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## **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**

This report presents the results of the joint survey by the Department of State (Department), Office of Inspector General (OIG), and the Special Inspector General for Iraq Reconstruction (SIGIR) of funding for Iraqi-related activities by the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). The primary objectives were to identify funding received and expended by INL that was earmarked for Iraq and evaluate INL accounting procedures for those funds. The survey scope covered funding received, obligated, and expended from October 1, 2002, through December 31, 2005.

According to the Department's Bureau of Resource Management (RM), as of December 31, 2005, the Department received over \$1.3 billion from two Iraq Relief and Reconstruction Fund (IRRF) emergency supplemental appropriations that provided program funding specifically supporting Iraqi-related activities (Pub. L. Nos. 108-11 and 108-106). Of that amount, INL received about \$957.5 million, or 74 percent of the total amount received by the Department for foreign assistance projects under IRRF. In addition, the Department of Defense (DOD) provided about \$532.2 million to assist programs managed by INL (including about \$300 million from Pub. L. No. 109-13), for a total of about \$1,489.7 million available to INL for Iraq.

As of December 31, 2005, INL had obligated about \$1,312.2 million, or about 88 percent of the funding received. As a result, INL had about \$177.5 million left to obligate for programs in Iraq, if the funds remain available, before their statutory expiration at the end of FY 2006. In addition, INL had expended about \$1 billion of its current obligations through December 31, 2005, and about \$300 million remained unliquidated for various program activities in Iraq. These latter funds can be spent or liquidated for up to five years after expiration of their period of availability for obligation.

INL was able to track Iraqi-related funds received and allotted to major programs and procurement actions. Overall, INL accounted for funds obligated and monitored expenses and liquidations. Although extracting information from INL's accounting system on funds for Iraq by program, contract, or other governmental or private recipient was cumbersome, the financial information forwarded to RM was generally accurate.

Nevertheless, some funding recipients, primarily the Department of Justice (DOJ) and its independent agencies, did not adequately provide financial information on the status of the expenditure of funds received from INL through memoranda of agreement. According to an INL official, this situation has continued despite INL's efforts to work with DOJ to correct these deficiencies. The survey team recommended that INL modify existing and future memoranda of agreement so that recipients' financial reports would better inform INL of the actual financial status of a program. In addition, the survey team recommended that INL better document accruals, or other temporary accounting adjustments, and at least quarterly, make electronic backups of its supplementary accounting records.

To comply with report recommendations, INL has initiated or proposed solutions that will strengthen financial accountability and internal controls. Of particular note is the enhanced liaison between INL and DOJ to foster better, more timely financial reporting by DOJ for activities in Iraq that are funded through INL.

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This is an unclassified summary of a full report, AUD/IQO-06-30 and SIGIR-06-018, which may receive limited official distribution.

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