting Cost-to-complete Estimates
05-026	1/27/2006	Fact Sheet on the Use of the \$50 Million Appropriation To Support the Management and Reporting of the Iraq Relief and Reconstruction Fund
05-025	1/23/2006	Management of the Commander's Emergency Response Program for Fiscal Year 2005
05-024	1/23/2006	Management of the Mansuria Electrical Reconstruction Project
05-023	1/23/2006	Management of Rapid Regional Response Program Contracts in South-Central Iraq
05-022	10/24/2005	Managing Sustainment for Iraq Relief and Reconstruction Fund Programs
05-021	10/24/2005	Management of Iraq Relief and Reconstruction Fund Programs: Cost-to-Complete Estimate Reporting
05-020	10/26/2005	Management of the Contracts, Grant, and Micro-purchases Used To Rehabilitate the Kerbala Library
05-019	9/30/2005	Attestation Engagement Concerning the Award of Non-Competitive Contract DACA63-03-D-0005 to Kellogg Brown and Root Services, Inc.

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
05-018	10/21/2005	Management of Iraq Relief and Reconstruction Fund Program: Acquisition of Armored Vehicles Purchased through Contract W914NS-05-M-1189
05-017	10/25/2005	Award Fee Process for Contractors Involved in Iraq Reconstruction
05-016	10/26/2005	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy
05-015	10/25/2005	Management of Rapid Regional Response Program Grants in South-Central Iraq
05-014	10/13/2005	Management of Commander's Emergency Response Program for Fiscal Year 2004
05-013	9/9/2005	Controls over Equipment Acquired by Security Contractors
05-012	7/22/2005	Policies and Procedures Used for Iraq Relief and Reconstruction Fund Project Management—Construction Quality Assurance
05-011	7/26/2005	Cost-to-complete Estimates and Financial Reporting for the Management of the Iraq Relief and Reconstruction Fund
05-010	7/26/2005	Interim Briefing to the Project and Contracting Office-Iraq and the Joint Contracting Command-Iraq on the Audit of the Award Fee Process
05-009	7/8/2005	Reconciliation of Reporting Differences of the Source of Funds Used on Contracts after June 28, 2004
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05-007	4/30/2005	Administration of Iraq Relief and Reconstruction Fund Contract Files
05-006	4/30/2005	Control of Cash Provided to South-Central Iraq
05-005	4/20/2005	Compliance with Contract No. W91150-04-C-0003 Awarded to Aegis Defence Services Limited
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05-003	11/23/2004	Task Order 0044 of the Logistics Civilian Augmentation Program III Contract
05-002	10/25/2004	Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Kuwait

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SIGIR REPORT NUMBER	DATE	REPORT TITLE
05-001	10/22/2004	Coalition Provisional Authority Control of Appropriated Funds
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04-005	7/23/2004	Award of Sector Design-Build Construction Contracts
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04-002	6/25/2004	Management of Personnel Assigned to the Coalition Provisional Authority in Baghdad, Iraq
04-001	6/25/2004	Coalition Provisional Authority Coordination of Donated Funds



## Appendix D: Acronyms

ACRONYM	DEFINITION
AMC	Army Materiel Command
CAP	Community Action Program
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CHF	Cooperative Housing Foundation International
CPA	Coalition Provisional Authority
DCAA	U.S. Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DoD	Department of Defense
DoS	Department of State
ESF	Economic Support Fund
GOI	Government of Iraq
GRD	Gulf Region Division
GRN	Gulf Region-North
INCLE	International Narcotics Control and Law Enforcement account
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRI	International Republican Institute
IRMS	Iraq Reconstruction Management System
IRRF	Iraq Relief and Reconstruction Fund
ISFF	Iraq Security Forces Fund
ISOF	Iraqi Special Operations Force
ITAM	Iraq Training and Advisory Mission
MNC-I	Multi-National Corps-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
NDI	National Democratic Institute
OSD	Office of the Secretary of Defense
PHC	primary healthcare center
PSC	private security contractor
QRF	Quick Response Fund
SIGIR	Special Inspector General for Iraq Reconstruction
SOI	Sons of Iraq
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USF-I	U.S. Forces-Iraq

## Endnotes

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