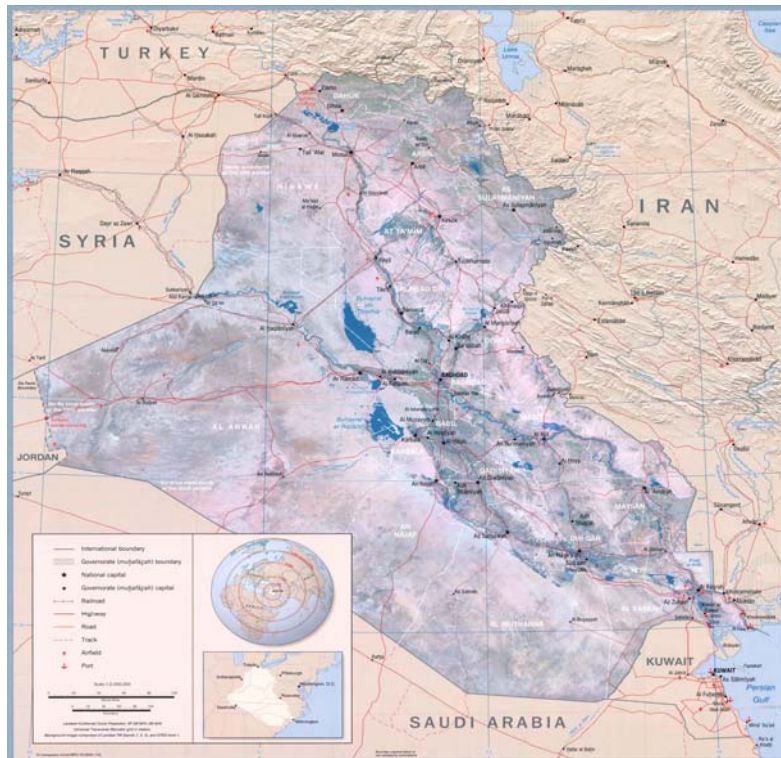




OFFICE OF INSPECTOR GENERAL

Iraq



January 2009

1300 PENNSYLVANIA AVENUE, SUITE 6.6.101, WASHINGTON, DC 20523



Executive Summary of Activities in Iraq

Overview

The Office of Inspector General (OIG) has been providing oversight of USAID activities in Iraq since April 2003. Our work has paralleled the evolution of USAID's programs from relief and stabilization to reconstruction to sustainable development. OIG's activities help USAID make sure that tax dollars are being spent wisely and effectively.

USAID obligations in Iraq for fiscal years 2002 through the first quarter of 2009 totaled over \$7.2 billion. Since 2003, OIG has expended \$14,663,080 in base appropriations and supplemental funding to provide oversight to USAID activities in Iraq.

The greatest obstacle to USAID and OIG activities in Iraq is unquestionably the lack of security. Beyond security issues, our audit findings and recommendations show that the most frequent problem affecting USAID development efforts in Iraq involves inadequate contract oversight or project management (29 percent). Other factors that limit USAID's ability to achieve its goals are noncompliance with contract procedures (20 percent), insufficient internal controls (7 percent), and faulty or incomplete performance data (7 percent).

From our office in Baghdad, seven auditors and two investigators oversee USAID programs and operations in Iraq. We participate in the International Contract and Corruption Task Force and coordinate closely with auditors and investigators from the Department of Defense,

the Department of State, the Special Inspector General for Iraq Reconstruction, and others.

Cumulative Results

Performance audits or reviews conducted	45
Recommendations made	110
Recommendations closed	103
Recommendations open	7
Financial audits conducted	123
Questioned costs sustained	\$25,068,427
Investigations opened	55
Investigations closed	50
Investigations pending	9
Referrals for prosecution	7
Indictments	1
Arrests	3
Administrative actions	7
Recoveries and savings	\$5,629,999
Fraud awareness briefings given	30
Attendees at fraud briefings	584

Audit Highlight—FY 2009 First Quarter

Capacity Building Program Faces Obstacles to Helping Iraqi Ministries

OIG/Iraq issued an audit report this past quarter on the National Capacity Development Program. The audit did not find evidence that the program was achieving its goals to improve the Iraqi Government's capacity in key ministries to deliver vital services to its people.

According to the report, the emerging Iraqi Government inherited a flawed governance

apparatus characterized by weak and disorganized institutions that lack transparency, accountability, and interministerial coordination. Because of these problems, the ministries could not deliver services or make effective policies. To help the Government of Iraq strengthen the capabilities of key ministries to deliver services to its people, USAID awarded a \$339.5 million contract to Management Systems International, Inc., to implement the National Capacity Development Program.

Through the program, USAID focuses on improving the broad managerial capacity of key ministries to deliver services. The Agency will accomplish this goal by training and mentoring officials at selected ministries. However, 2 years into the 3-year program, there was no evidence to measure whether the overall goal of capacity building was being achieved.

In addition, the audit reported a poor response rate to post-training surveys that sought to ascertain whether Iraqi trainees found their training valuable in improving their ministry or unit. Also, at the time of the audit, certain other key program activities had not been carried out. For example, the program had not been able to place advisers in two government ministries, and the Ministry of Oil had not developed a capacity building plan.

The audit did note that certain program activities were being carried out. The program provided training to almost 3,000 Iraqi civil servants, awarded scholarships for postgraduate study abroad, and established 3 regional training centers. Nevertheless, the program had no data to show that these and other such activities were helping to increase the managerial capacity of Iraqi ministries.

To read the entire audit report, visit our Web site (see below).

OIG—General Information

OIG's oversight covers programs and operations exceeding \$15 billion in approximately 100 countries. We have 171 employees (excluding 19 assigned to cover the Millennium Challenge Corporation), of whom half are Foreign Service and the other half Civil Service. Approximately 60 auditors and investigators are based overseas, and the remaining workforce is stationed in Washington, DC. In addition to Baghdad, we have offices in Cairo, Dakar, Manila, Pretoria, San Salvador, and Washington, DC. This summer, two auditors will be assigned permanently to our satellite office in Kabul, Afghanistan.



World map depicting location of OIG offices

OIG also performs oversight of the United States African Development Fund, the Inter-American Fund, and the Millennium Challenge Corporation on a cost-reimbursable basis. To learn more about USAID OIG, visit our Web site at <http://www.usaid.gov/oig> or contact us at 202-712-1150.

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**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
December 31, 2008**

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
FY 2003	1 Iraq Seaport Administration and Airports Administration Contracts (No report number)	25-Apr-03	The review found that USAID needs to improve its internal controls and process for considering security requirements of the request for proposal (RFP).	1	(1) USAID should issue a policy directive to provide guidance to procurement officials on the requirements for documenting contractor facilities clearances during the procurement process.	In May 2003 and January 2004, the Bureau of Management's Office of Procurement (M/OP; now known as the Office of Acquisition and Assistance [M/OAA]) conducted staff training to address the issue of facilities clearances. On August 26, 2005, the procurement executive issued Procurement Executive's Bulletin (PEB) 2005-11, "Reminder to USAID Contracting Officers Concerning Contract Facilities Clearance Procedures." The PEB provides procedural guidance on the requirements for documenting contractor facilities clearance and procedures. This recommendation is closed.
				2	(2) USAID should ensure that when facilities clearance requirements are part of an RFP, the decision to go forward or delete the requirement is made prior to selection.	Same as above
	2 USAID's Compliance with Federal Regulations in Awarding the Iraq Education Sector Contract (AIG/A Memo 03-001)	6-Jun-03	USAID complied with applicable Federal regulations for authorizing other than full and open competition and with applicable Federal regulations in its assessment and review of the contractor's ability to perform under the contract. USAID did not have a clear methodology and did not adequately document the decisions made for market research in identifying the prospective contractors. Furthermore, USAID could not adequately demonstrate that certain events that occurred during the presolicitation phase were in compliance with regulations and procedures addressing compliance on exchanges of information with prospective contractors.	3	(1) M/OP should maintain documentation within the contract award file demonstrating the analysis performed (or why one was not performed) and decisions made when conducting market research to identify prospective contractors when using other than full and open competition.	On June 13, 2005, the procurement executive adopted and signed PEB 2005-05, "Reminder to USAID Contracting Officers to Conduct Market Research Throughout the Procurement Process." The bulletin was issued worldwide. This recommendation is closed.
				4	(2) The Director, M/OP, should conduct a full and detailed review of the contract and award process to determine whether an unfair competitive advantage exists that impacts the contract award for the Iraq education sector.	The Director conducted the recommended review and did not find that an "unfair competitive advantage" existed. This recommendation is closed.
				5	(3) The Bureau of Asia and Near East (ANE) should require that technical staff coordinate with the contracting officer and attorney advisor when entering into discussions with partners during the initial stages of a procurement process.	On September 13, 2005, the procurement executive issued PEB 2005-06, "File Standardization Pilot" to all USAID/Washington contracting/award officers. The PEB contains mandatory guidance and six checklists that cover each phase of the acquisition and assistance process. This recommendation is closed.
				6	(4) ANE technical staff should maintain sufficient records of meetings with outside organizations.	On September 13, 2005, the procurement executive issued PEB 2005-06, "File Standardization Pilot" to all USAID/Washington contracting/award officers. The PEB contains mandatory guidance and six checklists that cover each phase of the acquisition and assistance process. This recommendation is closed.

**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
December 31, 2008**

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response	
3	USAID's Compliance with Federal Regulations in Awarding the Iraq Personnel Support Services Contract (AIG/A Memo 03-002)	20-Jun-03	USAID complied with applicable Federal regulations for awarding a sole-source contract.	None		
4	USAID's Compliance with Federal Regulations in Awarding the Iraq Infrastructure Reconstruction Contract (AIG/A Memo 03-003)	23-Jul-03	USAID complied with applicable Federal regulations for authorizing other than full and open competition and with applicable Federal regulations in its assessment and review of the contractor's ability to perform under the contract, except that it did not follow Federal Acquisition Regulation (FAR) requirements for notification and timely debriefings to offerors who were not awarded the contract. In addition, a USAID project officer did not document presolicitation meetings in writing.	7 (1) USAID should develop administrative procedures to ensure that timely award notification and debriefings are performed in accordance with FAR requirements.	On May 11, 2005, the procurement executive adopted and signed PEB 2005-04, "Reminder to USAID Contracting Officers to Provide Timely Award Notification and Debriefing to Unsuccessful Offerors." The bulletin was issued worldwide to all contracting offerors (COs) via e-mail on May 12, 2005. This recommendation is closed.	
				8 (2) USAID should issue an agencywide notice to wouldensure that items discussed in presolicitation meetings with potential offerors are documented.	On August 18, 2004, the procurement executive issued a worldwide notice via e-mail to all USAID contracting officers and their staffs reminding them of USAID and FAR regulations governing presolicitation meetings.	
5	USAID's Compliance with Federal Regulations in Awarding the Iraq Sub-National Governance and Civic Institution Support Contract (AIG/T Memo 03-004)	9-Sep-03	USAID complied with applicable Federal regulations for authorizing other than full and open competition, assessing the contractor's ability to perform and conducting the presolicitation, selection, and negotiation processes. However, in making its award USAID did not prepare and use adequate needs-based support for determining the level of effort or technical assistance procured under the contract.	9 ANE should prepare a detailed analysis supporting the level of effort needed in Iraq before any option years for this contract are extended.	ANE conducted the recommended analysis by issuance of the capping report in May 2004. This recommendation is closed.	
FY 2004	6	USAID's Compliance with Federal Regulations in Awarding the Health System Strengthening in Post-Conflict Iraq Contract (AIG/A Memo 03-005)	17-Oct-03	USAID complied with applicable Federal regulations for authorizing other than full and open competition; in assessing the contractor's ability to perform; in conducting the presolicitation, selection, and negotiation processes; and in making the award. However, in making its award, USAID did not obtain the advice of legal counsel to exclude a firm that met invitation criteria from the solicitation.	10 (1) M/OP should use a checklist of contract procurement procedures to ensure that, among other steps, it requests and obtains an opinion from USAID GC on conflict of interest issues regarding potential bidders.	On September 13, 2005, the procurement executive issued PEB 2005-06, "File Standardization Pilot" to all USAID/Washington contracting/award officers. The PEB contains mandatory guidance and six checklists that cover each phase of the acquisition and assistance process. This recommendation is closed.
				11 (2) M/OP should obtain an opinion from USAID GC specifying whether the firm providing personnel support services to USAID in Iraq should have been excluded from the invitation to compete for the Health System Strengthening in Post-Conflict Iraq contract.	M/OP obtained an opinion from GC. In its written response, GC concluded that the firm was appropriately excluded from bidding on this contract. This recommendation is closed.	
	7	USAID's Compliance with Federal Regulations in Awarding the Iraq Monitoring and Evaluation Program Performance Task Order (AIG/A Memo 04-001)	14-Jan-04	USAID, in making its award, complied with Federal regulations. However, OIG suggested improvements in the award process to ensure (1) that adequate cost estimates are prepared for services and (2) that any discrepancy in the winning proposal is documented in the contracts file to ensure that it is considered before final selection is made.	12 ANE should issue a memorandum to remind its staff that an analysis of program or contractual need--with an appropriate budget or Government estimate--should be prepared before proceeding with any procurement action.	ANE has prepared and distributed a memo to its staff reminding them of the need to ensure that a budget or Government estimate is completed and documented before procurement action is taken. This recommendation is closed.

**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
December 31, 2008**

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
8	USAID's Compliance with Federal Regulations in Awarding the Agriculture Reconstruction and Development Program for Iraq Contract (AIG/A Memo 04-002)	14-Jan-04	USAID complied with applicable Federal regulations for awarding the contract.		None	
9	USAID's Compliance with Federal Regulations in Awarding the Iraq Airport Administration Contract (AIG/A Memo 04-003)	27-Jan-04	USAID complied with applicable Federal regulations, except for the need to document market research described in the negotiation memorandum. However, OIG noted the following: (1) The contractor's incorporation status had lapsed before it was asked to participate in the bidding process; however, this lapse was corrected several days before the final contract was signed. (2) USAID had not reviewed the contractor's newly implemented cost accounting system and provisional indirect cost rates. (3) USAID had not determined whether the contractor needed a facilities clearance.	13	(1) Before sponsoring SkyLink USA for a facilities clearance and modifying the airport administration contract to require one, ANE should determine whether there is a need for SkyLink USA to have a facilities clearance and take appropriate action when this decision is made.	ANE and the Bureau of Management have determined that there is not a justifiable need for SkyLink USA to have a facilities clearance. This recommendation is closed.
10	USAID's Compliance with Federal Regulations in Awarding the Iraq Seaport Assessment and Operation Contract (AIG/A Memo 04-004)	27-Jan-04	USAID complied with applicable Federal regulations, except for the need to document market research described in the negotiation memorandum. OIG noted, however, that although not involving an issue of noncompliance with procurement regulations, USAID changed the facilities clearance requirements of the requests for proposals during the procurement process.		None	
11	Audit of USAID's Results Data for Its Education Activities in Iraq (E-266-04-001-P)	19-Mar-04	The majority of results were underreported.		None	
12	USAID's Compliance with Federal Regulations in Awarding the Contract for Economic Recovery, Reform and Sustained Growth in Iraq (AIG/A Memo 04-005)	22-Mar-04	USAID, in making its award, complied with applicable Federal regulations except for the requirements to document and explain the significant appearance of conflicts of interest.	14	(1) M/OP should issue instructions to technical officers and COs, reminding them to restrict contacts with contractors who are selected to receive sole-source awards until the contracts have been signed. If this is unavoidable, contacts with such contractors--and any work products prepared by them--should be fully documented to allow effective mitigation of an appearance of an unfair competitive advantage should the award subsequently be opened to competition.	On August 18, 2004, the procurement executive issued a worldwide notice via e-mail to all USAID contracting officers and their staff, reminding them of USAID and FAR requirements governing "Appropriate Contact with Potential Offers in Less than Full and Open Competitive Circumstances." This recommendation is closed.

**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
December 31, 2008**

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				15 (2) M/OP should (a) document its contract files concerning the actions it took with regard to addressing the appearance of an organizational conflict of interest; and (b) determine whether an unfair competitive advantage existed for this award and, if so, whether it was properly mitigated or whether the contract should be cancelled and recompleted.	On March 2, 2004, the M/OP Director sent a memorandum to OIG that contained an addendum to the negotiation memorandum for the Economic Governance contract. The addendum is from the CO and documents the CO's determination that both the unfair competitive advantage and the conflict of interest were mitigated by the actions taken by the CO. There was also a second document appended to the March 2, 2004, memorandum to OIG from GC that documents the discussions that took place and the advice that was provided to M/OP in order to mitigate the unfair competitive advantage and the conflict of interest. This recommendation is closed.
				16 (3) When requesting proposals for future awards in Iraq, M/OP should provide solicitation instructions that will allow for adequate documentation to properly evaluate the contractors' proposed security costs.	On August 26, 2005, the procurement executive issued PEB 2005-10, "Reminder to USAID Contracting Officers to Obtain Adequate Security Costs Documentation," to all USAID contracting officers. The PEB provides guidance on the requirements for documenting security costs elements to ensure meaningful and adequate cost realism analysis. This recommendation is closed.
13	USAID's Compliance with Federal Regulations in Awarding the Iraq Infrastructure Reconstruction Program Phase II Contract (AIG/A Memo 04-006)	20-Apr-04	USAID complied with the applicable Federal regulations for awarding the contract.	None	
14	Capping Report on the Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase I Contracts (A-000-04-003-P)	19-May-04	USAID complied with Federal regulations in authorizing the expedited award of contracts using other than full and open competition except that it did not (1) adequately document market research; (2) obtain a legal analysis for conflict of interest situations; (3) notify and debrief offerors, in one contract, who were not awarded the contract; and (4) document the mitigation of an unfair competitive advantage.	17 (1) The Assistant Administrator for the Bureau for Management should instruct M/OP to (a) develop and implement a standard checklist of significant documentation and procurement steps for contracts awarded using other than full and open competition; and (b) develop a policy to maintain and update the checklist on a recurring basis.	On September 13, 2005, the procurement executive issued PEB 2005-06, "File Standardization Pilot" to all USAID/Washington contracting/award officers. The PEB contains mandatory guidance and six checklists that cover each phase of the acquisition and assistance process. This recommendation is closed.

**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
December 31, 2008**

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				18 (2) The Assistant Administrator for the Bureau for Management should instruct M/OP to develop a standardized illustrative budget, including standardized line item definitions, to be used in its requests for proposals and to require the use of this standardized format in the cost proposals submitted to USAID by its offerors.	On March 30, 2006, the procurement executive reissued PEB 2005-09, "Template for Budget Line Item Headings in Solicitations for Cost Reimbursement Contracts." The PEB established a standardized format for cost elements for cost proposals. The reissuance of PEB 2005-09 included a supplemental section on budget line item definitions and illustrations. This recommendation is closed.
15	Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program (E-266-04-002-P)	3-Jun-04	USAID/Iraq's activities were on schedule to achieve all but 11 percent of the planned outputs.	19 (1) USAID/Iraq should (a) establish procedures to ensure that Bechtel National, Inc. (BNI), submit an environmental review and where applicable, an environmental assessment with each request for the issuance of a job order, or that USAID/Iraq obtain a formal written determination exempting the program activities from USAID's environmental procedures; and (b) obtain an acceptable environmental review for the existing job orders for which one is required.	(a) USAID and the U.S. Army Corps of Engineers (USACE) implemented procedures to notify the USACE environmental engineer when a draft job order was requested so that planning for an environmental review could begin before the official job order was approved. The standard operating procedures, "Environmental Reviews and Assessments--Submission and Approval," define USACE responsibilities and the process for monitoring, tracking, and reporting environmental review requirements; and (b) the mission provided an environmental checklist tracking sheet. The checklist is maintained by USACE and reports for each job order the environmental checklist receipt and acceptance date. The report indicates that checklists have been accepted for all job orders. This recommendation is closed.
				20 (2) USAID/Iraq should (a) develop and document procedures to ensure that a job order-specific plan is submitted and approved, for each job order requiring one, prior to the commencement of construction; and (b) obtain an acceptable job-order specific plan for the eight job orders for which a job-order specific plan was not prepared.	USAID and USACE, in consultation with BNI, developed procedures to ensure that job order-specific plans are submitted and approved. These procedures define the process and the responsibilities for submitting, distributing, modifying, and approving the plans. The mission also developed a tracking worksheet maintained by the USACE reporting the acceptance dates for all required plans. The tracking worksheet now includes acceptance dates for the eight job order specific plans previously identified as having not been received. This recommendation is closed.
				21 (3) USAID/Iraq should develop and document procedures to address the handling of charges in excess of the job-order approved amount.	(a) The mission provided a standard operating procedure developed by USAID in collaboration with USACE. The procedure states that sector managers will perform an in-depth analysis after USAID submits payment to BNI. If USAID identifies cost discrepancies in excess of \$5,000 of the approved job order amount, it will be noted in the subsequent recommendation letter and BNI will be informed by USAID/Iraq and USACE to make an adjustment to either increase the amount of the rough order of magnitude for the job order of credit future invoices for the amount of the excess cost. If the cost discrepancy is less than \$5,000, it will be noted in the subsequent recommendation letter. No adjustments will be necessary until the job order is closed, when the rough order of magnitude will be increased in line with the actual cost. This recommendation is closed.

**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
December 31, 2008**

Not on Web

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				22 (4) USAID/Iraq should complete and implement procedures to close out job orders in a timely manner.	(a) The mission provided a copy of BNI's March 12, 2004, job-order closeout procedure. The procedure defines the process for USAID final inspection and acceptance of job order performance requirements. The procedure applies to job orders issued under USAID's contract for the Iraq Infrastructure Reconstruction Project. This recommendation is closed.
16	Audit of USAID/Iraq's Cash Control Procedures (E-266-04-001-F)	9-Jun-04	USAID/Iraq generally managed its cashing operations in accordance with applicable criteria. However, it did not consider the most economical and efficient ways to operate its cashing functions.	23 (1) USAID/Iraq should (1) provide a security escort for the cash delivery beginning at the Green Zone checkpoint and up to USAID/Iraq's cashier's office or (2) renegotiate the cash delivery agreement with Citibank so that the bank is held liable for loss while the cash is in transit	The mission made an agreement with Kroll guards to provide security escort for the cash delivery beginning at the Green Zone checkpoint and up to USAID/Iraq's cashier's office. In addition, USAID sent a letter to Citibank, N.A., in Amman, Jordan, requesting modification of the cash delivery agreement so that the bank is liable for loss while the cash is in transit. This recommendation is closed.
				24 (2) USAID/Iraq should develop and implement a plan of action to review other alternatives to manage the cashing operations more efficiently and economically.	The mission (1) hired and trained a new Foreign Service national cashier, which reduced the expenditures associated with cash and payroll payment to 1 percent per dollar instead of 10 percent, and (2) prepared a statement of work for cashier and banking services that identified more efficient and economical operations while reducing the overall risk of maintaining cash to USAID. This recommendation is closed.
				25 (3) USAID/Iraq should revise the petty cash and travel advance forms to include a date line.	The mission revised the petty cash and travel advance forms to include a date line. This recommendation is closed.
				26 (4) USAID/Iraq should issue a mission notice requiring that petty cash and travel advance forms must be signed and dated by the responsible mission officials before the cashier's office can honor the forms.	The mission issued a mission notice containing the requirements pertaining to honoring petty cash and travel advance forms. This recommendation is closed.
				27 (5) USAID/Iraq should use the most cost-effective procedure to close the bank account at the Commercial Bank of Kuwait.	The mission controller issued a memorandum requesting the mission director to write off the balance of \$409 in a dormant account that the mission maintains at the Commercial Bank of Kuwait. In addition, the mission controller provided documentation showing that the account was written off. This recommendation is closed.
17	Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract (E-266-04-003-P)	6-Aug-04	USAID complied with applicable regulations in awarding the International Resources Group contract.	None	

**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
December 31, 2008**

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response	
18	Audit of USAID/Iraq's Economic Reform Program (E-266-04-004-P)	20-Sep-04	USAID/Iraq's activities partially achieved their intended outputs: 10 out of 38 activities were complete, 6 were cancelled, and 22 were still in progress as of May 31, 2004.	28 (1) USAID/Iraq should implement USAID's documentation management procedures requiring that decisions impacting on the design and status of activities be officially documented in the activity file.	The mission's Office of Economic Growth and Agriculture (EGA) had established and implemented new documentation management procedures. These new procedures require all activity managers and cognizant technical officers (CTO) within the office to maintain a work file that documents all significant actions associated with each contract. The procedures also require all electronic communications to be printed and stored in the work file in accordance with Automated Directives System (ADS) 502. In addition to providing a copy of an internal memo outlining these new procedures, the mission's response included guidance sent to EGA, reminding the CTOs of their responsibility for establishing and maintaining adequate work files and specified the documentation these files, at a minimum, must contain. This recommendation is closed.	
				29 (2) For future contracting actions under the Economic Reform Program, USAID/Iraq should develop procedures to ensure that contractors furnish monthly financial reports that present a breakdown of the actual level of effort billed for the month by activity.	USAID/Iraq/EGA developed new reporting requirements that have been implemented for all new contractors. These new requirements include monthly financial reports with a revised reporting format that provides more detailed information on the contractor's activities. Some of the additional information that will now be required to be furnished by the contractor includes the following: (1) narrative on results achieved by activity, including benchmarks and results achieved; (2) advisers by activity and work location; (3) level of effort expended under each activity; and (4) overall expenditures and expenditures at the activity level. This recommendation is closed.	
19	Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract (A-000-04-004-P)	23-Sep-04	USAID complied with the applicable Federal regulations for awarding the contract.	None		
FY 2005	20	Audit of USAID's Compliance with Federal Regulations in Awarding the Contract for Security Services in Iraq to Kroll Government Services International Inc. (A-267-05-005-P)	6-Jan-05	USAID (1) did not adequately document the use of less than full and open competition or explain its contractor choice, (2) obtained security services using a letter contract that did not meet FAR requirements, (3) incurred multiple potential funds control violations, and (4) purchased armored vehicles that did not meet U.S. Government armoring standards.	30 (1) USAID's Chief Acquisition Officer should issue a notice reminding M/OAA personnel that adequate and complete documentation must be prepared and retained in all procurements when using less than full and open competition. This documentation should adequately explain the contractor selection and why multiple contractors were not or could not be considered for the procurement.	On March 30, 2006, the procurement executive issued (via e-mail) a reminder to all COs stating that adequate and complete documentation must be prepared and retained in all procurement files when using less than full and open competition. The notice also reminded the contracting officers of the requirements of FAR 6.303 (justifications). This recommendation is closed.
				31 (2) USAID's Chief Acquisition Officer should issue a notice to all M/OAA personnel, reminding them that procurements for USAID activities are subject to all Federal procurement requirements. Specifically, the reminder should cover the proper preparation of letter contracts in accordance with FAR requirements, along with examples of fully compliant letter contracts prepared in the past by USAID.	On March 30, 2006, the procurement executive issued (via e-mail) a reminder to all COs, reaffirming the agency's position regarding the use of letter contract and the need to follow the guidelines in Part 16.603 of the FAR. The notice included an example of a contract that satisfies FAR 16.603. This recommendation is closed.	

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				32 (3) The Deputy Chief Financial Officer should initiate an inquiry of this series of potential funds-control violations as required by ADS 634.3.5.3 and prepare the appropriate report on the results of the inquiry as required by ADS 634.3.5.4; the report should include identifying corrective measures to be taken to address the applicable internal control weaknesses.	The Office of Financial Management conducted an inquiry and issued a report on March 23, 2005. The report disclosed that since a valid contract was in place, no funds control violation occurred regarding the establishment of an obligation without the required minimum. Since the original contract had unexpended funds remaining in an amount sufficient to cover services received in the initial days in April and no voluntary services were being provided, no funds control violation occurred regarding the modification of the contract without providing funding to pay for the extended services. Also, because funds were available in the mission's unobligated budget allowance, no funds control violation occurred when the first amendment was not fully obligated. This recommendation is closed.
				33 (4) The Office of Security (SEC) should initiate action to amend ADS 563 to extend its application to all USAID-financed armored vehicle purchases, including purchases by USAID's contractors.	On November 20, 2006, SEC revised ADS 563, which established the policy directives and required procedures for armored vehicles purchased directly or funded by USAID and certain purchases by USAID contractors and subcontractors. This recommendation is closed.
21	Audit of USAID/Iraq's Community Action Program (E-267-05-001-P)	31-Jan-05	USAID/Iraq's Community Action Program (CAP) activities achieved 98 percent of their intended outputs.	34 USAID/Iraq should develop and implement a plan of action to improve the integrity of the data in the CAP project list, to make it a more effective monitoring tool and a more accurate and reliable data source for reporting purposes.	USAID/Iraq developed and implemented a plan to improve the integrity of the data in the CAP project list. This recommendation is closed.
22	Audit of USAID/Iraq's Health System Strengthening Contract Activities (E-267-05-002-P)	28-Feb-05	USAID/Iraq's activities did not achieve 60 percent of their intended outputs.	35 USAID/Iraq should develop written procedures covering the review and approval of contractor and CTO requests for modifications to future health sector contracts to ensure timely and effective disposition of these requests.	Mission management issued an Acquisition and Assistance Notice, effective January 11, 2005, establishing written procedures covering the mission's process for responding to contract modification requests. The mission furnished a copy of this notice which specified the procedures to be followed by the CTO and CO in responding to such requests, including the time frames that specific tasks are to be completed within to ensure that requests are addressed in a timely manner. Recommendation closed.
23	Audit of USAID/Iraq's Electrical Power Sector Activities (E-267-05-003-P)	29-Jun-05	Among USAID/Iraq's electrical power sector activities, 7 of the 22 projects had not achieved or were not achieving planned outputs. Additionally, although the mission was addressing institutional capacity building through training and manuals, much more needs to be done to address the existing problems and challenges in this area.	36 USAID/Iraq should develop a multiyear strategy outlining its long-range plan of activities to be implemented, subject to funding availability, to strengthen the Iraqi Ministry of Electricity's institutional capacity to ensure the proper operation and maintenance of the electrical power sector infrastructure rebuilt and refurbished by the U.S. Government.	As of May 1, 2006, USAID/Iraq approved and put into place a strategic plan for 2006-8 that includes key approaches to address the Iraq infrastructure sectors, including the operation and maintenance of the electrical power sector infrastructure rebuilt and refurbished by the U.S. Government. This recommendation is closed.
24	Audit of USAID/Iraq's Water and Sanitation Rehabilitation Activities (E-267-05-004-P)	30-Jun-05	Among USAID/Iraq's water and sanitation rehabilitation activities, 4 out of 43 projects were not achieving planned outputs. Also, although the mission was addressing the issue of capacity building through training and manuals, its efforts encountered barriers such as the lack of local skilled personnel and financial resources.	None	

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25	Audit of USAID/Iraq's Cash Control Procedures (E-267-05-005-P)	27-Sep-05	USAID/Iraq properly managed its cashiering operations, and it properly calculated and disbursed its Foreign Service national cash payroll payments. However, the mission did not require its regional representatives to sign a form to confirm that they had received the petty cash funds sent to them.	37 USAID/Iraq should finalize and implement its draft policy requiring regional offices to sign a form to confirm receipt of petty cash funds delivered to them by the mission's cashier's office.	Mission management finalized a new policy document, "Petty Cash Administrator's Handbook," which provides an explanation of the normal operating cycle of petty cash and explains the use of the emergency salary advance. Incorporated in the new policy is the requirement that the regional office director must sign for the receipt of funds. Additionally, the original signed copy for the receipt of funds must be returned to the mission's cashier. This recommendation is closed.
26	Audit of the Accuracy of Biographical Datasheets Provided by International Resources Group to USAID for Contracts in Iraq (E-267-06-001-P)	6-Nov-05	No significant discrepancies were noted.	None	
27	Audit of USAID/Iraq's Basic Education Activities (E-267-06-001-P)	20-Dec-05	USAID's basic education activities progressed toward 33 of the 82 intended outputs. Of the intended outputs, 27 were deleted in a revised implementation plan due to lack of funding, and 22 had related activities planned to take place before the end of the contract in June 2006. USAID/Iraq lacked a plan to ensure that computer equipment would be in place to operate the education management information system (EMIS) database the contractor was developing.	38 USAID should (1) develop a plan to ensure that necessary computer equipment is in place to operate EMIS or (2) discontinue USAID funding of the project.	Mission management met with stakeholders and developed and implemented a plan to ensure site preparation and installation of necessary computer equipment. This recommendation is closed.
28	Audit of USAID/Iraq's Non-Expendable Property (E-267-06-002-P)	16-Feb-06	USAID/Iraq did not manage its nonexpendable property in accordance with USAID guidance, and the nonexpendable property database was inaccurate. The recorded purchase value of a projected \$21.3 million out of \$23.5 million of nonexpendable property could not be verified, and the mission was unable to account for a projected \$2.9 million of nonexpendable property. In addition, mission vehicles valued at \$2.3 million were not properly safeguarded, and questions of ownership existed regarding nonexpendable property shared with another U.S. Government agency. The audit report contained seven recommendations, and management decisions were reached on all recommendations.	39 (1) USAID/Iraq should perform a full inventory at all USAID/Iraq locations, tagging and recording each nonexpendable property item, to create a new, complete database.	As of March 20, 2006, USAID/Iraq completed a full inventory of all USAID/Iraq locations, tagging and recording each expendable property item to create a database. This recommendation is closed.
				40 (2) USAID/Iraq should perform a detailed reconciliation between the database as of October 31, 2005, and the new database to account for the identified exceptions.	USAID/Iraq's property management supervisor has created and implemented a new database. The catalog table was transferred to the new database, and the validated inventory was migrated into the new database. This recommendation is closed.

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				41 (3) USAID/Iraq should develop mission-specific written policies and procedures for its management of nonexpendable property.	In October 2005, USAID/Iraq issued mission order MO-05-534-017 regarding the delegation of authority for property management and control of USAID/Iraq mission property. In addition to the new mission order, written mission specific policies and procedures regarding nonexpendable property management, residential furnishings, and the inventory systems have been established. This recommendation is closed.
				42 (4) USAID/Iraq should provide training to employees responsible for the management of its nonexpendable property.	Training was provided to local staff involved in the management of nonexpendable property. Future training has also been developed and will be provided to the employees throughout 2006. This recommendation is closed.
				43 (5) USAID/Iraq should conduct a review to determine the status of the missing vehicles and refer the matter for investigation if appropriate.	USAID/Iraq located the missing vehicles in Kuwait, where they were awaiting repairs. This recommendation is closed.
				44 (6) USAID/Iraq should adopt policies and procedures directing mission personnel to keep all unattended vehicles locked and to store unused keys in a secure location.	On February 7, 2006, USAID/Iraq issued mission order 06-536-006, which sets forth the mission policies and procedures for USAID/Iraq motor pool operations. This recommendation is closed.
				45 (7) USAID/Iraq should verify the ownership of commingled property and remove its property tags from all nonexpendable property that it does not own.	As of March 20, 2006, USAID/Iraq completed a full inventory of all USAID/Iraq locations, tagging and recording each expendable property item to create a database. This inventory verified the property owned by USAID only. There is no longer any commingled property in the field offices. This recommendation is closed.
29	Audit of USAID/Iraq's Local Governance Activities (E-267-06-003-P)	10-Jul-06	It was not possible to determine whether USAID/Iraq's local governance activities had achieved their intended outputs because USAID/Iraq did not require the contractor to submit quarterly work plans and semiannual performance monitoring reports. Furthermore, USAID/Iraq did not properly approve all rapid response grants, prepare contractor performance evaluations, or review payment vouchers submitted by the contractor.	46 (1) USAID/Iraq should require Research Triangle Institute International (RTI) to submit quarterly work plans that include intended outputs and associated milestones.	Mission management modified the contract to (1) require quarterly implementation plans that include an activity-based budget for each of the significant activities designated in the contract and (2) require the contractor to submit quarterly activity reports that include a report of expenditures, by activity, as compared to the activity-based budget. In February 2006, USAID sent RTI a letter reminding them that their work plans are to be submitted quarterly and should include intended outputs and associated milestones based on USAID requirements and those of the provincial reconstruction teams (PRTs). This recommendation is closed.

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				47 (2) USAID/Iraq should require that RTI submit semiannual performance monitoring reports in accordance with contract requirements and that the performance measurement plan be revised when program objectives are changed.	Mission management modified the contract to require the contractor to submit semiannual performance monitoring reports on December 10 and June 10 of each year and added language that would allow revisions to the performance measurement plan as necessary. Further, USAID/Iraq required RTI to participate in the mission-sponsored weeklong performance monitoring program workshop in May 2006 to provide them with input in the development of the performance monitoring program. This recommendation is closed.
				48 (3) USAID/Iraq should establish procedures to ensure that grants under contracts are approved by authorized mission personnel.	Mission management modified the contract to the effect that all grants exceeding \$250,000 and any amendments to existing grants shall be approved by the administrative contracting officer (ACO). Further, the contractor's grants manual was to be approved by the ACO and incorporated by reference into the contract. Mission management also stated that no funds would be transferred from the contractor account to host government or state-owned enterprises under the LGP II program. However, the mission's response did not initially address the approval of grants under contracts when the grants are less than \$250,000. According to ADS 302.5.6, the actual selection of grant recipients under contracts must be approved by USAID; this requirement is not limited to grants exceeding \$250,000. This recommendation is closed.
				49 (4) USAID/Iraq/OAA should adopt procedures to ensure that contractor performance evaluations are prepared as required by the FAR and ADS.	USAID/Iraq/OAA has requested and the Executive Office has agreed to revise the end-of-assignment checkout list to add a section on contractor performance evaluations, which has to be signed off by OAA as a means of ensuring compliance in this area. In addition, to correct the deficiency, the mission has prepared the contractor performance report for the period May 2005 to May 2006. This recommendation is closed.
				50 (5) USAID/Iraq should establish review procedures to ensure that vouchers submitted by contractors and grantees are accurate and reasonable in comparison to the work performed.	Mission management stated that (1) it would not be necessary to establish mission-specific procedures given that cost principles of FAR Part 31.2 already applies to the contract; (2) the contract had been modified to require an SF-1034, detailing items billed as direct costs during the report period (prior to this modification, the contractor used the SF-269 to obtain funds through a letter of credit arrangement rather than on a reimbursement basis); and (3) the contractor has been providing financial statements since the modification. The mission provided documentation demonstrating that submitted vouchers were being reviewed. This recommendation is closed.

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30	Audit of USAID Transition Initiatives in Iraq (E-267-06-004-P)	16-Aug-06	The audit could not determine whether USAID's Transition Initiatives in Iraq had achieved their intended outputs because of security restrictions that limited the number of site visits auditors could make and because of insufficient documentation maintained by the Office of Transition Initiatives in Iraq and its implementing partner. The audit found that a projected \$146 million in grants did not have supporting documentation to verify the achievement of intended outputs and a projected \$294 million in grants did not have sufficient documentation of monitoring. However, for the site visits and interviews that auditors were able to perform for 32 selected activities, intended outputs were met for 31 activities.	None			
FY 2007	31	Audit of USAID/Iraq's Civil Society Activities (E-267-07-001-P)	5-Nov-06	Of the 35 intended outputs included in America's Development Foundation's (ADF) performance monitoring plan, USAID/Iraq's civil society activities achieved 17 intended outputs while 8 were reported as not met. In addition, 10 were not determinable because of a lack of sufficient documentation and nonspecific reported outputs. ADF's performance monitoring plan was neither complete nor achievable. The performance monitoring plan did not have intended outputs listed for all indicators, and security issues caused delays in the implementation of the program. In addition, the audit found that some reported outputs were not specific, accurate, and documented.	51	(1) USAID/Iraq should review each indicator in ADF's performance monitoring plan for its civil society activities to provide reasonable assurance that each indicator has a measurable intended output and that the intended outputs are achievable in the timeframe specified in the plan	Mission management reviewed the indicators and proposed outputs. In addition, a schedule was created for regular reviews of the performance monitoring plan through the end of the contract. This recommendation is closed.
				52	(2) USAID/Iraq should develop procedures for its civil society activities to provide reasonable assurance that specific and accurate outputs are reported for each intended output and that adequate supporting documentation is maintained to substantiate the reported outputs.	USAID/Iraq developed a schedule for the review of its performance monitoring reports through the end of the contract. This recommendation is closed.	
	32	Audit of USAID/Iraq's Agriculture Reconstruction and Development Program (E-267-07-002-P)	22-Jan-07	Of the 29 program activities reviewed, 16 achieved their intended outputs, 12 were on schedule to do so, and 1 will likely not achieve its intended outputs. USAID/Iraq did not properly administer its contract with Development Alternatives, Inc., with regard to proper review of payment vouchers, documentation of key events, and annual evaluations of contractor performance reporting. Operational requirements were given priority, and administrative requirements were not always accomplished.	53	The USAID/Iraq should verify that CTOs are documenting significant events and key decisions impacting on the design and monitoring of activities.	On July 15, 2007, USAID/Iraq developed and issued a management plan that requires CTOs and all other program staff members to maintain electronic copies of all significant technical documents or written communications; the plan also requires the CO's designee to conduct periodic verification checks for compliance with the management plan. Subsequently, the contracting officer conducted a verification check and found that program documentation in place at the Economic Growth and Agriculture Office is in compliance with the mission's management plan. This recommendation is closed.

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33	Follow-Up Audit of USAID/Iraq's Education Activities (E-267-07-003-P)	4-Feb-07	Of 16 selected intended outputs, 7 (44 percent) were achieved and had appropriate documentation to support the achievements. The status of 2 outputs (12 percent) could not be determined because they lacked supporting documentation. The remaining 7 intended outputs (44 percent) were not achieved. In addition, actions taken to address the recommendation from the previous audit were not satisfactory.	54	USAID/Iraq should coordinate with its implementing partner to ensure that the servers are installed and EMIS is operational.	USAID/Iraq verified through a review of documentation that the servers were delivered and installed. For the EMIS, the Iraq Reconstruction Management Office (IRMO; now Iraq Transition Assistance Office, or ITAO) took over and issued a contract to Primus to continue work on the system. Therefore, USAID no longer has management oversight responsibility for the EMIS.
34	Audit of USAID/Iraq's Telecommunications Activities (E-267-07-004-P)	3-May-07	Although USAID provided equipment, employed some Iraqis, and expanded some telecommunications facilities, the \$46.1 million project has yet to benefit the millions of Iraqis as intended. Although BNI completed its work on June 30, 2006, the project had not yet achieved all intended results because the U.N. Development Program and the Ministry of Electricity had not completed their portions. OIG believed that Iraqis may not receive the full benefit of a consolidated fiber network because the effort lacked staff to oversee and coordinate the project. Also, the Iraq Ministry of Electricity disagreed with the project from the outset.	55	(1) USAID/Iraq should work with IRMO and the Ministry of Electricity to develop a plan to allow the full impact of the project to be realized by installing necessary equipment and making it operational.	USAID/Iraq management stated that it has continued to work with IRMO (now ITAO) and other key participants to collectively identify and remove constraints and assist in developing a plan so that the full impact of the network can be realized. Specifically, the mission reported that it deobligated and transferred \$22.4 million to IRMO in contract funds that supported the network and that IRMO transferred some of those funds to the USACE for the sustainability of the network. This recommendation is closed.
				56	(2) USAID/Iraq should develop a system to ensure that preliminary planning for future construction or rehabilitation projects includes obtaining written agreement from key partners regarding responsibilities that are essential to the achievement of the project.	Mission management reiterated that it does not anticipate any further major infrastructure programs. However, officials agreed that in the future it will ensure existing policies and procedures are followed and that there is sufficient Iraqi Government buy-in for such a program. This recommendation is closed.
35	Audit of USAID/Iraq's Activity Planning and Its Reporting Process under Section 2207 of Public Law 108-106 (E-267-07-005-P)	6-Jun-07	USAID/Iraq followed the applicable guidance when planning and reporting on selected activities. USAID/Iraq followed the 12 ADS preobligation requirements when planning its activities and completed the 5 required steps for activity planning. For example, USAID/Iraq ensured that (1) there was an illustrative budget for the activity, providing a reasonably firm estimate of the cost to the U.S. Government; and (2) there was a plan for monitoring the performance of the activity. USAID/Iraq also ensured that it had a procurement plan and an Activity Approval Document and that the activity was formally approved.		None	

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36	Audit of the Office of Foreign Disaster Assistance Program in Iraq (E-267-07-006-P)	11-Jul-07	For the 4 years ending September 2006, the Office of Foreign Disaster Assistance (OFDA) provided \$190.7 million of humanitarian assistance to internally displaced persons (IDPs) and other vulnerable populations such as returnee communities (e.g., former IDPs in Iraq). The majority of OFDA's activities achieved their intended outputs. The audit reviewed 61 OFDA activities initiated between October 1, 2004, and September 30, 2006, in four categories--water and sanitation, health, livelihood support, and emergency relief commodities--and determined that 38 activities had achieved their intended outputs, 1 activity had not fully achieved its intended output, and 22 activities lacked sufficient supporting documentation to allow the audit to assess whether intended outputs had been achieved.	57	(1) OFDA should develop and implement a system to ensure that readily available documentation supports the performance data provided by its implementing partners.	OFDA developed a projects monitoring database, which ensures constant communications between OFDA/Iraq and its implementing partners. Since the establishment of the projects monitoring database, OFDA's implementing partners report regularly using standard tracking formats, which cover all active sectors. Security obstacles, however, remain. This recommendation is closed.
				58	(2) OFDA should issue formal letters to designate the CTO for each active agreement in the Iraq program and modify each active agreement in the Iraq program to incorporate language designating the CTO separately from the agreement, in accordance with USAID policy.	OFDA developed and implemented the use of the CTO designation letters for all active OFDA/Iraq agreements. In addition, OFDA modified each active agreement to incorporate the CTO designated for each activity. This recommendation is closed.
37	Audit of USAID/Iraq's Local Governance Activities (E-267-07-007-P)	31-Jul-07	Local governance activities did not have intended outputs or baselines against which to measure progress because USAID/Iraq failed to enforce contract requirements that the contractor submitted for approval, quarterly implementation plans detailing planned activities, or a performance monitoring plan that would have set forth baselines and targets. The audit also found that USAID/Iraq failed to perform the required contractor performance evaluations.	59	(1) USAID/Iraq should require the contractor to submit the current quarterly implementation plan within 30 days from the issuance of this report. If this plan is not submitted, the CO should determine whether the contract should be terminated for default.	Mission management stated that the contractor is regularly providing quarterly implementation plans. This recommendation is closed.
				60	(2) USAID/Iraq should establish a procedure to ensure that all future quarterly implementation plans are submitted as required by the contract.	The CTO developed a calendar of deliverables that both the mission and the contractor share. This recommendation is closed.
				61	(3) USAID/Iraq should conduct an evaluation of the contractor's performance within 30 days from the issuance of this report.	USAID conducted the evaluation as recommended. This recommendation is closed.

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38	Audit of USAID/Iraq's Participation in Provincial Reconstruction Teams in Iraq (E-267-07-008-P)	27-Sep-07	This audit was conducted to determine whether (1) USAID/Iraq coordinated the area expertise of USAID field officers and PRTs with the technical expertise of its sector specialists, including in the design and implementation of activities, and (2) USAID/Iraq programs were benefiting from participation in the PRTs. The audit found that although some coordination had taken place between the USAID PRT representatives and the USAID/Iraq sector specialists (its CTOs) in Baghdad, this coordination was not sufficient. USAID PRT representatives were not being consulted regarding the design and implementation of activities in their areas, and sometimes they were not aware of USAID activities in their areas. Further, two out of six CTOs in Baghdad noted that they were receiving little information from the USAID PRT representatives.	62	(1) USAID/Iraq should adopt procedures to ensure that its CTOs utilize its PRT representatives for program site visits.	Management indicated that mission CTOs from each of its programs met with PRT representatives on September 16, 2007, in Baghdad. All present agreed that field visits were taking place, but the formal documentation was lacking. Mission management prepared and presented to the PRT representatives a site visit form on which to document visits, including useful feedback for CTOs. Further, CTOs and field officers discussed and determined a protocol for CTOs to either make site visits themselves or recommend that a PRT representative make a site visit. The mission noted in its response that site visits would continue to be limited because of security issues and shared movement resources in the field. Final action occurred on August 29, 2008. This recommendation is closed.	
				63	(2) USAID/Iraq should review the implementation of its new procedures and evaluate the coordination between its technical offices and its PRT representatives within 90 days of the issuance of this report.		Mission management indicated that during a joint meeting in Baghdad September 16-17, 2007, between PRT representatives and mission CTOs, operating procedures were reviewed and changes were being made to the PRT representatives' operating guidelines. Final action occurred on August 29, 2008. This recommendation is closed.
				64	(1) USAID/Iraq should immediately suspend ongoing CSP projects in the particular district discussed in this report in order to eliminate any additional exposure to fraud and reprogram the unpaid balance. As of November 17, 2007, the unpaid balance for these projects totaled \$8,541,076.		USAID/Iraq reprogrammed \$3,634,272 in residual funds from Khademiya projects to other legitimate CSP activities in Baghdad. The reprogrammed amount is based on recalculations performed by USAID and the contractor in light of a calculation error in the original amount reported to have been unpaid. This recommendation is closed.
39	Audit of USAID/Iraq's Community Stabilization Program (E-267-08-001-P)	18-Mar-08	The audit could not determine whether the Community Stabilization Program (CSP) was achieving its intended result--to help defeat the insurgency by reducing the incentives for participating in it--because auditors could not rely on one of the major measurements of the program (employment generation). Further, the audit found evidence of potential fraud in CSP projects, resulting in the suspension of projects in one district of Baghdad. The lack of regular, independent site monitoring and the inadequate vetting of CSP contractors were major factors contributing to the program's vulnerability to fraud. Estimates of potential fraud in the district in which projects were suspended ranged from \$6.7 to \$8.4 million. Evidence suggests that similar problems may exist elsewhere in Iraq.	65	(2) USAID/Iraq should review CSP projects in other Baghdad districts and communities in which the program operates to determine whether they should be suspended for the reasons cited in recommendation 1.	USAID/Iraq fully addressed this recommendation, and it was closed on August 12, 2008.	

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				66 (3) USAID/Iraq should meet with appropriate officials from the CSP, PRTs, and U.S. military to improve coordination and discuss the feasibility of vetting potential CSP contractors through military intelligence databases.	On February 24, 2008, mission management met with appropriate officials and approved a communications protocol to help guide the interactions and relationships among CSP, PRTs, and the Focused Stabilization Program Office (FSPO). The protocol includes guidance that CSP may contact the PRT or military unit for information on local contractors, and may request support for background checks and other information on contractors and/or program participants. A management decision was made on June 30, 2008, and final action occurred on August 12, 2008. This recommendation is closed.
				67 (4) USAID/Iraq should take steps to increase its monitoring of CSP projects, with special emphasis on preventing and detecting fraud by obtaining reasonable assurance that the number of workers paid corresponds to the number that actually worked.	Mission management will ensure that the CSP implementing partner has adequate and effective written quality control procedures in place to ensure that the number of workers paid corresponds to the number that actually worked. A management decision was made on March 18, 2008, and final action occurred on June 20, 2008. This recommendation is closed.
				68 (5) USAID/Iraq should establish policies and procedures reminding FSPO employees of their responsibility to promptly report any allegations of fraud and abuse to the OIG.	FSPO employees were informed of their responsibilities with regard to reporting possible fraud, and on January 14, 2008, OIG representatives gave a fraud awareness presentation to senior CSP field staff at their quarterly conference. FSPO will invite OIG to give similar presentations at future conferences. This recommendation is closed.
				69 (6) USAID/Iraq's FSPO should have OIG investigators provide a fraud awareness briefing to CSP implementing partner officials.	FSPO employees were informed of their responsibilities with regard to reporting possible fraud, and on January 14, 2008 the OIG gave a fraud awareness presentation to senior CSP field staff at their quarterly conference. FSPO will invite the OIG to give similar presentations at future conferences. This recommendation is closed.
				70 (7) USAID/Iraq should conduct a data quality assessment that specifically focuses on the job creation data being reported by the CSP implementing partner, and take appropriate action based on the results of that assessment.	USAID/Iraq contracted International Business and Technical Consultants, Inc. (IBTCI) to conduct the recommended data quality assessment. On August 20, 2008, USAID/Iraq received and accepted the completed assessment from IBTCI. USAID/Iraq has prepared an action plan matrix to guide the implementation of recommendations made by IBTCI in the assessment and will update the CSP monitoring and evaluation plan accordingly. This recommendation is closed.
				71 (8) USAID/Iraq's FSPO should work with the CSP implementing partner to reconcile the employment data reported in its monitoring and evaluation database with the employment data reported in its quarterly progress report.	USAID and its partner will begin revising the CSP monitoring and evaluation plan by June 30, 2008, and will include the reconciliation of employment data as part of that process. This will help ensure that future CSP quarterly progress reports contain accurate information. Final action was taken on August 28, 2008. This recommendation is closed.
				72 (9) USAID/Iraq should determine the allowability and collect as appropriate the \$39,821 in questioned ineligible costs billed by the CSP implementing partner under Cooperative Agreement No. 267-A-00-06-00503-00 for the specific projects included in the finding.	In May 2008, management made a determination that \$5,140 of the questioned costs were not allowable. Final action was taken on August 12, 2008. This recommendation is closed.

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				73 (10) USAID/Iraq's FSPO should work with the CSP implementing partner to recalculate all prior baseline and followup surveys to accurately reflect the changes in survey methodology noted above.	On August 10, 2008, the CSP implementing partner submitted and USAID/Iraq accepted the recalculated baseline and followup survey data. This recommendation is closed.
				74 (11) USAID/Iraq's FSPO should work with the CSP implementing partner to amend the monitoring and evaluation plan to incorporate the changes in survey methodology noted above.	On August 13, 2008, USAID/Iraq approved the revised CSP monitoring and evaluation plan that incorporated the changes in survey methodology recommended. This recommendation is closed.
				75 (12) USAID/Iraq's FSPO should establish policies and procedures to formally document and track the status of recommendations made by the monitoring and evaluation contractor.	In October 2007, FSPO established policies and procedures to follow up on external monitoring reports. This recommendation is closed.
				76 (13) USAID/Iraq's FSPO should reassess the performance indicators in its monitoring and evaluation plan to more closely link outputs to results, and to document the reasons for its determination.	Mission management agreed to continue to reassess its CSP performance indicators. This recommendation is closed.
				77 (14) USAID/Iraq's FSPO should request the CSP implementing partner to instruct its program office directors to be more consistent in following the established branding policy.	In September 2007, FSPO and its implementing partner agreed that reasonable efforts should be made to ensure that activities are attributed to the appropriate Government of Iraq entity. A management decision was made on this recommendation on June 8, 2008, and final action occurred on June 20, 2008. This recommendation is closed.
40	Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund (E-267-08-002-P)	3-Apr-08	Although USAID/Iraq was complying with provisions contained in public laws to help ensure that funds appropriated for the Marla Ruzicka Iraqi War Victims Fund were used as intended, USAID/Iraq could increase the positive impact of the Fund.	78 (1) USAID/Iraq should reconsider its practice of limiting the eligibility of potential beneficiaries of the Marla Ruzicka Iraqi War Victims Fund to Iraqi civilians who suffer losses caused solely by U.S. and Coalition Forces and make appropriate changes to the program if warranted.	USAID/Iraq concurred with the recommendation and took action to expand eligibility coverage to all Iraqi civilians harmed by military operations, regardless which side caused the harm. This recommendation is closed.
				79 (2) USAID/Iraq should provide guidance to the implementing partners of the fund encouraging them to focus future projects on families in dire need rather than on community infrastructure projects that might fit better under other assistance programs.	USAID/Iraq provided guidance to implementing partners in October 2008 to give preference to individuals and families harmed by military actions. This recommendation is closed.
				80 (3) USAID should review its allocation of funds provided to implementing partners of the fund to determine whether funds should be reallocated to implementing partners operating in regions in which those funds could be better used to assist the intended beneficiaries.	USAID/Iraq concurred with the recommendation and agreed to insert language into the CAP III annual program statement, which will initially distribute Marla funds based on the intensity of coalition forces military operations. Additional funds will be reserved for later obligation based on possible new areas of need over the course of the program. This recommendation is closed.
				81 (4) USAID/Iraq should develop a plan that addresses the future sustainability of assistance to Iraqi civilians who are innocent victims of the war in Iraq.	USAID/Iraq concurred with the recommendation and in October 2008 emailed implementing partners to have encourage communities and local governments to take up the cause of assistance to victims as a means of reconciliation. Other programs will also help build Iraqi government capacity to provide service delivery similar to the Marla Fund long after dedicated war-victim funding has ended. This recommendation is closed.

**USAID OIG Performance Audits and Reviews with Findings and Recommendations - Iraq
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No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
41	<p align="center">Audit of USAID/Iraq's Management of Its Official Vehicle Fleet (E-267-08-003-P)</p>	24-Jun-08	<p>Although USAID/Iraq managed many aspects of its vehicle fleet in accordance ADS, it did not always maintain vehicle records, dispose of excess vehicles, report missing vehicles, use authorized armoring technicians, train drivers, or equip vehicles with operable security radios in accordance with agency policy.</p>	<p>82 (1) USAID/Iraq should implement procedures to maintain vehicle records for all mission-controlled vehicles in accordance with ADS 536.</p>	<p>USAID/Iraq concurred with the recommendation and set August 2008 as a deadline for having procedures implemented to maintain vehicle records in accordance with the ADS. This recommendation is closed.</p>
				<p>83 (2) USAID/Iraq should make a determination on how to use or dispose of excess vehicles, with an estimated value of \$2,179,969, in accordance with applicable policies and procedures</p>	<p>A management decision was reached on June 24, 2008, that excess vehicles, valued at \$2,179,969, will either be put to better use or disposed of in accordance with applicable policies and procedures. However, as of December 31, 2008, the recommendation remains open.</p>
				<p>84 (3) USAID/Iraq should establish a procedure to help ensure that dispatch analyses are completed on an annual bases in accordance with ADS 536.</p>	<p>On August 7, 2008, USAID/Iraq issued the recommended procedure to help ensure that the analyses would be completed. Final action was taken on September 5, 2008, and the recommendation is now closed.</p>
				<p>85 (4) USAID/Iraq should report on the armored vehicles that could not be located in Basrah to the U.S. Embassy's Regional Security Office and USAID SEC/Physical Security Programs Division, in accordance with Automated Directives System 563.</p>	<p>On July 30, 2008, USAID/Iraq reported to the USAID SEC/Physical Security Programs Division, and to the Regional Security Office, the armored vehicles that could not be located. This recommendation is closed.</p>
				<p>86 (5) USAID/Iraq should (1) report all known mission-controlled armored vehicles that might have damaged ballistic protection to USAID SEC/Physical Security Programs Division, in accordance with ADS 563 and (2) inform that office of all repairs performed on armored vehicles by unauthorized mission personnel, according to 12 FAM 387.</p>	<p>USAID/Iraq reported the armored vehicles that had damaged ballistic protection, and armored vehicles repaired by unauthorized personnel, to the USAID SEC/Physical Security Programs Division, on July 28, 2008. This recommendation is closed.</p>
				<p>87 (6) USAID should implement procedures so that future damage to vehicles is reported in accordance with ADS 536 and that damage to armored vehicles is reported to USAID SEC in accordance with ADS.</p>	<p>On July 31, 2008, USAID/Iraq issued a memo to all mission mechanics drivers, and general service officers that described the procedures they must follow for reporting damages to mission armored vehicles. This recommendation is closed.</p>
				<p>88 (7) USAID should give drivers the defensive driver and surveillance detection training required by ADS 563, either by enrolling them in the course in the United States or by training them in Iraq.</p>	<p>USAID/Iraq devised and implemented a plan to provide drivers defensive and surveillance detection training. This recommendation is closed.</p>
42	<p align="center">Audit of USAID/Iraq's Monitoring and Evaluation Performance Program (E-267-08-004-P)</p>	3-Jul-08	<p>USAID/Iraq's monitoring and evaluation program is generally producing evaluation reports that are timely, relevant, punctual, and useful for performance management. The reports addressed the inquiries posed by USAID officials and contained recommendations that provided meaningful opportunities for enhancing program effectiveness. However, in the monitoring of one USAID/Iraq program, several weaknesses were found that diminished confidence in the reliability of some monitoring reports.</p>	<p>89 (1) USAID/Iraq should establish policies and procedures to work with its PRT representatives to obtain information from U.S. military officials that will help verify the accuracy of field monitoring reports.</p>	<p>The mission issued a policy encouraging its PRT representatives to obtain information from U.S. military sources that would help verify the accuracy of field monitoring reports. This recommendation is closed.</p>

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No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				90 (2) USAID/Iraq should take steps to increase the frequency of monitoring those activities demonstrated to be highly vulnerable to fraud and abuse.	The mission took steps to increase the monitoring of CSP projects. In addition, the mission developed a risk analysis framework for its entire portfolio to aid in the development of effective monitoring strategies to help reduce the potential for fraud and abuse. This recommendation is closed.
				91 (3) USAID/Iraq should establish policies and procedures to document compliance with ADS 203.3.6.7 for evaluations and also to document responses to findings and recommendations contained in monitoring reports of mission programs conducted under MEPP II.	The mission issued a policy stipulating that its responses to findings and recommendations in all monitoring and evaluation reports must be adequately documented and included as part of the final report. These responses should also include input from implementing partners. This recommendation is closed.
				92 (4) USAID/Iraq should establish policies and procedures requiring (1) a formal review of evaluation findings, conclusions, and recommendations with the relevant implementing partner and (2) documentation of the results of that review.	The mission issued a policy that requires implementing partners to acknowledge receipt of monitoring or evaluation reports within 2 weeks of transmittal. This policy also codified the current practice of reviewing evaluation reports orally with the implementing partner. These procedures--in conjunction with the additional input to be solicited from implementing partners as part of the mission's response to evaluation findings and recommendations--met the intent of the recommendation. This recommendation is closed.
				93 (5) USAID/Iraq should establish policies and procedures permitting the USAID/Iraq Program Office to initiate monitoring and evaluation activities conducted under MEPP II.	The mission codified the recommended policies and procedures in a new mission order. This recommendation is closed.
				94 (6) USAID/Iraq should establish policies and procedures that require implementing partners to submit appropriate monitoring and evaluation plans for acquisition and assistance awards.	The mission developed language to be included in acquisition and assistance awards requiring implementing partners to submit appropriate monitoring and evaluation plans. This recommendation is closed.
43	Audit of USAID/Iraq's Community Action Program II (E-267-08-005-P)	5-Aug-08	USAID/Iraq's Community Action Program (CAP) II had accomplished many projects designed to create a foundation for sustainable development. However, regarding the achievement of planned results and impact, the audit found that USAID/Iraq did not ensure that baseline values for performance indicators designed to measure progress were determined at the beginning of the program. This sometimes resulted in the establishment of unrealistic targets. Also, targets for program performance indicators varied from one source to another in such a manner that auditors could not determine definitively which targets were in effect during the time of the audit. Although USAID/Iraq has taken steps to improve the quality of performance data, following a prior audit of the predecessor Iraq CAP that noted data quality issues, data quality problems continued in the current program.	95 (1) USAID/Iraq should reevaluate current performance indicator targets under CAP II to determine whether they are realistic and to ensure that realistic targets are included in the revised performance monitoring plan and the project reporting system.	USAID/Iraq worked with the implementing partner to ensure that data reported for year one was accurate and to establish new targets for year two that reflected realistic assumptions. Management updated both the performance monitoring plan and the project reporting system to reflect these changes. Although these actions would have little impact on the current program, management pointed out that the changes would provide strong baseline data for an anticipated follow-on program. This recommendation is closed.

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No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				96 (2) USAID/Iraq should develop procedures to ensure that changes to performance indicators and targets are properly documented.	USAID/Iraq issued a mission order that addresses how revisions to performance monitoring plans should be documented. This recommendation is closed.
				97 (3) USAID/Iraq should perform a data quality assessment to ensure that flaws in the project reporting system are identified and corrected.	Management concurred that relevant CAP II performance data should be accurate to set a baseline for the performance monitoring plan of the anticipated follow-on program. However, management noted that the project reporting system would not be used after CAP II ends and that, therefore, correcting the system's flaws would not serve any useful purpose. Accordingly, management stated that it would conduct a data quality assessment only of CAP II indicators that would be pertinent for setting baselines for the follow-on program. This should be completed by April 30, 2009. This recommendation is open.
				98 (4) USAID/Iraq should develop a plan to standardize data collection processes and analysis methods among the program implementing partners.	Management indicated that USAID/Iraq was working with its implementing partners to standardize the reporting of program data. This would help ensure that reported data matched the definitions in the approved performance monitoring plan and that the data was reported consistently among partners. This should be completed by April 30, 2009. This recommendation is open.
44	Audit of USAID/Iraq's Agribusiness Program E-267-08-006-P	30-Sep-08	Due to delays in the startup of the program, it was too early to determine whether 10 of 12 activities were achieving planned results. Further, it was too soon to determine the degree of impact of the program as a whole in Iraq. The program only recently completed its first year of activities and has not yet yielded performance data for the entire first year. The program has produced interim reports indicating that some program activities are making early progress toward achieving their targets. However, 2 of 12 agribusiness activities reviewed by the audit were not achieving intended results.	99 (1) USAID/Iraq should review and revise the performance target for the date sector in light of current market information and adjust targets for other agricultural commodities, as appropriate, to help ensure that the overall sales and employment targets for agribusiness program are achievable.	USAID/Iraq agreed that the performance target of a 150 percent increase in date sales over 3 years was overly ambitious. Inma and IBCTI (the company hired by USAID to assist with monitoring activities in Iraq) revised this target to a more realistic level. Adjusted targets were included in a performance monitoring plan that has been approved by USAID. This recommendation is closed.
				100 (2) USAID/Iraq should reassess the feasibility of sending 25 students to the United States for its master's degree activity under the Inma program and adjust its planned results accordingly.	USAID/Iraq agreed with the recommendation and engaged in intensive external and internal consultations in July and August 2008. The mission director decided on August 26, 2008, to not proceed with the master's program. The program was deemed to be not feasible because the compressed time line (1 year) was not in the original proposal and none of the selected candidates had achieved passing grades on the English-readiness test (Test of English as a Foreign Language--TOEFEL). The program's problems could have forced the mission to extend the contractor's base period to allow students in the United States to complete their studies. At a meeting on August 30, 2008, the mission director's decision was communicated to the Iraqi Deputy Minister of Agriculture. This recommendation is closed.

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No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				101 (3) USAID/Iraq should reprogram any funds remaining from the \$5 million allocated to the master's degree activity and put them to better use.	USAID/Iraq agreed with the recommendation and stated that no participant training funds were used to support any activities related to soliciting potential candidates for the master's program, interviewing them, or making selections. Much of this work was conducted by the Iraqi Ministry of Agriculture and the U.S. Department of Agriculture. As a result, USAID/Iraq reprogramed the full amount of \$6 million in participant training (\$5 million for the master's program plus \$1 million for extension institutes). These funds will be used by Inma for grants to support the development of agribusinesses in Iraq. This recommendation is closed.
				102 (4) USAID/Iraq should establish appropriate performance indicators to monitor Inma's expanded grant and master's degree activities, as well as any other major program components without performance indicators, in accordance with ADS 203.3.	USAID/Iraq agreed with this recommendation and performed an extensive review of Inma's performance monitoring plan. The review suggested that Inma completely rewrite portions of the plan to adequately capture performance indicator results under all major program components, including the grants to loan component. No performance indicators were developed for the master's degree activity, as USAID was not proceeding with that activity under Inma. The revised performance monitoring plan was approved by USAID. This recommendation is closed.
				103 (5) USAID/Iraq should review Inma program performance indicators listed in its performance monitoring plan to ensure that they are reasonably attributable to USAID activities, in accordance with ADS 203.3.	USAID/Iraq agreed with this recommendation. In addition to the actions taken in response to recommendation No. 4, IBTCI also carried out a results framework assessment of the revised performance monitoring plan. The assessment specifically addressed the necessity of having performance indicators that were reasonably and directly attributable to Inma activities. This recommendation is closed.

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December 31, 2008**

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				104 (6) USAID/Iraq should develop clear and meaningful cost reporting by discrete activity and commodity cluster in conjunction with the Inma contractor.	USAID/Iraq agreed with this recommendation and has taken final action. The mission's offices of Economic Growth and Agriculture and Acquisition and Assistance (OAA) discussed this recommendation with Inma and the LBG headquarters officials. USAID requested that LBG develop a new set of financial-cost reporting charts that will allow USAID management to gain improved clarity into the distribution of Inma program expenditures by functional expenditure categories. Contract modification No. 8 (267-C-00-07-00500-00) includes an amendment that requires Inma to "report on resources spent in Iraq by commodity clusters and activities under each cluster, and by input category." These are to be included in Inma's monthly financial reports. The mission expects that this new reporting format will be finalized before the end of September. The first report containing the new financial reporting format, by discrete activity and commodity cluster, will be received on October 15, 2008. This recommendation is closed.
				105 (7) That USAID/Iraq verify that the Inma contractor modifies the subcontract language with the Euphrates Fish Farm (EFF) to include the required provision pertaining to Executive Order 13224 on terrorism financing.	USAID/Iraq agreed with this recommendation and final action has been taken. On August 24, 2008, OAA sent a letter to LBG referencing the audit findings and recommendation. The letter indicated that the clause contained under section H.8 of the contract "Executive Order on Terrorism Financing" was not included in Inma's subcontract with EFF. The clause stipulates that this provision be included in all subcontracts. OAA informed LBG that it is required to: (1) modify the EFF subcontract to correct the omission; (2) provide USAID with evidence that the modification has been completed; and (3) provide written assurances that the clause will be included, as mandated, in all existing and future subawards made by LBG. On September 3, 2008, Inma forwarded the modified subcontract with EFF to the mission. This recommendation is closed.
				106 (8) That USAID/Iraq obtain written assurance from the Inma contractor that the required provision pertaining to Executive Order 13224 on terrorism financing is included in all current Inma subawards.	USAID/Iraq agreed with this recommendation and final action has been taken. On August 24, 2008, OAA sent a letter to LBG referencing the audit findings and recommendation. On September 2, 2008, LBG replied by letter stating that "all of our existing subcontracts will be modified to include the appropriate clause and it will also be included in all new subcontracts." This recommendation is closed.
FY 2009	45 Audit of USAID/Iraq's National Capacity Development Program E-267-09-001-P	25-Nov-08	OIG found that the program is achieving its intended results in 14 of its 20 results indicators. However, the Ministry of Oil needed a capacity development plan to better focus on the achievement of the program's long-term objective for strengthening the ministry's core administrative functions. Additionally, the response rates of post-training surveys from training participants were too low to ensure the validity of the survey results. USAID could improve this by increasing these response rates. OIG also determined that USAID could better demonstrate program results by including a measure for the number of study abroad scholarships utilized.	107 (1) We recommend that USAID/Iraq include outcome indicators in the National Capacity Development Program's performance management plan that measure improvement in the Iraqi ministries' ability to deliver core services	The mission intends to, among other things, revise the Tatweer Performance Management Plan to add an indicator on budget execution, which would help measure the improved service delivery of key ministries. The estimated date for final action is March 31, 2009.

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No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				108 (2) We recommend that USAID/Iraq direct the National Capacity Development Program's contractor to work with the Ministry of Oil to draft a capacity development plan.	The mission described the complications with developing a Capacity Development Plan and detailed an alternative program—the Organizational Self-Assessment and Transformation Program (OSTP)—as a substitute for a capacity development plan. OIG feels that OSTP, which is estimated to be completed in January 2009, will address the intent of its recommendation. The estimated date for final action is March 31, 2009.
				109 (3) We recommend that USAID/Iraq implement a plan to increase the response rate for surveys so as to provide valid results in measuring outcome measures.	The mission intends to amend the Program Performance Management Plan to provide for appropriate disclosure regarding the validity of its survey results. The estimated date for final action is March 31, 2009.
				110 (4) We recommend that USAID/Iraq add an output indicator to the Program's performance management plan to measure the number of graduate level scholarships utilized abroad.	The mission intends to include a performance management plan indicator to reflect the number of scholarships utilized in addition to noting that actual participants may be less than the number of scholarships awarded. The estimated date for final action is March 31, 2009.

45 Performance Audits Issued

Total Recommendations	110
Recommendations Open	7*
Recommendations Open More Than 1 Year	0

* Open Recommendations: 83, 97, 98, 107, 108, 109, 110

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
1	Report on Evaluation of Timekeeping Procedures and Practices of SSA Marine (SSA)	E-266-04-001-D	31-Oct-03	\$0	\$0	N/A	
2	Audit of Kroll Associates, Inc. 's Proposal for USAID Contract No.267-C-00-03-00001-00	E-266-04-002-D	4-Nov-03	\$0	\$0	N/A	
3	Report on SSA Marine 's Usage and Controls of Materials and Services Procured under USAID Contract TRN-C-00-03-00054-00	E-266-04-003-D	4-Nov-03	\$0	\$0	N/A	
4	Survey of Kroll and Associates Inc. 's (Kroll) Accounting System	E-266-04-004-D	19-Nov-03	\$0	\$0	N/A	
5	Audit of Creative Associates International, Inc. 's (CAI) Internal Controls for the Awarding of Grants	E-266-04-006-D	20-Nov-03	\$0	\$0	N/A	
6	Audit of SSA Marine 's Controls over Port Revenues and Expenses at Um Qasr, Iraq under USAID Contract No. TRN-C-00-03-00054-00	E-266-04-007-D	5-Dec-03	\$0	\$0	N/A	
7	Audit of Bechtel National Inc. 's (Bechtel) Internal Controls of Subcontract Awards under USAID Iraq Infrastructure Reconstruction Contract No. EEE-C-00-03-00018-00	E-266-04-008-D	5-Jan-04	\$0	\$0	N/A	
8	Report on Evaluation of Bechtel National Inc. 's Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges under USAID Iraq Infrastructure Reconstruction Contract No. EEE-C-00-03-00018-00	E-266-04-009-D	4-Jan-04	\$0	\$0	N/A	
9	Report on Evaluation of Skylink Air & Logistical Support (USA) Inc. 's (Skylink) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges under USAID Contract No. DFD-C-00-03-00026-00	E-266-04-010-D	13-Jan-04	\$0	\$0	N/A	
10	Audit of Costs Incurred and Billed by SkyLink Air and Logistic Support (USA), Inc. under USAID Contract DFD-C-00-03-00026-00 from March 21, 2003, through October 31, 2003	E-266-04-011-D	14-Jan-04	\$3,397,664	\$81,834	\$74,151	
11	Report on Evaluation of the International Resources Group's (IRG) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges under USAID Contract No. EMT-C-00-03-00007	E-266-04-012-D	15-Jan-04	\$0	\$0	N/A	
12	Audit Report on Skylink Air & Logistical Support (USA) Inc. 's (Skylink) Usage and Controls of Materials and Services Procured under USAID Contract No. DFD-C-00-03-00026-00	E-266-04-013-D	9-Feb-04	\$0	\$0	N/A	
13	Report on the Audit of the Accounting System of Skylink Air & Logistical Support (USA) Inc.	E-266-04-014-D	9-Feb-04	\$0	\$0	N/A	
14	Evaluation of Bechtel National Inc. 's (Bechtel) Usage and Controls of Materials and Services Procured under USAID Iraq Infrastructure Reconstruction Contract No. EEE-C-00-03-00018-00	E-266-04-015-D	9-Feb-04	\$0	\$0	N/A	
15	Audit of Costs Incurred by Bechtel National, Inc. (Bechtel) under USAID Iraq Infrastructure Reconstruction Contract EEE-C-00-03-00018-00 from April 17, 2003, (Inception of the Contract) to August 31, 2003	E-266-04-016-D	12-Feb-04	\$48,710,691	\$0	N/A	
16	Audit of the Accounting Controls of Bechtel National, Inc. (Bechtel) under USAID's Iraq Infrastructure Reconstruction Contract EEE-C-00-03-00018-00	E-266-04-017-D	12-Feb-04	\$0	\$0	N/A	
17	Audit of Bechtel National, Inc. 's Subsidiary Billing System for USAID's Iraq Infrastructure Reconstruction Contract EEE-C-00-03-00018-00	E-266-04-018-D	12-Feb-04	\$0	\$0	N/A	
18	Audit Report on Review of Costs Incurred and Billed by SSA Marine (SSA) under USAID Contract TRN-C-00-03-00054-00 as of August 12, 2003	E-266-04-019-D	12-Feb-04	\$1,559,153	\$44,334	\$11,275	
19	Audit Report on International Resources Group's (IRG) Usage and Controls of Materials and Services Procured under USAID Contract No. EMT-C-00-03-00007	E-266-04-020-D	14-Feb-04	\$0	\$41,332	\$26,144	
20	Report on Evaluation of Abt Associates, Inc. 's (Abt) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges under USAID Contract No. RAN-C-00-03-00010-00	E-266-04-021-D	15-Feb-04	\$0	\$0	N/A	
21	Audit of Costs Incurred and Billed by Abt Associates, Inc. (Abt) under USAID Contract No. RAN-C-00-03-00010-00 from July 18, 2003, through October 24, 2003	E-266-04-022-D	15-Feb-04	\$3,702,739	\$161,008	\$9,199	
22	Report on Evaluation of BearingPoint, Inc. 's (BearingPoint) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges under USAID Contract No. RAN-C-00-03-00043-00	E-266-04-023-D	15-Feb-04	\$0	\$0	N/A	

USAID OIG - Defense Contract Audit Agency
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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
23	Report on Evaluation of Creative Associates International, Inc. 's (CAI) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges under USAID Contract No. EDG-C-00-03-00011-00	E-266-04-024-D	21-Feb-04	\$0	\$0	N/A	
24	Report on Audit of Creative Associates International, Inc. 's (CAI) Usage and Controls of Materials and Services Procured under USAID Contract No. EDG-C-00-03-00011-00	E-266-04-025-D	26-Feb-04	\$0	\$0	N/A	
25	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) under USAID Contract No. EDG-C-00-03-00010-00 from March 26, 2003, through November 30, 2003	E-266-04-026-D	26-Feb-04	\$32,660,570	\$28,000	\$28,000	
26	Report on the Audit of Research Triangle Institute's (RTI) Usage and Controls of Materials and Services Procured under USAID Contract No. EDG-C-00-03-00010-00	E-266-04-027-D	26-Feb-04	\$0	\$12,669,538	\$0	Auditors found that Research Triangle Institute (RTI) did not have written policies and procedures and lacked internal controls for its material and equipment handling processes, to include receiving, storing, and issuing for its Iraq operations. As a result, the OIG questioned the total amount billed to USAID by RTI for materials and equipment from the inception of the contract through November 30, 2003.
27	Audit of Costs Incurred and Billed by Creative Associates International, Inc. (CAI) under USAID Contract No. EDG-C-00-03-00011-00 from April 11, 2003, through October 31, 2003	E-266-04-028-D	28-Feb-04	\$30,403,887	\$11,606	\$11,606	
28	Report on Evaluation of Abt Associate, Inc.'s (Abt) Usage and Controls of Materials and Equipment Procured under USAID Contract No. RAN-C-00-03-00010-00	E-266-04-029-D	1-Mar-04	\$0	\$10,282	\$0	
29	Report on the Evaluation of Research Triangle Institute's (RTI) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges under USAID Contract No. EDG-C-00-03-00010-00	E-266-04-030-D	7-Mar-04	\$0	\$0	N/A	
30	Audit of Costs Incurred and Billed by Management Systems International (MSI) Under USAID Contract AEP I-00-00-00024-00 from June 25, 2003 through January 30, 2004	E-266-04-031-D	10-Mar-04	\$1,938,500	\$0	N/A	
31	Audit of Costs Incurred and Billed by the International Resources Group (IRG) under USAID Contract No. EMT-C-00-03-00007 from February 5, 2003 through August 31, 2003	E-266-04-032-D	10-Mar-04	\$9,842,782	\$134,084	\$821	
32	Audit of Costs Incurred and Billed by Bearing Point Inc. (Bearing) Under USAID Contract RAN-C-00-03-00043-00 from July 18, 2003, through November 30, 2003.	E-266-04-033-D	24-Mar-04	\$7,892,736	\$65,224	\$48,603	
33	Costs Incurred and Billed by Development Alternatives, Inc. (DAI) under USAID Prime Contract No. HDA-I-00-03-00061-00 and Subcontract No. 3825-100-03S-001, for the period January 6, 2003, to December 31, 2003	E-266-04-034-D	12-Apr-04	\$27,377,961	\$96,275	\$0	
34	Report on Audit of Proposed Iraq Infrastructure Reconstruction Project (IRP) Controller Procedure 5AP-A01-018 for Estimating, Accumulating and Recovering Direct Common Costs	E-266-04-035-D	14-May-04	\$0	\$0	N/A	
35	Costs Incurred and Billed by Creative Associates International Inc.'s (CAI) under USAID Contract No. EDG-C-00-03-00011-00 for the period ended November 1, 2003, through February 28, 2004	E-266-04-036-D	27-May-04	\$17,457,385	\$45,314	\$45,314	
36	Audit of Bechtel National Inc.'s (BNI) Proposed Common Cost Pool Recovery Rate under Reconstruction Project (IRP) Phase I and II	E-266-04-037-D	18-Jun-04	\$0	\$0	N/A	
37	Report on Audit of Costs Incurred by Abt Associates, Inc. from October 25, 2003, through March 26, 2004, under USAID Contract No. RAN-C-00-03-00010-00	E-266-04-038-D	20-Jun-04	\$13,414,124	\$120,150	\$7,726	
38	Audit Report on Review of Costs Incurred and Billed by SSA Marine (SSA) on Voucher Nos. 3 through 7 under Contract No. TRN-C-00-03-00054-00	E-266-04-039-D	30-Jun-04	\$6,807,643	\$1,131,456	\$33,519	The OIG questioned costs that were claimed by SSA, but were ineligible based on its contract with USAID. These costs related to direct labor and labor overhead costs, international and domestic travel costs, and administrative fees.
39	Audit Report on Review of Billed Costs by SkyLink Air and Logistic Support from November 1, 2003, to February 29, 2004, under Contract DFD-C-00-03-00026-00	E-266-04-040-D	19-Jul-04	\$8,556,787	\$49,372	\$49,372	
40	Record of Labor Timekeeping System Used by Bechtel National, Inc. under Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00	E-266-04-041-D	5-Aug-04	\$0	\$0	N/A	
41	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) under USAID Contract No. EDG-C-00-03-00010-00 from December 1, 2003, through March 25, 2004	E-266-04-042-D	9-Aug-04	\$51,767,359	\$511,582	\$368,203	

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42	Audit of Costs Incurred and Billed to USAID by BearingPoint, Inc. under Contract No. RAN-C-00-03-00043-00 from December 1, 2003, to March 31, 2004	E-266-04-043-D	17-Mar-05	\$27,540,524	\$5,117,424	\$2,762,600	The OIG questioned \$1,189,543 in costs that were claimed by Bearing Point, Inc, but were ineligible based on its contract with USAID. These costs related to salaries, foreign allowances, and associated indirect and general and administrative costs. Additionally, the OIG questioned \$3,927,881 in costs that could not be supported by documentation; \$3,851,864 of these unsupported costs were for costs claimed by one of Bearing Point, Inc.'s subcontractors, Custer Battles.
43	Audit of Incurred Direct Costs Under Iraq Infrastructure Reconstruction by Bechtel National, Inc. (BNI) Under Contract EEE-C-00-03-00018-00 from September 1, 2003 through February 29, 2004	E-266-04-044-D	4-Sep-04	\$239,157,315	\$1,793,351	\$390,145	The OIG questioned costs that were claimed by Bechtel National, Inc., but were ineligible based on its contract with USAID. These costs related to travel, communications, direct labor, other employee payments and insurance.
44	Audit of Costs Incurred and Billed to USAID by the International Resources Group, Inc. under Contract No. EMT-C-00-03-00007 from September 1, 2003 to March 31, 2004	E-267-05-001-D	21-Oct-04	\$28,138,806	\$0	N/A	
45	Audit on Kroll Government Services, Inc. related to labor provided for security services under USAID Contract No. 267-C-00-03-00001-00 from April 1, 2004, to December 31, 2004	E-267-05-002-D	17-Jan-05	\$0	\$0	N/A	
46	Audit of Materials, Equipment, and Services Incurred under USAID Contract No. EDG-C-00-03-00010-00 with Research Triangle Institute (RTI) .	E-267-05-003-D	29-Jan-05	\$0	\$0	N/A	
47	Audit of Costs Incurred Under Subcontracts 24910-TSC-003 and 24910-GSC-005 (Bechtel National, Inc. is prime and ArmorGroup Services Limited is the subcontractor) from May 1, 2003, through September 30, 2004.	E-267-05-004-D	10-Feb-05	\$31,083,699	\$13,015	\$0	
48	Audit of Incurred Costs Submitted on Voucher Nos. 8 through 12 for Contract No. TRN-C-00-03-00054-00 with Stevardoring Services of America (now known as SSA Marine).	E-267-05-005-D	19-Feb-05	\$4,900,697	\$312,041	\$97,079	
49	Audit of Costs Billed Under Parsons Infrastructure and Technology Group Subcontract No. 24964-000-ESU-W000-001 from January 12, 2004, through September 24, 2004	E-267-05-006-D	27-Feb-05	\$7,388,916	\$139,867	\$139,867	
50	Audit of Costs Billed on Development Alternatives, Inc. (DAI) Prime Contract Nos. HDA-I-00-03-00061-00 from January 1, 2004, through April 5, 2004, and DOT-I-00-03-00004-00 from February 5, 2004, to August 31, 2004	E-267-05-007-D	1-Mar-05	\$57,800,375	\$9,475	\$9,475	
51	Audit of Costs Incurred by Mercy Corps Under USAID Cooperative Agreement No. AFP-A-00-03-00001-00 from May 16, 2003 through July 31, 2004	E-267-05-008-D	22-Mar-05	\$12,346,972	\$0	N/A	
52	Audit of Costs Incurred by Agricultural Cooperative Development International/Volunteers Overseas Cooperative Assistance Under USAID Cooperative Agreement No. AFP-A-00-03-00003-00 from May 16, 2003, through July 31, 2004	E-267-05-009-D	21-Apr-05	\$11,034,825	\$8,609	\$0	
53	Audit of Skylink Air & Logistical Support Inc. 's Labor Systems and Controls under Contract No. DFD-C-00-03-00026-00 Conducted on December 28, 2004, and January 13, 2005	E-267-05-010-D	28-Apr-05	\$0	\$0	N/A	
54	Audit of Costs Billed by Research Triangle Institute (RTI) under Contract No. EDG-C-00-03-00010-00 for the Period of March 26, 2004, through September 30, 2004	E-267-05-011-D	15-May-05	\$57,989,243	\$417,522	\$415,432	
55	Audit of Costs Billed by Creative Associates International, Inc. under Contract No. EDG-C-00-03-00011-00 from March 1, 2004, through August 31, 2004	E-267-05-012-D	17-May-05	\$7,940,613	\$36,921	\$36,921	
56	Audit of Costs Incurred and Billed to USAID by Bearing Point, Inc. under USAID Contract No. RAN-C-00-03-00043-00, April 1, 2004, through September 30, 2004	E-267-05-013-D	14-Jun-05	\$38,447,166	\$13,331,840	\$13,330,208	The OIG questioned \$440,210 in costs that were claimed by Bearing Point, Inc, but were ineligible based on its contract with USAID. These costs related to salaries and wages, foreign allowances, travel, subcontractors, and other costs. Additionally, the OIG questioned \$12,891,630 in costs that could not be supported by documentation; \$10,745,677 of these unsupported costs were for costs claimed by one of Bearing Point, Inc's subcontractors, Kroll Government Services International.
57	Audit of Costs Incurred and Billed by the International Resources Group from April 1, 2004, through May 4, 2004, Under Contract No. EMT-C-00-03-00007 and from May 4, 2004, through October 31, 2004, Under Contract No. 517-C-00-04-00106-00	E-267-05-014-D	16-Jun-05	\$21,061,361	\$0	N/A	
58	Audit of Costs Incurred by Bechtel National Inc. from March 1, 2004, to September 30, 2004, Under Contract No. EEE-C-00-03-00018-00 and from January 5, 2004 to September 30, 2004 Under Contract No. SPU-C-00-04-00001-00	E-267-05-015-D	16-Jun-05	\$349,513,595	\$118,417	\$118,417	

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59	Audit of Costs Incurred and Billed by Abt Associates Inc. from April 1, 2004 through September 24, 2004 Under Contract No. RAN-C-00-03-00010-00	E-267-05-016-D	27-Jun-05	\$7,212,265	\$12,749	\$12,749	
60	Audit of SkyLink Air and Logistic Support (USA), Inc. Costs for the Period March 1, 2004, through September 30, 2004 under USAID Contract No. DFD-C-00-03-00026-00	E-267-05-017-D	27-Jun-05	\$10,358,264	\$301,218	\$277,484	
61	Audit of Costs Incurred by Save the Children Federation, Inc (SCF) under USAID Cooperative Agreement No. AFP-A-00-03-00005 from May 16, 2003, through July 31, 2004	E-267-05-018-D	22-Sep-05	\$12,093,435	\$0	N/A	
62	Audit of Costs Incurred by Siemens Westinghouse under Subcontract No. 24910-30N-ESL-MG00-001 and Subcontract No. 24910-30B-ESD-MGSO-013 from Inception until September 30, 2004	E-267-05-020-D	22-Sep-05	\$7,823,102	\$0	N/A	
63	Audit of Material and Services Procured by Bechtel National, Inc. under Contract No. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00 Between January and February 2005	E-267-05-019-D	23-Sep-05	\$0	\$0	N/A	
64	Evaluation of Labor Timekeeping System Used by Bechtel National, Inc. (BNI) Under USAID Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00 between February and July 2005	E-267-06-001-D	5-Oct-05	\$0	\$0	N/A	
65	Audit of System for Request for Equitable Adjustment (REA) Procedures by Bechtel National, Inc. (BNI) under USAID Contract No. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00	E-267-06-002-D	28-Feb-06	\$0	\$0	N/A	
66	Audit of Costs Incurred by CHF International Under USAID Cooperative Agreement No. AFP-A-00-03-00004 from May 16, 2003, through July 31, 2004	E-267-06-004-D	1-Feb-06	\$14,681,152	\$284,569	\$46,362	
67	Audit of Costs Incurred and Billed by America's Development Foundation (ADF) under USAID Contract No. GEW-C-00-04-00001, for the period August 16, 2004, to June 30, 2005	E-267-06-005-D	12-Feb-06	\$12,479,675	\$100,145	\$0	
68	Audit of Costs Incurred by Louis Berger Group Inc. under Contract No. 267-C-00-04-0435-00 from October 1, 2004, to July 31, 2005	E-267-06-006-D	22-Feb-06	\$15,273,075	\$5,094	\$5,094	
69	Audit of Costs Incurred by Development Alternatives, Inc. under Contract No. RAN-C-00-04-00002-00 from October 15, 2004, through June 30, 2005	E-267-06-007-D	23-Apr-06	\$18,505,566	\$7,403	\$6,829	
70	Audit of Costs Incurred by International Relief and Development, Inc. (IRD) under USAID Cooperative Agreement No. AFP-A-00-03-00002 from May 16, 2003, through July 31, 2004	E-267-06-008-D	18-May-06	\$11,627,091	\$1,018,326	\$55,500	The OIG questioned \$192,390 in costs that were claimed by IRD, but were ineligible based on its contract with USAID. These costs related to consultant fees, travel, and security. Additionally, the OIG questioned \$825,936 in costs that could not be supported by documentation.
71	Audit of Costs Incurred by Cooperative Housing Federation International Under Cooperative Agreement No. AFP-A-00-03-00004-00 from August 1, 2004, to July 31, 2005	E-267-06-009-D	6-Jun-06	\$16,015,713	\$59,418	\$28,499	
72	Audit of Costs Billed by Research Triangle Institute under Contract No. EDG-C-00-03-00010-00 for the Period of March 26, 2004, through September 30, 2004	E-267-06-010-D	15-Jun-06	\$8,751,175	\$8,715,875	\$406,700	Because of numerous deficiencies in the timekeeping system for a Research Triangle Institute (RTI) subcontractor, Unity Resources Group LLC (URG), the OIG questioned all billed costs during the audited period of URG.
73	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) under USAID Contract No. EDG-C-00-03-00010-00 for the Period October 1, 2004 through July 31, 2005	E-267-06-011-D	23-Jun-06	\$37,697,918	\$8,141,150	\$189,203	The OIG questioned \$169,631 in costs that were claimed by RTI, but were ineligible based on its contract with USAID. These costs related to foreign allowances, travel, and subcontractors. Additionally, the OIG questioned \$19,572 in subcontractor costs that could not be supported by documentation. Lastly, because of numerous deficiencies in the timekeeping system for a Research Triangle Institute subcontractor, Unity Resources Group LLC (URG), the OIG questioned all billed costs during the audited period of URG.
74	Audit of Invoices Submitted on Kroll Government Services Inc. Under Subcontract No. AID-2004-T-00043-000-0021 from February 2004 to September 2004	E-267-06-012-D	2-Jul-06	\$1,351,643	\$0	N/A	
75	Audit of Costs Incurred by Creative Associates International, Inc. under Contract No. EPP-C-00-04-00004-00 from July 1, 2004, through June 30, 2005	E-267-06-013-D	3-Jul-06	\$17,479,711	\$1,314	\$1,314	
76	Audit of Costs Incurred by BearingPoint, Inc. under Contract No. 267-C-00-04-00405 from September 4, 2004, to July 31, 2005	E-267-06-014-D	6-Jul-06	\$37,367,611	\$1,695,484	\$1,017,536	The OIG questioned \$627,960 in costs that were claimed by Bearing Point, Inc, but were ineligible based on its contract with USAID. These costs related to salaries and wages, travel, and equipment. Additionally, the OIG questioned \$1,067,524 in costs that could not be supported by documentation.

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77	Audit of Costs Incurred by International Business & Technical Consultants, Inc. under Contract No. 267-C-0500508-00 for the period of May 31, 2005, through December 31, 2005	E-267-06-015-D	27-Jul-06	\$3,372,384	\$7,235	\$7,235	
78	Audit of Costs Incurred by Crown Agents Consultancy, Inc. under Subcontract No. 1100-003 with International Resources Group, Inc. under Contract No. EMT-C-00-03-00007-00 and Contract No. 517-C-00-04-00106-00 for the Period of November 1, 2004, through December 31, 2004	E-267-06-016-D	14-Aug-06	\$2,120,465	\$48,359	\$0	
79	Audit of Direct costs Incurred by Bechtel National, Inc. Under Iraq Infrastructure Reconstruction Phase I and II Contracts No. EEE-C-00-03-00018-00 and No. SPU-C-00-04-00001-00 for the period of October 1, 2004, through September 30, 2005	E-267-06-017-D	18-Sep-06	\$684,263,856	\$321,854	\$207,229	
80	Audit of Direct Costs Incurred and Billed by the International Republican Institute through the Consortium for Elections and Political Process Strengthening Under the USAID Agreement No. AFP-A-00-04-00014-00 for the Period July 9, 2004 through October 1, 2005	E-267-07-001-D	1-Oct-06	\$23,894,925	\$0	N/A	
81	Audit of the Accounting System of Unity Resources Group Under Subcontract No. IDG 31-2 with Research Triangle Institute Under Contract No. 267-C-00-05-00505-00	E-267-07-002-D	2-Oct-06	\$0	\$0	N/A	
82	Audit of Fiscal Year 2006 Floor Check and Review of Timekeeping Procedures under Contract No. 267-C-00-05-00505-00 from July 18, 2006, to October 13, 2006, with Research Triangle Institute II	E-267-07-003-D	19-Oct-06	\$0	\$0	N/A	
83	Audit of Billed Costs by Skylink Air and Logistics Support (USA), Inc. under USAID Contract No. DFD-C-00-03-00026-00 for the Period October 1, 2004, through January 31, 2005, and Determination on the allowability of Previously Questioned Serco, Inc. Costs.	E-267-07-004-D	25-Oct-06	\$2,774,068	\$49,685	\$49,685	
84	Audit of Costs Incurred and Billed by International Relief and Development, Inc. under Cooperative Agreement No. AFP-A-00-03-00002-00 from August 1, 2004, through October 31, 2005	E-267-07-005-D	6-Nov-06	\$17,915,466	\$71,128	\$54,002	
85	Audit of Costs Incurred and Billed by the National Democratic Institute of International Affairs , under Cooperative Agreement No. REE-A-00-04-00050-00 from July 26, 2004, to October 31, 2005	E-267-07-006-D	6-Nov-06	\$18,195,499	\$0	N/A	
86	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) under Contract No. 267-C-00-05-00505-00 for the period May 9, 2005, through December 31, 2005	E-267-07-007-D	18-Dec-06	\$15,701,776	\$68,475	\$14,190	
87	Audit of Costs Incurred and Billed by the Research Foundation of the State University of New York (SUNY) under its Cooperative Subagreement No. 04-04465-IRA.0-408 with National Democratic Institute under USAID Cooperative Agreement No. REE-A-00-04-00050-00 for the Period July 26, 2004, through December 31, 2005	E-267-07-008-D	3-Jan-07	\$3,219,705	\$0	N/A	
88	Audit of Costs Incurred and Billed by Bechtel National, Inc. under Contract No. EEE-C-00-03-00018-00 for the period October 1, 2005, through February 28, 2006, and Contract No. SPU-C-00-04-00001-00 for the period October 1, 2005, through October 31, 2006	E-267-07-009-D	15-Mar-07	\$483,989,062	\$104,623	\$104,623	
89	Audit of Costs Incurred and Billed by the International Foundation for Election Systems under Cooperative Agreement No. 267-A-00-04-00405-00 from September 1, 2004, through September 30, 2005	E-267-07-010-D	27-Mar-07	\$22,364,979	\$3,258,823	\$1,835,795	The OIG questioned \$486,152 in costs that were claimed by IFES, but were ineligible based on its contract with USAID. These costs related to travel, vehicles, communication, medical, and military & surveillance equipment. Additionally, the OIG questioned \$2,772,671 in costs that could not be supported by documentation.
90	Audit of Costs Incurred and Billed under USAID Contract No. 267-C-00-04-00405-00 with Bearing Point, Inc. for the Period of August 1, 2005 through September 30, 2006	E-267-07-011-D	3-Apr-07	\$57,203,434	\$49,630	\$49,630	
91	Audit of Direct Costs Incurred and Billed by America's Development Foundation Under USAID Contract No. GEW-C-00-04-00001-00 from July 1, 2005, to September 30, 2006	E-267-07-012-D	24-Apr-07	\$26,812,920	\$0	N/A	
92	Audit of Public Vouchers submitted by International Resources Group, Ltd. From November 1, 2004, to September 30, 2006	E-267-07-013-D	10-May-07	\$22,513,909	\$45,310	\$38,436	
93	Audit of Costs Incurred and Billed by the National Democratic Institute of International Affairs under Cooperative Agreement No. REE-A-00-04-00050-00 from November 1, 2005, to July 31, 2006	E-267-07-014-D	10-Jun-07	\$16,669,320	\$0	N/A	

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94	Audit of Costs billed by Kroll Government Services, Inc. Under Subcontract No. AID 2004-T-00405-000-0058 from May 2006 to September 2006	E-267-07-015-D	12-Jun-07	\$23,075,833	\$0	N/A	
95	Audit of Costs Incurred and Billed by Abt Associates, Inc. (Abt) under USAID Contract No. RAN-C-00-03-00010-00 for September 25, 2004, through November 30, 2004	E-267-07-016-D	14-Jun-07	\$590,592	\$0	N/A	
96	Audit of Costs Incurred and Billed by the International Republican Institute under Cooperative Agreement No. AFP-A-00-04-00014-00 For the Period of November 1, 2005, through June 30, 2006	E-267-07-017-D	19-Jun-07	\$9,072,896	\$0	N/A	
97	Audit of Costs Incurred and Billed by Development Alternatives, Inc. under USAID Contract No. RAN-C-00-04-00002-00 for the Period July 1, 2005, through November 30, 2006	E-267-07-018-D	2-Aug-07	\$76,483,598	\$41,588	\$41,588	
98	Audit of Costs Incurred and Billed by the Volunteers For Economic Growth Alliance under USAID Associate Cooperative Agreement No. EGA-A-00-04-00002-00 for the Period July 7, 2004, through January 6, 2006	E-267-07-019-D	12-Aug-07	\$12,089,702	\$113,347	\$113,347	
99	Audit of Costs Incurred and Billed by The Louis Berger Group, Inc. under Contract No. 267-C-00-04-00435-00 for the Period August 1, 2004, through September 30, 2006	E-267-07-020-D	16-Aug-07	\$49,309,032	\$2,916,731	\$1,909,681	The OIG questioned \$339,228 in costs that were claimed by LBG, but were ineligible based on its contract with USAID. These costs related to labor, entertainment, and a down payment on vehicles. Additionally, the OIG questioned \$2,577,503 in costs that could not be supported by documentation.
100	Audit of Costs Incurred and Billed by The Louis Berger Group, Inc. under Contract No. 267-C-00-04-00417-00 for the Period September 27, 2004, through September 30, 2005	E-267-07-021-D	10-Sep-07	\$12,129,022	\$157,791	\$156,898	
101	Audit of Costs Incurred and Billed by the National Democratic Institute for International Affairs under Cooperative Agreement No. AFP-A-04-00014-00 from July 9, 2004, to June 30, 2006	E-267-07-022-D	12-Sep-07	\$20,728,350	\$0	N/A	
102	Audit of Costs Incurred and Billed by the International Republican Institute under cooperative Agreement No. REE-A-00-04-00050-00 from July 26, 2004, through July 31, 2006	E-267-07-023-D	12-Sep-07	\$12,267,907	\$0	N/A	
103	Audit of Costs Incurred and Billed by Research Triangle Institute Under Contract No. 267-C-00-05-00505-00 from January 1, 2006, to December 31, 2006	E-267-07-024-D	20-Sep-07	\$42,332,303	\$123,690	\$72,466	
104	Audit of Direct Costs Incurred and Billed by Research Triangle Institute Under Contract No. GHS-I-04-03-00028-00 from April 26, 2005, to December 31, 2006	E-267-08-001-D	4-Oct-07	\$14,510,148	\$31,375	\$28,180	
105	Audit of Cost Incurred and Billed by Sallyport Global Services Ltd. under its Subcontracts with The Louis Berger Group, Inc. under USAID Contract Nos. 267-C-00-04-00417-00 for the Period September 27, 2004, through September 30, 2005, and 267-C-00-04-00435-00 for the Period August 1, 2005, through March 31, 2007	E-267-08-002-D	12-Dec-07	\$32,371,474	\$0	N/A	
106	Audit of Costs Incurred and Billed by America's Development Foundation under Contract No. GEW-C-00-04-00001-00 from October 1, 2006, through June 30, 2007	E-267-08-003-D	23-Jan-08	\$14,145,617	\$32,000	\$0	
107	Audit of Costs Incurred and Billed by Creative Associates International, Inc. under Contract No. EPP-C-00-04-00004-00 from July 1, 2005, through February 28, 2007	E-267-08-004-D	4-Feb-08	\$31,209,197	\$166,518	\$166,518	
108	Audit of Costs Incurred and Billed by Management Systems International Under USAID Contract No. AEP I-00-00-00024-00, Task No. 08, from June 26, 2003, through May 31, 2005	E-267-08-005-D	4-Feb-08	\$5,214,033	\$95,247	\$60,034	
109	Audit of Costs Incurred and Billed by Bechtel National, Inc. under Contract Nos. EEE-C-00-03-00018-00 (Phase I) and SPU-C-00-04-00001-00 (Phase II) from November 1, 2006, to September 30, 2007	E-267-08-006-D	12-Feb-08	\$44,632,750	\$71,968	\$71,968	
110	Audit of Cost Incurred and Billed by IntraHealth International, Inc. under its Subcontract No. 15-330-0208954 with Research Triangle Institute Contract No. GHS-I-04-03-00028-00 for the Period April 26, 2005 through December 31, 2006	E-267-08-007-D	24-Feb-08	\$1,204,745	\$0	N/A	
111	Audit of Costs Incurred and Billed by International Business and Technical Consultants, Inc. (IBTCI) under Contract No. 267-C-00-05-00508-00 from January 1, 2006, through December 31, 2006	E-267-08-008-D	6-Mar-08	\$4,033,466	\$1,188	\$1,188	
112	Audit of costs Incurred and Billed by BearingPoint, Inc. under Contract No. 267-C-00-04-00405-00 for the Period October 1, 2006 through September 30, 2007 (Report No. E-267-08-009-D)	E-267-08-009-D	15-Apr-08	\$42,472,368	\$36,181	\$24,027	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
113	Audit of Cost Incurred and Billed by Agricultural Cooperative Development International/Volunteers Overseas Cooperative Assistance (ACDI/VOCA) under Cooperative Agreement No. AFP-A-00-03-00003-00 from August 1, 2004 to March 21, 2007 (Report No. E-267-08-010-D)	E-267-08-010-D	13-May-08	\$38,562,534	\$39,236	\$0	
114	Audit of Costs Incurred by Mercy Corps Under USAID Cooperative Agreement No. AFP-A-00-03-00001-00 from August 1, 2007 through March 31, 2007	E-267-08-011-D	20-May-08	\$44,249,994	\$4,749,842	\$0	The OIG questioned \$669,646 in costs that were claimed by Mercy Corps, but were ineligible based on its contract with USAID. These costs related to severance and redundancy payments. Additionally, the OIG questioned \$4,050,196 in cost sharing costs that were less than the agreed upon amount.
115	Audit of Costs Incurred by The Louis Berger Group, Inc. under Contract No. 2670C-00-04-00435-00 from October 1, 2006 through September 30, 2007	E-267-08-012-D	27-May-08	\$38,500,135	\$0	N/A	
116	Audit of the Subcontract Costs Submitted by Sallyport Global Services Ltd. (Sallyport) for Security Services and Life Support Services under USAID Prime Contract No. 267-C-00-04-00435-00 with The Louis Berger Group, Inc. for the period October 1, 2006 through September 30, 2007	E-267-08-013-D	6-Jul-08	\$9,127,387	\$360	\$360	
117	Audit of Costs Incurred and Billed by International Relief and Development, Inc. (IRD) under USAID Cooperative Agreement No. AFP-A-00-03-00002-00 for the period November 1, 2005 through March 31, 2007	E-267-08-014-D	12-Aug-08	\$29,687,291	\$45,080	Undecided	
				\$3,397,563,626	\$69,489,882	\$25,068,427	
					2.0%	0.7%	

USAID OIG Planned Fiscal Year 2009 Performance Audits of USAID/Iraq-Funded Activities

1. Audit of USAID/Iraq's Oversight of Private Security Contractors in Iraq

The U.S. Government, including USAID, relies on private firms for a wide variety of security services in Iraq. By providing security for reconstruction and stabilization efforts, private security contractors contribute an essential service to U.S. and international efforts to bring peace to Iraq. Nevertheless, the use of armed contractors raises several concerns, including those of transparency and accountability.

This audit will determine whether USAID/Iraq has managed its contracts and grant agreements with implementing partners such that the implementing partners provided adequate oversight of their private security contractors.

Draft report in process.

2. Audit of USAID/Iraq's Assistance to the Iraqi Electricity Sector

The inability to generate electricity consistently above prewar levels has been a deficiency of post-Baathist Iraq. According to the Brookings Institution, the estimated prewar level of electricity generation was 95,000 megawatt hours per day; in January 2008 the figure reached 96,660 before declining to 92,400 in February 2008. This problem not only impedes reconstruction efforts but also diminishes the legitimacy of the Iraqi Government, hinders attempts to foster positive relations between Forces and Iraqi civilians, and erodes the confidence and patience of the American public regarding the U.S. Government's efforts in Iraq. USAID is financing training and long-term technical assistance to strengthen the Ministry of Electricity's capacity to manage its operations effectively and promote sustainability. Specifically, activities are designed to help the Ministry improve its capabilities in capital budget planning, human resources management, and information technology.

This audit will determine whether USAID/Iraq's assistance to the Iraqi electricity sector is achieving intended results.

3. Audit of USAID/Iraq's Participation on Provincial Reconstruction Teams in Iraq

USAID PRT representatives serve as activity managers for all USAID activities in their respective Provinces or regions and integrate all USAID activities in support of PRT work plans. Therefore, representatives maintain close relationships with the implementing partners in their region through meetings and report reviews. The close coordination allows representatives greater ability to assess the progress and challenges

of the various programs. As a result, USAID/Iraq will be better able to coordinate and monitor its programs to support the stabilization and development goals of each PRT and project. PRT representatives do not replace cognizant technical officers and contracting officers who are based in Baghdad, but they assist these officers as activity managers in the field.

At writing, Iraq had 25 PRTs. Each team is a hybrid civilian-military force working to establish provincial governments and teach their leaders ways to govern transparently and effectively, promote economic development, and respond to the basic needs of their constituents. The 25 PRTs comprise 10 full-size PRTs, 5 smaller teams, and 10 teams embedded within military brigades. It is anticipated that most will continue operating through FY 2009, when the mission will transition to a traditional USAID training program to develop local governance capacity.

This audit will (1) determine whether USAID/Iraq PRT representatives are performing their intended roles as activity managers and (2) assess how USAID/Iraq is assisting the PRTs in transitioning to USAID/Iraq activities.

4. Audit of USAID/Iraq's Rapid Assistance Program

In September 2007, USAID launched the 2-year, \$130 million Iraq Rapid Assistance Program, which is being implemented by Development Alternatives, Inc. (DAI), to allow PRTs and embedded PRTs to provide grants in support of activities that meet essential needs in their areas of operation. The program will allow PRTs and embedded PRTs to design and generate grant proposals and provide funding with speed and flexibility, while maintaining administrative and managerial control. Results will be achieved through quick mobilization, accelerated operational setup, and swift delivery of grant funds to beneficiaries in PRT and embedded PRT areas of operations.

This audit will (1) determine whether USAID/Iraq developed guidelines for the program's consistent and consequential implementation and, if so, (2) assess whether the guidelines were followed.

5. Audit of USAID/Iraq's Community-Based Conflict Mitigation Program

A successful conflict mitigation strategy for Iraq includes a concerted effort to address conflict resulting from competition for scarce resources, a result of decades of economic hardship and sanctions. A weakened economy—combined with internal displacement during the past 18 months—has diminished the country's middle class and destroyed livelihoods. Through targeted interventions, this program will address resource-based conflict at both the community and individual levels. The overall goal is to reduce the threat of violent conflict and promote peaceful resolution of differences in Iraq through a community-based conflict mitigation strategy.

This audit will (1) determine whether USAID/Iraq's Community-Based Conflict Mitigation Program achieved intended results and (2) assess the program's impact.

6. Audit of USAID/Iraq's Provincial Economic Growth Program

The Provincial Economic Growth Program is planned as a 24-month activity with 2 option years. The program, whose budget is estimated at \$150 million, is intended to provide business development and financial services to Iraqi beneficiaries in strategic locations across the country and to promote economic diversification and employment. There is an emphasis on the growth of the manufacturing and service sectors in provinces throughout Iraq. There are two planned components to provide business development services with one focus on sector competitiveness and a second focus on expansion of commercial lending through microfinance institutions and banks.

This audit will (1) determine whether the activities have achieved intended results in creating an enabling environment for business operations, (2) determine whether the grant activities have achieved the intended results, and (3) assess the impact of those results.

7. Audit of the USAID/Iraq's Community Stabilization Program

Started in May 2006, this 3-year, \$544 million program focuses on reducing the incentives for participation in violent conflict. OIG/Iraq conducted an audit of the program in fiscal year 2008. The audit identified a number of significant problems within the community infrastructure and essential services component of the program and recommended that USAID/Iraq take various corrective actions to address the problems¹. A followup audit would allow OIG/Iraq to review the effect of those corrective actions, as well as to look at other components of the program such as the integration of disenfranchised youth into their communities through accelerated learning and life-skills programs and the improvement of employment and business opportunities through jobs, vocational training, and grants.

This audit will determine whether USAID/Iraq's community stabilization program is achieving intended results with regard to activities in the integration of disenfranchised youth into their communities.

8. Audit of USAID's Activities Regarding Internally Displaced Persons in Iraq

The Office of U.S. Foreign Disaster Assistance (OFDA) is responsible for providing non-food humanitarian assistance in response to international crises and disasters. In April 2003, the U.S.-led military operation in Iraq deposed Saddam Hussein's regime. In the subsequent months, insecurity posed significant challenges as the Iraqi people and the

¹ Audit of USAID/Iraq's Community Stabilization Program (Audit Report No. E-207-08-001-P, March 18, 2008).

international community worked together to restore essential public infrastructure and foster a stable environment for the return of Internally Displaced Persons (IDPs).

As the OFDA program matured, its intervention in Iraq became one of the largest humanitarian responses in OFDA's history. From FY 2003 through December 21, 2007, OFDA provided \$850 million for coordination, health, nutrition, logistics, shelter, emergency relief supplies, support to IDPs, water and sanitation, and capacity-building activities country-wide. In FY 2007 alone, USAID/OFDA awarded \$150 million for assistance to IDPs, including IDPs displaced since the 2003 conflict, long-term IDPs returning to their homes, and sudden new displacements, such as those displaced by military operations in Al Anbar Province.

This audit will (1) determine whether OFDA's internally displaced persons and vulnerable population activities have achieved intended results and (2) assess the activities' impact.

In addition to the above, OIG Iraq's FY 2009 audit plan includes three assist audits which will be done in conjunction with agency-wide audits being carried out by OIG's Information Technology and Special Audits division, Financial Audits division, and Performance Audits division.

9. Audit of USAID/Iraq's Compliance with the Federal Information Security Management Act for Fiscal Year 2009
10. Audit of USAID's Fiscal Year 2009 Financial Statements (GMRA)
11. Evaluation of USAID's Management Discussion and Analysis (MD&A) for Fiscal Year 2009

USAID OIG Iraq
Investigative Case Work
May 2003 - December 2008

Case Number Internet Quorum (IQ)	Criminal Law Enforcement Records System Number	Source	Status	Program Integrity (PI) Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil -- Criminal Actions	RESULTS
A03092		Mission	Closed	PI			Referred to Mission
A03120		Mission	Closed	PI			Allegations Disproved
A04036		Mission	Closed	PI			Allegations Disproved
A04039		Mission	Closed	PI			Allegations Disproved
A04043		Mission	Closed	PI			Recorded as FYI
A04079		Mission	Closed	PI			Employee Resignation
A04091		Mission	Closed	PI			Allegations Disproved
A04106		Mission	Closed	PI			Referred to Agency
A04112		Mission	Closed	PI			Allegations Disproved
A04148		Mission	Closed	PI			Systemic Change
A04163		Mission	Closed	EI			Allegations Disproved
A05005		Mission	Closed	EI			Referred to Agency
A05014		Mission	Closed	EI			Allegations Disproved
A05054		Mission	Closed	PI			Allegations Disproved
A05060		Mission	Closed	PI			Open/Close
A06004		Washington	Closed	PI			Allegations Disproved
A06010		RIG	Closed	PI		CRM	DOJ Referral
A06017		RIG	Closed	PI			Allegations Disproved
A06018		RIG	Closed	EI	\$7,500	CRM	DOJ Declination (7/5/06); Collection (8/8/07); Personnel Suspension (8/8/07)
A06058		Washington	Closed	EI	\$2,685.00		Administrative Recovery; Personnel Reprimand
A06070		RIG	Closed	PI			Allegations Disproved
A06071		RIG	Closed	PI			Allegations Disproved
A06073		RIG	Closed	PI			Allegations Disproved
A06089		Washington	Closed	PI			Personnel Reprimand
A06108		RIG	Closed	PI			Referred to Mission
A07008		Mission	Closed	PI			Allegations Disproved

USAID OIG Iraq
Investigative Case Work
May 2003 - December 2008

Case Number Internet Quorum (IQ)	Criminal Law Enforcement Records System Number	Source	Status	Program Integrity (PI) Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil -- Criminal Actions	RESULTS
A07012		Mission	Closed	EI	\$1,576.58		Referred to Agency
A07013		Mission	Closed	PI			Allegations Disproved
A07031	AF-BA-08-0042-I	Mission	Closed	PI			Open/Close
A07034		Mission	Closed	PI			Referred to Immigration & Customs Enforcement
A07055		Mission	Closed	PI			Allegations Disproved
A07070		RIG	Closed	PI			Employee Termination
A08016		Mission	Closed	PI			Allegations Disproved
D03059		Mission	Closed	PI			Proactive
D03060		Mission	Closed	PI			Open/Close
L06066		Washington	Closed	PI			NA
A08011	AF-BA-08-0030-I	Mission	Closed	PI			Allegations Disproved
A04018	AF-H1-08-0076-I	Washington	Closed	PI	\$388,262.00	CRM - DC	Restitution; Referred for Criminal Prosecution
A04042	AF-CA-08-0007-1	Washington	Open	PI	\$4,566,237.00	CRM - FL	Employee Terminations (2) Savings; Referred for Criminal Prosecution
A07011	AF-H1-08-0023-I	Mission	Open	PI			Warrant Executed
A07019	AF-BA-08-0048-I	Mission	Open	PI			NA
A07044	AF-BA-08-0043-I	Mission	Open	PI			DOJ Referral
A07060	AF-BA-08-0049-I	Mission	Open	PI		CRM	DOJ Criminal Referral
A07082	AF-BA-08-0044-I	RIG	Closed	PI			NA
A08007	AF-BA-08-0029-I	Mission	Open	PI		CIVL	DOJ Civil Referral
L06032	LA-MA-08-0003-I	Washington	Open	PI			Indictment
	AF-BA-08-0010-I	Mission	Closed	PI			Local Arrest Warrant Issued
	AF-BA-08-0008-I	Mission	Closed	PI			Local Arrest Warrant Issued

USAID OIG Iraq
 Investigative Case Work
 May 2003 - December 2008

Case Number Internet Quorum (IQ)	Criminal Law Enforcement Records System Number	Source	Status	Program Integrity (PI) Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil -- Criminal Actions	RESULTS
	AF-BA-08-0074-I	Washington	Closed	PI			NA
	AF-HI-08-0058-I	Mission	Open	PI	\$1,052,000.00		Bill of Collection
A07032	AF-BA-08-0100-I	Mission	Closed	PI			Arrest - Iraqi Pardon Issued
	AF-BA-08-0170-I	Washington	Open	PI		CRM (2)	DOJ Criminal Referral
	AF-BA-08-0177-R	Mission	Closed	PI			Audit Scheduled
	AF-HI-08-0181-R	Washington	Closed	PI			
					\$5,629,999.00		

	FY 2009 First Quarter Activity	Cummulative May 2003 to December 31, 2008
Total Cases Opened	0	55
Total Cases Closed	2	50
Total Department of Justice Referrals	2	7
Convictions	0	0
Indictments	0	1
Arrests	0	3
Administrative Actions (Counseling, Resignation, Termination, Suspension, Reprimand)	0	7
Fraud Awareness (FA) Briefings	8	30
Attendees at FA Briefings	99	584

9 Open Cases as of 12/31/08

TITLE: **Audit of USAID/Iraq's National Capacity Development Program (E-267-09-001-P)**

DATE: November 25, 2008

IMPLEMENTING PARTNERS:

Management Systems International, Inc. (MSI)

TIME PERIOD

COVERED BY AUDIT: July 31, 2006, to August 04, 2008

FUNDING

INFORMATION:

A level of effort contract for \$339.5 million starting July 31, 2006, to January 31, 2011. Cumulative obligations and expenditures as of 12-13-2008 were \$299,353,003 and \$131,607, 443 respectively.

BACKGROUND—SUMMARY OF FINDINGS:

The emerging Government of Iraq inherited a challenging governance apparatus characterized by weak and disorganized institutions lacking in transparency, accountability, and inter-ministerial coordination. This resulted in weak service delivery and policy making capabilities. To assist the Government of Iraq strengthen the capabilities of key ministries to deliver services to its people, USAID awarded a \$339.5 million contract to Management Systems International, Inc. (MSI) to implement the National Capacity Development Program.

Through the National Capacity Development Program, USAID is focused on improving the broad managerial capacity of key ministries to deliver services. The goal is to be accomplished by providing training and mentoring for officials at selected key ministries. However, 2 years into the 3-year program, there was evidence to measure whether this overall goal of capacity building is being achieved.

In addition, OIG observed that there was a poor response rate to post-training surveys that sought to ascertain whether Iraqi trainees found their training valuable in improving their ministry or unit. Also, at the time of the audit, certain other key program activities had not been carried out, e.g., the program had not been able to place advisors in two government ministries and the Ministry of Oil had not developed a capacity building plan.

The audit did note that certain program activities were being carried out. For example, the program provided training to almost 3,000 Iraqi civil servants, awarded scholarships for postgraduate study abroad, and established 3 regional training centers. Nevertheless, data was not available to show that these and other such activities were in fact contributing to an overall goal of helping to increase the managerial capacity of Iraqi ministries.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG made the following four recommendations to USAID/Iraq to improve its management of the program:

1. Include outcome indicators that measure improvement of Iraqi ministries to delivery core services in the performance management plan.

The mission intends to, among other things, revise the Tatweer Performance Management Plan to add an indicator on budget execution, which would help measure the improved service delivery of key ministries. Accordingly, a management decision has been reached on this recommendation. The estimated date for final action is March 31, 2009.

2. Require the contractor to work with the Ministry of Oil to draft a capacity development plan.

The mission described the complications with developing a Capacity Development Plan and detailed an alternative program -- the Organizational Self-Assessment and Transformation Program (OSTP), as a substitute for a capacity development plan. We feel the OSTP, which is estimated to be completed in January 2009, will address the intent of our recommendation. Accordingly, a management decision has been reached on this recommendation. The estimated date for final action is March 31, 2009.

3. Implement a plan to increase the response rate for surveys so as to provide valid results in measuring outcome measures.

The mission intends to amend the Program Performance Management Plan to provide for appropriate disclosure regarding the validity of its survey results. Accordingly, a management decision has been reached on this recommendation. The estimated date for final action is March 31, 2009.

4. Add an output indicator to measure the number of scholarships utilized.

The mission intends to include a performance management plan indicator to reflect the number of scholarships utilized in addition to noting that actual participants may be less than the number of scholarships awarded. Accordingly, a management decision has been reached on this recommendation. The estimated date for final action is March 31, 2009.

TITLE: **Audit of USAID/Iraq’s Agribusiness Program
(E-267-08-006-P)**

DATE: September 30, 2008

**IMPLEMENTING
PARTNERS:**

Louis Berger Group, Inc. (LBG)
Texas A&M – College Station
Associates in Rural Development, Inc. (ARD)
Agland Investment Services, Inc. (AIS)
International Center for Agricultural Research in the Dry Areas
(ICARDA)
Sallyport Security Corporation (SSC)

TIME PERIOD

COVERED BY AUDIT: May 14, 2007, through July 15, 2008

FUNDING

INFORMATION: Three-year, \$209 million cost-plus-fixed fee contract with two 1-year options worth \$68 and \$66 million respectively. As of July 15, 2008, \$92.5 million had been obligated.

BACKGROUND—SUMMARY OF FINDINGS:

Iraq has experienced a dramatic decline in agriculture production during the last few decades. While Iraqi farmers supplied about half of the country’s food supply in 1980, by 2002 more than 80 percent of many basic staples had to be imported. Given that agriculture and related businesses comprise Iraq’s largest source of employment and are second only to oil in contribution to national income, revitalizing Iraqi agribusiness is an important element in creating a stable, prosperous, and democratic Iraq.

To address this issue, USAID awarded a 3-year, \$209 million contract in May 2007 to a consortium led by the Louis Berger Group, Inc., to implement an agribusiness program known as *Inma*—Arabic for “growth.” This program was designed to provide agricultural and business development services to USAID beneficiaries in strategic locations in Iraq.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

Because of delays in the startup of USAID’s Agribusiness Program, auditors could not determine whether 10 of 12 activities were achieving planned results or the degree to which the program was having an impact on Iraq. The program only recently completed its first year of activities and had not yet yielded performance data. The program has produced interim reports

indicating that some program activities are making early progress toward achieving their targets. However, auditors determined that 2 of 12 agribusiness activities reviewed by the audit were not achieving intended results. These activities are described below.

1. Dates - The program set an initial target of increasing the gross sales of dates by 150 percent over 3 years. This target likely will not be achieved because it is too ambitious for the current state of the Iraqi date industry. Also, the program did not build on USAID's previous date-production initiative as called for in the Inma contract. Diminished results for dates will make the program's overall sales and employment goals more difficult to achieve.
2. Education - The master's degree activity likely will not realize its goal—to award master's degrees in agribusiness to 25 Iraqi citizens—because few qualified candidates have been identified to begin studying in the fall of 2008. As a result, the \$5 million allocated to cover the travel, living, and educational costs of the participants likely will not be fully used.

The audit also identified other areas in which USAID could improve its management of the agribusiness program: adding or revising performance indicators; improving the utility of financial reports; and ensuring that a provision to prevent the possible financing of terrorism is included in all subcontracts. This report includes eight recommendations to address the identified findings:

1. That USAID review and revise the performance target for the date sector in light of current market information and adjust targets for other agricultural commodities, as appropriate, to help ensure that the overall sales and employment targets for agribusiness program are achievable.

USAID/Iraq agreed that the performance target of a 150 percent increase in date sales over 3 years was overly ambitious. Inma and International Business and Technical Consultants, Inc. (IBCTI)¹ revised this target to a more realistic level. Adjusted targets were included in a performance monitoring plan approved by USAID. This recommendation is closed.

2. That USAID reassess the feasibility of sending 25 students to the United States for its master's degree activity under the Inma program and adjust its planned results accordingly.

USAID/Iraq agreed with the recommendation and engaged in intensive external and internal consultations in July and August 2008. On August 26, 2008, the mission director decided to not proceed with the master's program. The program was deemed to be not feasible, because the compressed time line (1 year) was not in the original proposal and none of the selected candidates had achieved passing grades on the English-readiness test (Test of English as a Foreign Language--TOEFEL). The

¹ IBCTI is a company hired by USAID to help with monitoring activities in Iraq.

program's problems could have forced the mission to extend the contractor's base period to allow students in the United States to complete their studies. At a meeting on August 30, 2008, the mission director's decision was communicated to the Iraqi Deputy Minister of Agriculture. This recommendation is closed.

3. That USAID reprogram any funds remaining from the \$5 million allocated to the master's degree activity and put them to better use.

USAID/Iraq agreed with the recommendation and stated that no participant training funds were used to support any activities related to soliciting potential candidates for the master's program, interviewing them, or making selections. Much of this work was conducted by the Iraqi Ministry of Agriculture and the U.S. Department of Agriculture.

USAID/Iraq was able to reprogram the entire \$6 million in participant training (\$5 million for the master's program plus \$1 million for extension institutes). These funds will be used by Inma for grants to support the development of agribusinesses in Iraq. This recommendation is closed.

4. That USAID establish appropriate performance indicators to monitor Inma's expanded grant and master's degree activities, as well as any other major program components without performance indicators, in accordance with USAID's Automated Directives System 203.3.

USAID/Iraq agreed with this recommendation and performed an extensive review of Inma's performance monitoring plan. The review suggested that Inma completely rewrite portions of the plan to capture performance indicator results adequately under all major program components, including the grants-to-loan component. No performance indicators were developed for the master's degree activity, as USAID was not proceeding with that activity under Inma. The revised performance monitoring plan was approved by USAID. This recommendation is closed.

5. That USAID review Inma program performance indicators listed in its performance monitoring plan to ensure that they are reasonably attributable to USAID activities, in accordance with USAID policy.

USAID/Iraq agreed with this recommendation. In addition to the actions taken in response to recommendation No. 4, IBTCI carried out a results-framework assessment of the revised performance monitoring plan. The assessment specifically addressed the necessity of having performance indicators that were reasonably and directly attributable to Inma activities. This recommendation is closed.

6. That USAID develop clear and meaningful cost reporting by discrete activity and commodity cluster in conjunction with the Inma contractor.

USAID/Iraq agreed with this recommendation and has taken final action. The mission's offices of Economic Growth and Agriculture and Acquisition and Assistance discussed this recommendation with Inma and the LGB headquarters officials. USAID requested that LBG develop a new set of financial-cost reporting charts that will allow USAID management to gain improved clarity into the distribution of Inma program expenditures by functional expenditure categories. Contract modification No. 8 (267-C-00-07-00500-00) includes an amendment that requires Inma to "report on resources spent in Iraq by commodity clusters and activities under each cluster, and by input category." These are to be included in Inma's monthly financial reports. The mission expects that this new reporting format will be finalized before the end of September. The first report containing the new financial reporting format, by discrete activity and commodity cluster, will be received on October 15, 2008. This recommendation is closed.

7. That USAID verify that the Inma contractor modifies the subcontract language with the Euphrates Fish Farm (EFF) to include the required provision pertaining to the Executive Order on Terrorism Financing.

USAID/Iraq agreed with this recommendation and final action has been taken. On August 24, 2008, OAA sent a letter to LBG referencing the audit findings and recommendation. The letter indicated that the clause—Executive Order on Terrorism Financing—within section H.8 of the contract was not included in Inma's subcontract with EFF. The clause stipulates that the executive order clause on terrorism financing has to be included in all subcontracts. OAA informed LBG that it is required to: (1) modify the EFF subcontract to correct the omission; (2) provide USAID with evidence that the modification has been completed; and (3) provide written assurances that the clause will be included, as mandated, in all existing and future subawards made by LBG. On September 3, 2008, Inma forwarded the modified subcontract with EFF to the mission. This recommendation is closed.

8. That USAID obtain written assurance from the Inma contractor that the required provision pertaining to the executive order on terrorism financing is included in all current Inma subawards.

USAID/Iraq agreed with this recommendation and final action has been taken. On August 24, 2008, OAA sent a letter to LBG referencing the audit findings and recommendation. On September 2, 2008, LBG replied by letter stating that "all of our existing subcontracts will be modified to include the appropriate clause and it will also be included in all new subcontracts." This recommendation is closed.



Photograph showing the distribution of Inma-funded plastic covers for greenhouses and seeds in Taji, Iraq. Source: USAID/Iraq

TITLE: **Audit of USAID/Iraq’s Community Action Program II
E-267-08-005-P**

DATE: August 5, 2008

IMPLEMENTING

PARTNERS: Cooperative Housing Foundation (CHF)
Agricultural Cooperative Development International and Volunteers in
Overseas Cooperative Assistance (ACDI/VOCA)
International Relief and Development (IRD)
Mercy Corp

TIME PERIOD

COVERED BY AUDIT: January 16 to May 26, 2008 (audit fieldwork)

FUNDING

INFORMATION: Cooperative agreement with CHF (primary) and three
implementing partners for a total of \$150 million from October 1,
2006, to September 30, 2008. The entire \$150 million had been
obligated and \$75.7 million disbursed as of May 26, 2008.

BACKGROUND—SUMMARY OF FINDINGS:

The ultimate goal of the Community Action Program II (CAP II) is to “strengthen responsible and effective local governance in Iraq by institutionalizing community-level mechanisms and capacity for citizen participation in local decision-making and development.” The program was designed to promote grassroots democracy and better local governance via a “project and process” methodology of demand-driven community development. This was to be accomplished through the establishment of community action groups comprised of elected volunteers who would then spearhead community-prioritized development projects. Projects were to be funded principally by USAID, but also draw upon community and local government contributions. Typical projects consisted of improving community schools, health care, roads and bridges, and water and sewerage, as well as promoting business development.

USAID implemented the program through a single cooperative agreement with an “umbrella” implementing partner that would then pass a portion of the funding on to three other implementing partners. Each of the four partners was responsible for implementing the program in a different geographic region of Iraq. The program continued the work of a prior Iraq Community Action Program, which began in May 2003 and ended on April 30, 2007.

The Office of Inspector General (OIG) conducted this audit to determine whether USAID’s CAP II was achieving planned results and to assess the impact of those results.

Performance information, most notably reports from implementing partners, provincial reconstruction team members, and independent program monitors, indicated that positive program activities were taking place in USAID’s CAP II. The implementing partners have

issued annual and quarterly reports highlighting program achievements in their respective areas of responsibility throughout Iraq. These reports contained detailed information regarding specific projects, as well as onsite photographs. The partners also provided weekly reports to the provincial reconstruction teams operating in their geographic regions. The USAID representatives on the provincial reconstruction teams were designated as activity managers and, as such, their role included reviewing the weekly reports, approving quarterly work plans, suggesting potential projects, and making occasional site visits.

Reports from USAID's monitoring and evaluation contractor also provided convincing evidence that project activities were taking place successfully. The contractor visited 221 projects to validate whether those projects actually existed. Once confirmed, monitors moved on to inspect project use, sustainability, and acceptance by the community. In a report issued in August 2007, the monitoring contractor indicated that more than 90 percent of the projects visited were operational and that the remaining 10 percent were often not operational for justifiable reasons. By way of example, projects that were operational included the following:

- Installation of a water network and water station provided safe drinking water for several villages in the Karbala Governorate
- Construction of a new sports hall in Maysan provided youth with a place to practice and organize sport contests
- Desks and blackboards were provided for nine schools in Basra. Before the project, children sat on the floor and teachers were not able to use the old faded blackboards.

Regarding the achievement of planned results, however, OIG found a lack of realistic and consistently defined performance targets, as well as problems with performance data quality. Further, because of delays in obtaining baseline data and the lack of comparable measurements over time, we were unable to determine the impact of the program on higher-level objectives.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG made four recommendations:

1. That USAID reevaluate current performance indicator targets under its CAP II to determine whether they are realistic and ensure that realistic targets are included in the revised performance management plan and the Project Reporting System.

USAID/Iraq worked with the implementing partner to ensure that data reported for year one was accurate and to establish new targets for year two that reflected realistic assumptions. Management updated both the performance monitoring plan and the project reporting system to reflect these changes. Although these actions would have little impact on the current program, management pointed out that the changes would provide strong baseline data for an anticipated follow-on program. This recommendation is closed.

2. That USAID develop procedures to ensure that changes to performance indicators and targets are properly documented.

USAID/Iraq issued a mission order that addresses how revisions to performance monitoring plans should be documented. This recommendation is closed.

3. That USAID perform a data quality assessment to ensure that flaws in the project reporting system are identified and corrected.

Management concurred that relevant CAP II performance data should be accurate to set a baseline for the performance monitoring plan of the anticipated follow-on program. However, management noted that the project reporting system would not be used after CAP II ends and that, therefore, correcting the system's flaws would not serve any useful purpose. Accordingly, management stated that it would conduct a data quality assessment only of CAP II indicators that would be pertinent for setting baselines for the follow-on program. This should be completed by April 30, 2009. This recommendation is open.

4. That USAID develop a plan to standardize data collection processes and analysis methods among the program implementing partners.

Management indicated that USAID/Iraq was working with its implementing partners to standardize the reporting of program data. This would help ensure that reported data matched the definitions in the approved performance monitoring plan and that the data was reported consistently among partners. This should be completed by April 30, 2009. This recommendation is open.



CAP II-funded construction of a school in an area experiencing an influx of displaced families. Source: USAID/Iraq.



Prior to the provision of this CAP II-funded medical waste incinerator, hazardous hospital waste was mixed with general community waste. Source: USAID/Iraq

TITLE: **Audit of USAID/Iraq's Monitoring and Evaluation Performance Program (E-267-08-004-P)**

DATE: July 3, 2008

IMPLEMENTING PARTNERS: International Business and Technical Consultants, Inc. (IBTCI)

TIME PERIOD COVERED BY AUDIT: May 2005 to October 19, 2007

FUNDING INFORMATION: Three-year, \$13.4 million cost-plus-fixed fee-term contract¹ with two additional 1-year options worth \$11.4 million.

BACKGROUND—SUMMARY OF FINDINGS:

The presence of a USAID mission in an active war zone has imposed unique constraints on USAID's normal mode of operations. Chief among these constraints has been the inability of USAID officials to adequately monitor program activities as they are occurring in the field. To address this constraint, USAID/Iraq employs a contractor to carry out its monitoring and evaluation program (MEPP).

The Office of Inspector General conducted this audit to determine: (1) whether USAID's monitoring and evaluation program in Iraq is producing reports that are timely, relevant, and useful for performance management and (2) whether USAID is using those results to manage its portfolio. The audit covers the second phase of this program.

The audit concluded that IBTCI's monitoring and evaluation reports were generally timely, relevant to the programs being reviewed, and useful for performance management. However, the audit found that the reliability of monitoring reports could be enhanced if IBTCI coordinated with the U.S. military to spot check the performance of its field monitors. In addition, the frequency of monitoring high-risk activities, such as trash collection campaigns in Baghdad, should be increased.

The audit also determined that, while USAID/Iraq was generally using the results of its monitoring and evaluation program to manage its portfolio, the mission could use those results more effectively by systematically documenting its responses to findings and recommendations and by granting the USAID Program Office authority to initiate monitoring and evaluation activities. In addition, ensuring that evaluation reports are shared with implementing partners

¹ This is a level-of-effort type contract in which the contractor is reimbursed for time and expenses. Goals and objectives are established and the contractor's performance is tracked. However, payment to the contractor is not contingent upon obtaining goals and objectives.

and that awards specifically require monitoring and evaluation plans would also enhance the effectiveness of this program.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG made six recommendations:

1. USAID/Iraq should establish policies and procedures to work with its Provincial Reconstruction Team (PRT) representatives to obtain information from U.S. military officials that will help verify the accuracy of field monitoring reports.

The mission issued a policy encouraging its PRT representatives to obtain information from U.S. military sources that would help verify the accuracy of field monitoring reports. This recommendation is closed.

2. USAID/Iraq should take steps to increase the frequency of monitoring those activities demonstrated to be highly vulnerable to fraud and abuse.

The mission took steps to increase the monitoring of projects within the Community Stabilization Program. In addition, the mission developed a risk analysis framework for its entire portfolio to aid in the development of effective monitoring strategies to help reduce the potential for fraud and abuse. This recommendation is closed.

3. USAID/Iraq should establish policies and procedures to document compliance with the Automated Direction System for evaluations (section 203.3.6.7) and also to document responses to findings and recommendations contained in monitoring reports of mission programs conducted under MEPP II.

The mission issued a policy stipulating that its responses to findings and recommendations in all monitoring and evaluation reports must be adequately documented and included as part of the final report. These responses should also include input from implementing partners. This recommendation is closed.

4. USAID/Iraq should establish policies and procedures requiring (1) a formal review of evaluation findings, conclusions, and recommendations with the relevant implementing partner and (2) documentation of the results of that review.

The mission issued a policy that requires implementing partners to acknowledge receipt of monitoring or evaluation reports within 2 weeks of transmittal. This policy also codified the current practice of reviewing evaluation reports orally with the implementing partner. These procedures--in conjunction with the additional input to be solicited from implementing partners as part of the mission's response to evaluation findings and recommendations--met the intent of the recommendation. This recommendation is closed.

5. USAID/Iraq should establish policies and procedures permitting the USAID/Iraq Program Office to initiate monitoring and evaluation activities conducted under MEPP II.

The mission codified the recommended policies and procedures in a new mission order. This recommendation is closed.

6. USAID/Iraq should establish policies and procedures that require implementing partners to submit appropriate monitoring and evaluation plans for acquisition and assistance awards.

The mission developed language to be included in acquisition and assistance awards requiring implementing partners to submit appropriate monitoring and evaluation plans. This recommendation is closed.



Ground-truthing in action: photograph taken by the monitoring and evaluation contractor of a vehicle identification number pursuant to a monitoring request by a USAID/Iraq official. The vehicle was used in USAID/Iraq's Community Action Program. Source: USAID/Iraq.

Photograph taken by OIG personnel while walking with a U.S. Army unit during patrol of a Baghdad neighborhood. Source: OIG/Iraq.



TITLE: **Audit of USAID/Iraq's Management of its Official Fleet (E-267-08-003-P)**

DATE: June 24, 2008

IMPLEMENTING PARTNER: None

TIME PERIOD COVERED BY AUDIT: November 21, 2007 to March 5, 2008

FUNDING INFORMATION: \$25.1 million

BACKGROUND—SUMMARY OF FINDINGS:

USAID/Iraq's Executive Office coordinates and manages all administrative and logistical needs for the mission, including motor pool operations and maintenance. USAID's records indicate that the mission has had responsibility for 188 official and program vehicles, many of which were armored, with a total acquisition value of approximately \$25.1 million. The audit was designed to determine whether USAID managed its official vehicle fleet in accordance with USAID's Automated Directives System (ADS).

Although USAID has managed many aspects of its official vehicle fleet in accordance with the ADS, it did not always maintain vehicle records, dispose of excess vehicles, report missing vehicles, use authorized armoring technicians, train drivers, or equip vehicles with operable security radios in accordance with agency policy. Commendably, USAID has taken action to dispose of 99 excess vehicles, but it needs to take further action to dispose of up to 64 additional excess vehicles to reach the optimal number justified by its staffing level. The estimated value of the 64 excess vehicles totaled approximately \$2.2 million as of March 5, 2008.

In addition, the audit found that USAID/Iraq needed to:

- Report missing vehicles in Basrah.
- Use authorized technicians to repair ballistic glass.
- Complete required driver training.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG made seven recommendations:

1. That USAID/Iraq implements procedures to maintain vehicle records for all mission-controlled vehicles in accordance with ADS 536.

The controller for USAID/Iraq stated in writing that the mission has been maintaining vehicle records since August 2008; he also provided examples of records now being produced. This recommendation is closed.

2. That USAID/Iraq determines how to use or dispose of excess vehicles, with an estimated value of \$2,179,969, in accordance with applicable policies and procedures.

A management decision was reached on June 24, 2008, that excess vehicles, valued at \$2,179,969, will either be put to better use or disposed of in accordance with applicable policies and procedures. However, as of December 31, 2008, the recommendation remains open.

3. That USAID/Iraq establish a procedure to help ensure that dispatch analyses are completed on an annual basis in accordance with ADS 536.

On August 7, 2008, USAID/Iraq issued the recommended procedure to help ensure that the analyses would be completed. The recommendation is now closed.

4. That USAID/Iraq report on the armored vehicles that could not be located in Basrah to the Regional Security Office and the USAID Office of Security, Physical Security Programs Division, in accordance with ADS 563.

On July 30, 2008, USAID/Iraq reported to the USAID SEC/Physical Security Programs Division, and to the Regional Security Office, the vehicles that could not be located. The recommendation is now closed.

5. That USAID/Iraq report on all known mission-controlled armored vehicles that might have damaged ballistic protection to the USAID Office of Security, Physical Security Programs Division, in accordance with ADS 563 and inform that office of all repairs performed on armored vehicles by unauthorized mission personnel, according to volume 12 of the Foreign Affairs Manual section 387.

USAID/Iraq reported the armored vehicles that might have had damaged ballistic protection, and armored vehicles repaired by unauthorized personnel to the USAID SEC/Physical Security Programs Division on July 28, 2008. This recommendation is now closed.

6. That USAID/Iraq implement procedures so that any future damage to mission-controlled vehicles is reported in accordance with ADS 536 and that damage to armored vehicles is reported to the USAID Office of Security, Physical Security Programs Division, in accordance with ADS 563.

On July 3, 2008, USAID/Iraq's Executive Officer issued a procedural Memorandum to all USAID/Iraq mechanics, drivers, and General Service Officers, describing the procedures and guidelines for reporting damage to mission armored vehicles. This recommendation is closed.

7. That USAID/Iraq arrange to have its drivers receive the defensive driver and surveillance detection training required by ADS 563 either by enrolling them in the course in the U.S. or exploring the possibility of having them trained in Iraq.

USAID/Iraq devised and implemented a plan to provide drivers defensive and surveillance detection training. This recommendation is closed.



Photograph of a USAID/Iraq armored vehicle with shrapnel damage in Basrah, Iraq, in March 2008. Source: OIG/Iraq

TITLE: **Audit of USAID/Marla Ruzicka Iraqi War Victims Fund (E-267-09-002-P)**

DATE: April 3, 2008

IMPLEMENTING

PARTNER: (1) CHF International
(2) Agricultural Cooperative Development International
Volunteers in Overseas Cooperative Assistance (ACDI/VOCA)
(3) International Relief and Development, Inc. (IRD)
(4) Mercy Corps

TIME PERIOD

COVERED BY AUDIT: October 1, 2005, to December 31, 2006

FUNDING

INFORMATION: USAID /Iraq received \$40 million in U.S. appropriations for assisting Iraqi war victims, of which \$15 million has been obligated.

BACKGROUND—SUMMARY OF FINDINGS:

The Office of Inspector General in Baghdad conducted this audit to determine if USAID complied with provisions contained in public laws to help ensure that funds appropriated for the Marla Ruzicka Iraqi War Victims Fund (the Marla Fund) were used as intended. Although USAID was complying with provisions contained in public laws, we found some areas in which the Agency could increase the positive impact of the Fund.

According to USAID, hundreds of thousands of civilian Iraqis harmed by military operations received assistance through Marla Fund projects that, among other things, rebuilt homes destroyed in the war, restored livelihoods, and provided needed medical treatment. In addition, we found that Marla Fund activities had the unforeseen benefit of winning community support for other USAID programs when entering new communities because of the goodwill generated by the fund.

Nevertheless, we identified a significant inconsistency between USAID/Iraq's management of the Marla Fund in Iraq and the management of a similar USAID-funded program in Afghanistan. Specifically, USAID/Iraq limited Marla Fund assistance to Iraqi civilian war victims who suffered harm caused only by U.S. or Coalition Forces, whereas the Afghanistan fund did not have such a limitation. Consequently, Iraqi war victims harmed by other causes, such as insurgent activity, were not eligible to receive Marla Fund assistance.

Moreover, Marla Fund implementing partners did not consistently prioritize funds as intended. Specifically, Congressional legislative materials indicated that funds for war victims in Iraq should focus on families of Iraqi civilians harmed during military operations. While three Marla Fund implementing partners provided assistance in accordance with this directive, one partner concentrated its funding principally on community infrastructure projects rather than families of

victims. As a result, millions of dollars were used to finance community infrastructure projects in one region of Iraq rather than to assist Iraqi war victims in dire need after suffering personal losses as a result of military operations.

Finally, despite USAID's emphasis on capacity building and sustainability, USAID/Iraq had not developed plans to help ensure that assistance to Iraqi civilians who were innocent victims of the war in Iraq would be sustained after USAID funding ceased. As a result, Iraq may be ill-prepared to deal with the harm suffered by Iraqi civilians as a result of the war after U.S. assistance has ended.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

The audit recommended that USAID:

- (1) Reconsider its practice of limiting Marla Fund beneficiaries to Iraqi civilians who suffered losses caused solely by U.S. and Coalition Forces.

USAID/Iraq concurred with the recommendation and took action to expand eligibility coverage to all Iraqi civilians harmed by military operations, regardless which side caused the harm. This recommendation is closed.

- (2) Encourage Marla Fund implementing partners to focus future projects on families in dire need rather than community infrastructure.

USAID/Iraq provided guidance to implementing partners in October 2008 to give preference to individuals and families harmed by military actions. This recommendation is closed.

- (3) Determine whether funds should be relocated to implementing partners operating in regions in which those funds could be better used.

USAID/Iraq concurred with the recommendation and agreed to insert language into the CAP III annual program statement, which will initially distribute Marla funds on the basis of the intensity of coalition forces military operations. Additional funds will be reserved for later obligation based on possible new areas of need over the course of the program. This recommendation is closed.

- (4) Develop a plan to address the future sustainability of assistance to civilian Iraqi war victims.

USAID/Iraq concurred with the recommendation and in October 2008 emailed implementing partners with a request that they encourage communities and local governments to take up the cause of assistance to victims as a means of reconciliation. Other programs will also help build Iraqi government capacity to provide service delivery similar to the Marla Fund long after dedicated war-victim funding has ended. This recommendation is closed.



Photo of an Iraqi man who, paralyzed from the waist down after a bombing, was assisted through the Marla Fund to open a meat shop. (Facial features blurred for security reasons.) Source: USAID/Iraq

TITLE: **Audit of USAID/Iraq's Community Stabilization Program (E-267-00-001-P)**

DATE: March 18, 2008

IMPLEMENTING PARTNERS: Not Identified for Security Reasons

TIME PERIOD COVERED BY AUDIT: September 13, 2007, December 10, 2007

FUNDING INFORMATION: 3 year \$544 million program implement by a U.S. nonprofit organization that receives funding through a cooperative agreement.

BACKGROUND—SUMMARY OF FINDINGS:

Since 2005, the U.S. Government's strategy in Iraq has been to achieve a stable, prosperous, and democratic Iraq by focusing on increased security in conjunction with economic and political development. The US Agency for International Development's (USAID) contribution to this strategy centered on stabilizing strategic cities, improving local services and local government capacity, and continuing to support Iraqi communities. A major element in USAID's plan to achieve these ambitious tasks is the Community Stabilization Program (CSP), which is overseen by USAID's Focused Stabilization Office. Launched in May 2006, CSP is a 3-year, \$544 million program implemented by a U.S. nonprofit organization that receives funding through a cooperative agreement.

The purpose of the audit was to determine if the program was achieving its intended results as they relate to community infrastructure and essential services, and to determine if USAID had designed and implemented the program to sustain benefits after USAID's involvement had ended. The audit found that Iraq citizens' perceptions of local government effectiveness seemed to have improved. However, auditors could not determine if the Community Stabilization Program (CSP) was achieving an intended result—to help defeat the insurgency by reducing the incentives for participating in it—because they could not rely on one of the major measurements of the program: employment generation.

Auditors also found evidence of potential fraud involving the possible diversion of CSP funds to militia by means of overpriced trash-collection contracts, timesheet irregularities, and possible phantom workers for the community cleanup campaigns. Estimates of the potential fraud could amount to over \$8 million, while indications of similar problems were present in other districts in Baghdad and provinces throughout Iraq.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

Office of Inspector General (OIG) made 14 recommendations for improving the CSP, but USAID agreed to only 6 of them. Major recommendations included the immediate suspension of CSP projects within a specific Baghdad district, with \$8.5 million in funds put to better use; a review of projects in other areas for similar evidence of fraud; coordinating with other program participants and exploring the feasibility of vetting potential contractors through U.S. military intelligence databases; establishing procedures to help ensure prompt reporting of potential fraud to OIG, and improving the quality of employment generation data reported by the implementing partner and recovering ineligible questioned costs of \$39,821.

A status of the recommendations is discussed below.

1. A management decision has been reached on recommendation 1 and final action was taken September 15, 2008. USAID reprogrammed the unpaid balance for the legitimate CSP projects after calculation errors in the reported unpaid balance were corrected and verified.
2. UAID fully addressed recommendation 2 and the recommendation was closed on August 12, 2008.
3. On February 24, 2008, mission management met with appropriate officials and approved a communications protocol to help guide the interactions and relationships among CSP, PRTs, and the FSPO. The protocol includes guidance that CSP may contact the PRT or military unit for information on local contractors, and may request support for background checks and other information on contractors and/or program participants. A management decision was made on June 30, 2008, and final action took place on August 12, 2008.
4. Mission management will ensure that CSP's implementing partner has adequate and effective written quality control procedures in place to ensure that the number of workers paid corresponds to the number that actually worked. A management decision was reached on March 18, 2008, and final action was taken on June 20, 2008.
5. FSPO employees were informed of their responsibilities with regard to reporting possible fraud and on January 14, 2008, OIG representatives gave a fraud awareness presentation to senior CSP field staff at their quarterly conference. FSPO will invite the OIG to give similar presentations at future conferences. This recommendation is closed.
6. FSPO employees were informed of their responsibilities with regard to reporting possible fraud, and on January 14, 2008 the OIG gave a fraud awareness presentation to senior CSP field staff at their quarterly conference. FSPO will invite the OIG to give similar presentations at future conferences. This recommendation is closed.

7. Mission management reached management decision and took final action on this recommendation on August 20, 2008.
8. USAID and its partner began revising the CSP monitoring and evaluation plan on June 30, 2008, and reconciled employment data. Final action was completed on August 28, 2008.
9. In May 2008, management made a determination that \$5,140 of the questioned costs was not allowable. Final action was taken on August 28, 2008.
10. On August 10, 2008, the implementing entity submitted and USAID accepted the recalculated baseline and follow-up survey data. The recommendation is now closed.
11. This recommendation is closed. On August 13, 2008, USAID approved the revised CSP monitoring and evaluation plan that incorporates changes in survey methodology, as recommended.
12. In October 2007, FSPO established policies and procedures to follow up on external monitoring reports. This recommendation is now closed.
13. Mission management agreed to continue to reassess its CSP performance indicators. This recommendation is closed.
14. In September 2007, FSPO and its implementing partner agreed that reasonable efforts should be made to ensure that activities are attributed to the appropriate Government of Iraq entity. A management decision was made on this recommendation on June 8, 2008, and final action took place on June 20, 2008. The recommendation is now closed.



Photo of a Baghdad billboard advertising a CSP-sponsored vocational education program. The implementing partner's logo appeared in lower portion of the billboard (obscured for security reasons). Translation: "Join the Ministry of Labor and Social Affairs training as a guarantee for you and your family" and "You build Iraq by your hands." Source: USAID/Iraq.

TITLE: **Audit of USAID/Iraq's Participation in Provincial Reconstruction Teams in Iraq (E-267-07-008-P)**

DATE: September 27, 2007

IMPLEMENTING PARTNERS:

Departments of State, Justice, and Agriculture;
U.S. Army Corps of Engineers; Multi-National Force-Iraq; and
other coalition members

TIME PERIOD

COVERED BY AUDIT: February through May 2007

FUNDING

INFORMATION: No direct USAID funding is provided to PRTs.

BACKGROUND—SUMMARY OF FINDINGS:

The primary means of interaction between the U.S. Government and Iraq provincial governments are the provincial reconstruction teams (PRTs), which are a joint civil and military effort. The PRTs assist Iraqi provincial governments in developing a transparent and sustained capacity to meet the basic needs of the population.

The audit showed that the PRTs benefited from USAID's participation and, in most cases, that USAID/Iraq had well-established programs on the ground. The PRTs were able to use the work of USAID/Iraq's implementing partners as a tool in meeting with provincial councils.

However, the audit also found that USAID/Iraq lacked procedures to ensure coordination between the PRT representatives and the USAID cognizant technical officers (sector specialists responsible for managing the implementing partners). Some coordination took place between the USAID PRT representatives and the USAID sector specialists in Baghdad, but it was not sufficient. PRTs were not being consulted regarding the design and implementation of the activities in their areas, and sometimes they were not aware of USAID activities in the areas.

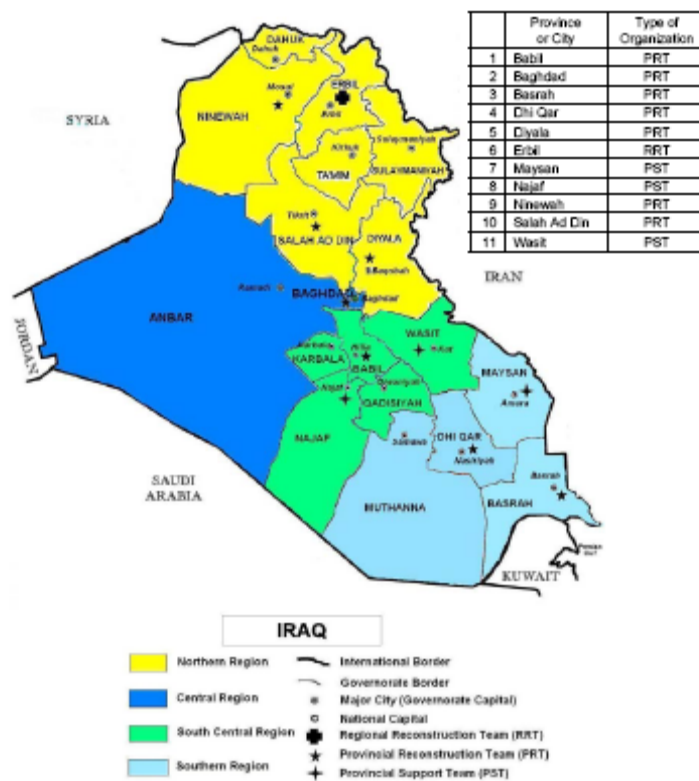
RECOMMENDATIONS—MANAGEMENT DECISIONS:

The audit made the following two recommendations: (1) that USAID adopt procedures to ensure that its cognizant technical officers (CTOs) in Iraq use its PRT representatives for program site visits and (2) that USAID review the implementation of its new procedures and evaluate the coordination between its technical officers and PRT representatives within 90 days of the issuance of this report. Management decisions have been made on both recommendations. Actions taken by USAID are discussed on the following page.

Management indicated that mission CTOs from each of its programs met with PRT representatives on September 16, 2007, in Baghdad. All present agreed that field visits were taking place, but the formal documentation was lacking. Mission management prepared and presented to the PRT representatives a site visit form on which to document visits, including useful feedback for CTOs. Further, CTOs and field officers discussed and determined a protocol for CTOs to either make site visits themselves or recommend that a PRT representative make a site visit. The mission noted in its response that site visits would continue to be limited because of security issues and shared “movement resources” in the field.

As of August 29, this recommendation is closed.

Map of PRTs with USAID Representatives as of February 1, 2007



TITLE: **Audit of USAID/Iraq's Local Governance Activities
(E-267-07-007-P)**

DATE: July 31, 2007

**IMPLEMENTING
PARTNER:** Research Triangle Institute International (267-C-00-05-00505-00)

**TIME PERIOD
COVERED BY AUDIT:** October 1, 2005, to December 31, 2006

**FUNDING
INFORMATION:** As of December 31, 2006, USAID had obligated \$175.4 million and disbursed \$61 million.

BACKGROUND—SUMMARY OF FINDINGS:

This second local governance activities program was designed to reinforce gains made in the first program. The contractor was to carry out the following services: (1) promote policy reform in support of local governance, (2) support clarification of roles and responsibilities of different levels of government, (3) promote increased efficiency of local service delivery, and (4) assist in the development of regularized mechanisms of citizen participation in the government decision-making process.

The audit found that the local governance activities did not have intended outcomes or baselines to measure progress because USAID failed to enforce contract requirements that the contractor submit for approval quarterly implementation plans detailing intended outputs or a performance management plan. The audit also found that USAID failed to perform the required contractor performance evaluations.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG recommended that USAID:

- (1) Require that the contractor submit the current quarterly implementation plan within 30 days from the issuance of this report, and if this plan is not submitted, that the contracting officer determine whether this contract should be terminated for default.
- (2) Establish a procedure to ensure that all future quarterly implementation plans are submitted as required.
- (3) Conduct an evaluation of the contractor's performance within 30 days from the issuance of this report.

USAID concurred with the recommendations. Mission management stated that the contractor is regularly providing quarterly implementation plans, and the cognizant technical officer

developed a calendar of deliverables that both the mission and the contractor share. Also, USAID conducted the evaluation as recommended. Final action had been implemented on these recommendations as of March 31, 2008.



TITLE: **Audit of the Office of Foreign Disaster Assistance Program in Iraq (E-267-07-006-P)**

DATE: July 11, 2007

IMPLEMENTING PARTNERS: Various

TIME PERIOD COVERED BY AUDIT: October 1, 2004, through September 30, 2006

FUNDING INFORMATION: During the period covered by the audit, the Office of Foreign Disaster Assistance obligated \$77.5 million and expended \$61.8 million for activities in Iraq

BACKGROUND—SUMMARY OF FINDINGS:

For the 4 years ending September 2006, the USAID Office of Foreign Disaster Assistance (OFDA) provided \$190.7 million in humanitarian assistance to internally displaced persons and other vulnerable populations. Assistance included water and sanitation, health, livelihood support, and emergency relief commodities. The majority of activities achieved their intended outputs. Of the 61 activities initiated during the audit period, 38 (62 percent) achieved their intended outputs, 22 (36 percent) lacked sufficient supporting documentation to determine whether intended outputs had been achieved, and 1 (2 percent) did not fully achieve the intended output. Activities that achieved intended outputs included the provision of water, shelter, and sanitation and the distribution of nonfood items, such as blankets, plastic sheeting, and stoves. The digging of wells was the one activity that did not achieve its intended output.

OIG determined that OFDA did not designate cognizant technical officers (CTOs) properly. CTOs are required to maintain contact with recipients and ensure compliance with the terms and conditions of the agreements. Although the office named CTOs in the original award agreements, the agreements were not modified to reflect changes in the designated officers.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG made two recommendations:

1. Develop and implement a system to ensure that performance data provided by its implementing partners is supported by readily available documentation.

OFDA developed a projects monitoring database, which ensures constant communications between OFDA/Iraq and its implementing partners. Since the establishment of the projects monitoring database, OFDA's implementing partners report regularly using standard tracking formats, which cover all active sectors. Security obstacles, however, remain. This recommendation is closed.

2. Issue designation letters for CTOs and modify its cooperative agreements and grants to incorporate language allowing the officers to be designated separately for the cooperative agreements and grants.

OFDA developed and implemented the use of the CTO designation letters for all active OFDA/Iraq agreements. In addition, OFDA modified each active agreement to incorporate the CTO designated for each activity. This recommendation is closed.



Iraq: Shipping Wheat to Iraq

USAID-sponsored wheat shipment for Iraq is being transported on Free Atlas Cargo Ship from the Galveston Port.

TITLE: **Audit of USAID/Iraq's Activity Planning and Its Reporting Process under Section 2207 of Public Law 108-106 (E-267-07-005-P)**

DATE: June 6, 2007

IMPLEMENTING PARTNERS:

The Regional Inspector General in Baghdad

TIME PERIOD

COVERED BY AUDIT: September 4 through December 18, 2006

FUNDING

INFORMATION: During fiscal years 2004, 2005, and 2006, USAID/Iraq obligated and disbursed approximately \$3 billion in IRRF II funds.

BACKGROUND—SUMMARY OF FINDINGS:

On November 6, 2003, Congress approved Public Law 108–106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, which provided funding for the Iraq Relief and Reconstruction Fund II (IRRF II). Section 2207 of this law requires the Director of the Office of Management and Budget to submit to the House and Senate Committees on Appropriations a report on the proposed uses of all funds under IRRF II. During fiscal years 2004, 2005, and 2006, USAID/Iraq obligated and disbursed approximately \$3 billion in IRRF II funds. The Section 2207 report is prepared quarterly and covers the use of all appropriated funds under IRRF II on a project-by-project basis. The report also covers the proposed use of anticipated obligations for the quarter following the report. The law further requires that this report be updated and submitted quarterly to the House and Senate Committees on Appropriations.

The Inspector General's Office in Baghdad conducted an audit to determine if the U.S. Agency for International Development (USAID) planned and reported on selected activities in accordance with applicable guidance.

The audit found that USAID did follow applicable guidance when planning and reporting on selected activities. USAID followed its Automated Directives System's 12 pre-obligation requirements when planning its activities and completed the 5 required steps for activity planning. For example, USAID ensured that (1) there was an illustrative budget for the activity, providing a reasonably firm estimate of the cost to the U.S. Government; and (2) there was a plan for monitoring the performance of the activity. USAID also ensured that it had a procurement plan, an Activity Approval Document, and that the activity was formally approved.

USAID reported on its activities that are funded under the Iraq Relief and Reconstruction Fund II on a quarterly basis to the Iraq Reconstruction Management Office (IRMO). Quarterly reporting of project expenditures is a requirement of Section 2207 of Public Law 108-106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, but Section 2207 does not define what a project is. USAID defines a project, for the purpose of Section 2207, as all subsectors covered by an obligating instrument; IRMO defines a project as any activity covering one subsector.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

Although IRMO was aware that USAID used a different definition of a project than IRMO's when preparing its quarterly report, IRMO accepted USAID's Section 2207 quarterly reports. Therefore, OIG did not make a recommendation.

TITLE: **Audit of USAID/Iraq's Telecommunications Activities
(E-267-07-004-P)**

DATE: May 3, 2007

**IMPLEMENTING
PARTNERS:**

Bechtel National, Inc. (SPU-C-00-04-00001-00)

TIME PERIOD

COVERED BY AUDIT: January 2005 through June 2006

FUNDING

INFORMATION: \$46.1 million disbursed (31.1 million direct funding and \$15 million in distributable costs¹)

BACKGROUND—SUMMARY OF FINDINGS:

USAID was tasked by the Iraq Reconstruction Management Office (IRMO) to participate in this project to construct a functioning consolidated fiber network for the Government of Iraq. The project, which involved multiple partners, was intended to provide fiber optic material and construction equipment, employ 1,000 citizens, and improve the data and voice transmission network to provide future benefits to approximately 10 million Iraqi people.

The audit found that, even though USAID provided equipment, employed some Iraqis, and expanded some of Iraq's telecommunications facilities, the \$46.1 million project had yet to benefit the millions of Iraqis as intended. Although Bechtel completed its work on June 30, 2006, the project had not achieved all intended results because the United Nations Development Program and the Ministry of Electricity had not completed their portions. OIG believes that the Iraqis may not receive the full benefit of a consolidated fiber network because the effort lacked someone to oversee and coordinate the project. Also, the Iraq Ministry of Electricity, one of the participants and a beneficiary of the project, disagreed with it from the outset.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

The audit recommended that USAID in Iraq work with IRMO and the Ministry of Electricity to develop a plan to allow the full impact of the project to be realized by installing necessary equipment and making it operational. It further recommended that USAID develop a system to ensure that preliminary planning for future construction or rehabilitation projects include obtaining a written agreement from key partners regarding essential responsibilities.

¹ Distributable costs are defined as job order and contract direct costs not identifiable to one job order (e.g., salary of acquisition team, subcontract management, camps, security, and office equipment).

USAID disagreed with the two audit recommendations but said that it has continued to work with IRMO (now ITAO) and other key participants to collectively identify and remove constraints and assist in developing a plan so that the full impact of the network can be realized. Specifically, USAID reported that it deobligated and transferred \$22.4 million to IRMO in contract funds that supported the network and that IRMO transferred some of those funds to the US Army Corps of Engineers for the sustainability of the network. This recommendation is closed.



Photo of consolidated fiber network equipment at a power plant. The tower on the left is the operator. The tower on the right is the data receiver. (Central Iraq - September 2006)

TITLE: **Followup Audit of USAID/Iraq's Education Activities
(E-267-07-003-P)**

DATE: February 4, 2007

**IMPLEMENTING
PARTNER:** Creative Associates, International (EPP-C-00-04-00004)

**TIME PERIOD
COVERED BY AUDIT:** July 1, 2004, through September 30, 2006

**FUNDING
INFORMATION:** As of June 30, 2006, cumulative obligations totaled about \$52 million while disbursements were about \$49 million.

BACKGROUND—SUMMARY OF FINDINGS:

The Support to Iraqi Basic Education Program works closely with the Ministry of Education and local Directors General of Education throughout Iraq. The program seeks to build the capacity and increase the quality of the country's educational system.

A 2005 audit on education activities examined the basic education activities implemented by Creative Associates to determine if they had progressed toward their 82 intended outputs. The audit found that basic education activities had progressed toward 33 (40 percent) of the planned 82 outputs. Work had not started on 22 (27 percent) outputs and the remaining 27 (33 percent) were deleted from the plan because of lack of funding, which resulted from security costs almost doubling and the Iraq Reconstruction Management Office's reprogramming much of the funds originally planned for this project. The audit noted that the Ministry of Education did not have appropriate computer equipment to operate an educational management information system being developed by Creative Associates. OIG recommended that USAID/Iraq develop a plan to ensure that the Ministry of Education gets the necessary computer equipment required to operate the education management information system being developed by USAID's implementing partner. USAID addressed the recommendation by identifying the needed hardware and developing an implementation plan. The recommendation was closed by the time the audit report was issued.

This 2007 audit found that 7 out of 16 selected intended outputs (44 percent) were achieved and had appropriate documentation to support the achievements. The status of two outputs (12 percent) could not be determined because of the lack of supporting documentation. The remaining seven intended outputs (44 percent) were not achieved. In addition, the audit found that the actions taken to address the recommendation from the previous audit were not satisfactory. The computer equipment needed to be installed and the education management information system needed to be operational.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG recommended that the mission coordinate with its implementing partner to ensure that the servers are installed and the education management information system is operational.

USAID/Iraq verified through a review of documentation that the servers were delivered and installed. For the EMIS, IRMO (now ITAO) took over and issued a contract to Primus to continue work on the system. Therefore, USAID no longer has management oversight responsibility for the EMIS. This recommendation is closed.



TITLE: **Audit of USAID/Iraq's Agriculture Reconstruction and Development Program (E-267-07-002-P)**

DATE: January 22, 2007

IMPLEMENTING PARTNER: Development Alternatives, Inc. (DAI) (RAN-C-OO-04-00002)

TIME PERIOD COVERED BY AUDIT: October 2003 through August 2006

FUNDING INFORMATION: As of June 30, 2006, DAI's contract obligations totaled \$101 million, of which \$80 million had been disbursed. As of January 31, 2007, \$101 million had been obligated and disbursed.

BACKGROUND—SUMMARY OF FINDINGS:

In October 2003, USAID initiated a comprehensive national plan to revitalize the agriculture sector. The program was to run through December 2006. The program sought to significantly increase production levels and incomes and to strengthen the private sector in crop production, livestock, high-value agriculture, soil and water resource management, government-to-market transition, and marshland rehabilitation.

Of the 29 agriculture activities selected for review, 16 (55 percent) achieved their intended outputs, 12 (41 percent) were on schedule for doing so, and one was likely not to achieve its intended outputs. The 29 program activities reviewed included at least 1 activity from each of the 6 program areas (crop production, livestock, high-value agriculture, soil and water resource management, government-to-market transition, marshland rehabilitation). Significant activities which reached intended outputs included the procurement of seed-cleaning equipment and support for date palm infrastructure.

Operational requirements were given priority and administrative requirements were not always accomplished. As a result, USAID/Iraq did not properly administer its contract with DAI with regard to payment vouchers, documentation of key events, and annual evaluations of contractor performance reporting.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG recommended that the USAID/Iraq Office of Acquisition and Assistance verify that cognizant technical officers (CTOs) are documenting significant events and key decisions impacting on the design and monitoring of activities.

On July 15, 2007, USAID/Iraq developed and issued a management plan that, among other things, requires CTOs and all other program staff members maintain electronic copies of all significant technical documents or written communications; and that the contracting officer's designee conduct periodic verification checks for compliance with the management plan. Subsequently, the contracting officer conducted a verification check and found that program documentation in place at the Economic Growth and Agriculture Office is in compliance with the mission's management plan. Final action is complete.



Photograph of technicians preparing parts and inspecting repaired tractors at a tractor repair facility (OIG Baghdad, June 2006).

TITLE: **Audit of USAID/Iraq's Civil Society Activities
(E-267-07-001-P)**

DATE: November 5, 2006

**IMPLEMENTING
PARTNER:** America's Development Foundation (ADF), GEW-C-00-04-00001

**TIME PERIOD
COVERED BY AUDIT:** August 2004 through March 2006

**FUNDING
INFORMATION:** At the time of audit (March 2006) obligations totaled \$43 million and disbursements totaled \$32 million. As of January 2007, obligations total \$61 million and disbursements \$46 million.

BACKGROUND—SUMMARY OF FINDINGS:

USAID/Iraq's civil society activities focused on fostering growth and development of civil society organizations in the areas of civic education, women's advocacy, anticorruption, and human rights. ADF established four civil society resource centers, implemented a small grants program, and worked to develop a professional independent media sector in Iraq.

The audit found that USAID/Iraq's civil society activities implemented by ADF met 17 intended outputs out of 35 (49 percent), while ADF reported not meeting 8 (23 percent). Auditors were not able to determine the status of 10 (28 percent) because of a lack of documentation and nonspecific reported outputs. ADF's performance monitoring plan was not complete or achievable. The plan did not have intended outputs listed for all indicators, and there were security issues that caused delays in the implementation of the program. For instance, ADF did not report an output for an indicator involving the adaptation, development, and validation of human rights training modules. Regarding security, ADF and partner staff were kidnapped, a partner office was bombed, and there was an attempted bombing at the ADF headquarters in Baghdad. Given the security issues, some of the performance-monitoring plan indicators were not achievable.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG recommended that (1) USAID/Iraq review each indicator in ADF's performance monitoring plan for its civil society activities to provide reasonable assurance that each indicator has a measurable intended output and that the intended outputs are achievable in the timeframe specified in the plan and (2) USAID/Iraq develop procedures for its civil society activities to provide reasonable assurance that specific and accurate outputs are reported for each intended output and that adequate supporting documentation is maintained to substantiate the reported outputs. Management decisions and final action were taken on both recommendations by the time the audit report was issued. The action taken by USAID is discussed on the next page.

Mission management reviewed the indicators and proposed outputs. In addition, a schedule was created for regular reviews of the performance monitoring plan through the end of the contract.

USAID/Iraq developed a schedule for the review of its performance monitoring reports through the end of the contract.

Both recommendations are considered closed.

TITLE: **Audit of USAID Transition Initiatives in Iraq
(E-267-06-004-P)**

DATE: August 16, 2006

**IMPLEMENTING
PARTNERS:** Development Alternatives, Inc. (HOA-I-OO-03-00061-00)

**TIME PERIOD
COVERED BY AUDIT:** January 2003 – December 2005

**FUNDING
INFORMATION:** \$390 million was obligated and \$338 million (87 percent) had been disbursed as of December 31, 2005.

BACKGROUND—SUMMARY OF FINDINGS:

USAID's Office of Transition Initiatives (OTI) played the role of "gap-filler" in Iraq by providing fast-paced assistance to meet critical needs that other U.S. Government agencies could not provide. USAID concentrated on meeting immediate needs that fell within its mandate, which included providing short-term employment, restoring basic government and community services, increasing Iraqi access to information and communication, preventing violence and protecting human rights, and increasing Iraqi participation in social, political, and economic life.

The audit was not able to determine whether the transition initiatives program in Iraq achieved its intended outputs because of security restrictions that limited the number of site visits auditors could make and because OTI and its implementing partner did not maintain sufficient documentation to verify activities. The audit found that a projected \$146 million in grants did not have supporting documentation to verify the achievement of intended outputs, and a projected \$294 million in grants did not have sufficient documentation of monitoring. However, for the site visits and interviews the auditors were able to perform for 32 selected activities, intended outputs were met for 31 activities. Outputs consisted of a wide range of activities such as repairing roads, providing equipment to schools, providing local employment opportunities, and providing equipment to ministries.

The audit also found a lack of coordination caused duplication of efforts. The Office of Transition Initiatives in Iraq coordinated with the U.S. military and had previously coordinated with other USAID offices in Iraq. However, the audit found that during the past year, the Office of Transition Initiatives did not coordinate with other USAID offices sufficiently.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

The OTI program in Iraq had ended by the time the audit report was issued, so no recommendations were made.

TITLE: **Audit of USAID/Iraq's Local Governance Activities
(E-267-06-003-P)**

DATE: July 10, 2006

**IMPLEMENTING
PARTNERS:** Research Triangle Institute International (EDG-C-00-03-00010)

**TIME PERIOD
COVERED BY AUDIT:** March 2003 through May 2005

**FUNDING
INFORMATION:** \$242 million was obligated at time of audit (January 2006).
Disbursements in January 2006 totaled \$240 million (99 percent).

BACKGROUND—SUMMARY OF FINDINGS:

During its first year, the local governance program focused on restoring basic services, developing transparent and accountable local governments, and strengthening civil society organizations. During the second year, the program focused on facilitating Iraq's transition to a sovereign state. OIG could not determine whether the local governance activities achieved their intended outputs because USAID did not require Research Triangle Institute (RTI) International to submit all reporting and monitoring documents specified in the contract. Furthermore, USAID did not properly approve all rapid-response grants, prepare contractor performance-evaluations, nor review payment vouchers submitted by RTI.

Reported accomplishments not verified by the audit included (1) forming or strengthening approximately 745 councils at various levels of government and within communities; (2) training more than 20,000 council members; (3) rehabilitating schools, health clinics, city office buildings, and community centers; and (4) conducting more than 20,000 civic program events for 750,000 Iraqi citizens covering elections, human rights, and democracy.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG recommended that USAID:

- (1) Require RTI to submit quarterly work plans that include intended outputs and associated milestones.
- (2) Require RTI to submit semiannual performance monitoring reports in accordance with contract requirements and that the performance measurement plan be revised when program objectives are changed.

- (3) Establish procedures to ensure grants issued under contracts are approved by authorized USAID personnel.
- (4) Adopt procedures to ensure that contractor performance evaluations are prepared as required by the Federal Acquisition Regulation and USAID's Automated Directives System.
- (5) Establish procedures to ensure contractor and grantee vouchers are reviewed for accuracy and reasonableness in comparison to the work performed.

Final action has been taken on all five recommendations. Details surrounding the actions taken by USAID are below.

Mission management modified the contract to require (1) quarterly implementation plans that include an activity-based budget for each of the significant activities designated in the contract; and (2) the contractor to submit quarterly activity reports that include a report of expenditures, by activity, as compared to the activity-based budget. In February 2006, USAID sent RTI a letter reminding them that their work plans are to be submitted quarterly and should include intended outputs and associated milestones based on USAID requirements and those of the PRTs.

Mission management modified the contract to require the contractor to submit semiannual performance monitoring reports on December 10 and June 10 of each year and added language that would allow revisions to the performance measurement plan as necessary. Further, USAID/Iraq required RTI to participate in the mission-sponsored weeklong performance monitoring program workshop in May 2006 to provide them with input in the development of the performance monitoring program.

Mission management modified the contract to the effect that all grants exceeding \$250,000 and any amendments to existing grants shall be approved by the administrative contracting officer (ACO). Further, the contractor's grants manual will be approved by the ACO and incorporated by reference into the contract. Mission management also stated no funds will be transferred from the contractor account to host government or state-owned enterprises under LGP II program. However, the mission's response did not address the approval of grants under contracts when the grants are less than \$250,000. According to ADS 302.5.6, the actual selection of grant recipients under contracts must be approved by USAID; this requirement is not limited to grant exceeding \$250,000.

USAID/Iraq/Office of Acquisition and Assistance (OAA) has requested and the Executive Office has agreed to revise the end-of-assignment checkout list to add a section on contractor performance evaluations, which has to be signed off by the OAA as a means to ensuring compliance in this area. In addition, to correct the deficiency, the mission has prepared the contractor performance report for the period May 2005 to May 2006.

Mission management stated that (1) it would not be necessary to establish mission-specific procedures given that cost principles of Federal Acquisition Regulation Part 31.2 already applies to the contract; (2) the contract had been modified to require a SF-1034, detailing items billed as

direct costs during the report period (prior to this modification, the contractor use the SF-269 to obtain funds through a letter of credit arrangement rather than on a reimbursement purposes); and (3) the contractor has been providing financial statements since the modification. The mission provided documentation demonstrating that submitted vouchers were being reviewed.

TITLE: **Audit of USAID/Iraq's Nonexpendable Property
(E-267-06-002-P)**

DATE: February 16, 2006

**IMPLEMENTING
PARTNERS:** N/A

**TIME PERIOD
COVERED BY AUDIT:** July 27, 2003 to September 30, 2005

**FUNDING
INFORMATION:**

BACKGROUND—SUMMARY OF FINDINGS:

USAID/Iraq was established on July 27, 2003, to manage USAID's reconstruction and humanitarian relief assistance. In order to operate in the country, the mission constructed extensive facilities consisting of an office building, housing for personnel, and a warehouse. USAID also supported regional offices in Hillah, Basrah, and Erbil.

USAID/Iraq operated under an unusual environment with a large turnover of staff, including three Executive Officers in the first year of operation. The Mission also experienced a staff shortage, which resulted in contracting with the International Resources Group (IRG) for one year, effective in May 2003, for procurement and management of nonexpendable property.

After the IRG contract ended in June 2004, USAID/Iraq's Executive Office took over direct responsibility for the procurement, maintenance, management and accountability of expendable and nonexpendable property. Property management consisted of purchasing, receiving, inventorying, warehousing, issuing, and disposing of expendable and nonexpendable office and residential property in accordance with USAID and Federal regulations and policies.

The audit found that USAID/Iraq property, valued at \$23.5 million in its nonexpendable property database, was not managed in accordance with USAID guidance. Of this amount, auditors could not verify that a projected \$21.3 million was correctly valued, because amounts were not supported by documentation. Additionally, auditors could not verify the existence of a projected \$2.9 million in nonexpendable property. Furthermore, Mission vehicles valued at \$2.3 million were not properly safeguarded, and questions of ownership existed regarding nonexpendable property shared with another U.S. government agency.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

The audit determined that USAID/Iraq cannot use its current database to effectively manage nonexpendable property, which increases the potential for fraud, waste, and abuse. In order to correct the database and to prevent inaccuracies from occurring in the future, auditors made the following recommendations:

- No. 1: That USAID/Iraq perform a full inventory of all USAID/Iraq locations, tagging and recording each nonexpendable property item, to create a complete database.
- No. 2: That USAID/Iraq perform a detailed reconciliation between the database as of October 31, 2005, and the new database to be created in order to account for the identified exceptions.
- No. 3: That USAID/Iraq develop mission-specific written policies and procedures for its management of nonexpendable property.
- No. 4: That USAID/Iraq provide training to employees responsible for the management of its nonexpendable property.
- No. 5: That USAID/Iraq conduct a review to determine the status of the missing vehicles and refer the matter for investigation if appropriate.

Vehicles are often left unlocked so personnel can easily enter the vehicle and start the engine to keep the battery from failing. Leaving the cars unlocked and failing to keep every key for the motor pool fleet in a secure location significantly increased the risk of theft or use of a vehicle in an unauthorized manner. Auditors therefore made the following recommendation:

- No. 6: That USAID/Iraq adopt policies and procedures directing Mission personnel to keep all unattended vehicles locked and to store unused keys in a secure location.

Until the ownership of all property under USAID/Iraq's control is verified and the assets are properly tagged, it cannot ensure that it maintains control over its nonexpendable property. To address this problem, auditors made the following recommendation:

- No. 7: We recommend that USAID/Iraq verify the ownership of commingled property and remove its property tags from all nonexpendable property that it does not own.

Management decisions were reached on all seven recommendations by the time the audit was completed. Actions taken by the Mission are discussed below. Final action has been taken on all recommendations.

As of March 20, 2006, USAID/Iraq completed a full inventory of all USAID/Iraq locations, tagging and recording each expendable property item to create a database.

USAID/Iraq's property management supervisor has created and implemented a new database. The catalog table was transferred to the new database and the validated inventory was migrated into the new database.

In October 2005, USAID/Iraq issued mission order MO-05-534-017 regarding the delegation of authority for property management and control of USAID/Iraq mission property. In addition to

the new mission order, written mission specific policies and procedures regarding nonexpendable property management, residential furnishings, and the inventory systems have been established.

Training was provided to local staff involved in the management of nonexpendable property. Future training has also been developed and will be provided to the employees throughout 2006.

USAID/Iraq located the missing vehicles in Kuwait, where they were awaiting repairs. On February 7, 2006, USAID/Iraq issued mission order 06-536-006, which sets forth the mission policies and procedures for USAID/Iraq motor pool operations.

As of March 20, 2006, USAID/Iraq completed a full inventory of all USAID/Iraq locations, tagging and recording each expendable property item to create a database. This inventory verified the property owned by USAID only. Commingled property in the field offices no longer exists.

Final action has been completed on all the recommendations.



Photographs of vehicles stored uncovered on the USAID/Iraq compound in Baghdad. (Baghdad, Iraq; September 2005)



TITLE: **Audit of USAID/Iraq's Basic Education Activities
(E-267-06-001-P)**

DATE: December 20, 2005

**IMPLEMENTING
PARTNER:** Creative Associates International, Inc. (EPP-C-00-04-00004)

**TIME PERIOD
COVERED BY AUDIT:** July 1, 2004, through July 31, 2005

**FUNDING
INFORMATION:** This second contract for \$56.5 million went from July 1, 2004, to June 30, 2006. As of July 31, 2005, \$51.8 million had been obligated while \$15.5 million had been disbursed.

BACKGROUND—SUMMARY OF FINDINGS:

The Support to Iraqi Basic Education Program works closely with the Ministry of Education and local Directors General of Education throughout Iraq. The program seeks to build the capacity and increase the quality of the country's educational system.

The audit looked at the basic education activities implemented by Creative Associates to determine whether they had progressed toward their 82 intended outputs. The audit found that basic education activities had progressed toward 33 (40 percent) of the planned 82 outputs. Work had not started on 22 (27 percent) outputs and the remaining 27 (33 percent) were deleted from the plan because of lack of funding, which resulted from security costs almost doubling and the Iraq Reconstruction Management Office's reprogramming much of the funds originally planned for this project.

The audit noted that the Ministry of Education did not have appropriate computer equipment to operate an educational management information system being developed by Creative Associates.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG recommended that USAID/Iraq develop a plan to ensure that the Ministry of Education gets the necessary computer equipment required to operate the education management information system being developed by USAID's implementing partner.

USAID addressed the recommendation by identifying the needed hardware and developing an implementation plan. The recommendation was closed by the time the audit report was issued.

TITLE: **Audit of the Accuracy of Biographical Datasheets Provided by International Resources Group to USAID for Contracts in Iraq (9-267-06-001-P)**

DATE: November 6, 2005

IMPLEMENTING PARTNER:

International Resources Group (IRG) (Contracts EMT-C-00-03-00007 and 517-C-00-04-00106-00)

TIME PERIOD

COVERED BY AUDIT: February 5, 2003 to December 31, 2004

FUNDING

INFORMATION: Combined cumulative value of contracts is \$57,993,046.

BACKGROUND—SUMMARY OF FINDINGS:

On May 1, 2003, U.S. President George W. Bush announced that major combat operations in Iraq had ended. At the same time, the USAID deployed a number of technical staff to prepare for immediate reconstruction requirements. The USAID Mission in Iraq implements programs supporting four objectives: (1) restoring essential infrastructure; (2) supporting essential education, health, and social services; (3) expanding economic opportunity; and, (4) improving government efficiency and accountability. These activities include reconstruction and rehabilitation of ports, roads, bridges, airports, communications networks, water systems, sewage systems, sanitation systems, housing and community facilities, schools, hospitals and clinics, and electricity generation, transmission, and distribution. They also include the provision of clean water and health services for Iraqis affected by disaster.

USAID had two contracts with International Resources Group (IRG) to provide experienced personnel in assisting USAID to manage reconstruction and rehabilitation activities in Iraq. IRG, established in 1978, is a for-profit international professional services firm that helps governments, the private sector, communities, and households manage critical resources to build a cleaner, safer, and more prosperous world. In addition to providing general management and institutional strengthening services to public and private sector clients in the United States and around the world, IRG provides professional services through contracts to USAID.

This audit was conducted in response to OIG concerns that inaccuracies on IRG's biographical data sheets may be a systemic and widespread problem.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

No significant discrepancies were noted on the biographical data sheet information that was tested during the audit. Additionally, the audit noted that IRG ensured this accuracy by verifying information—such as education, salary, and citizenship—shown on the form. Based on the results of this audit, no recommendations were made.

TITLE: **Audit of USAID/Iraq's Cash Control Procedures
(E-267-05-005-P)**

DATE: September 27, 2005

**IMPLEMENTING
PARTNERS:** N/A

**TIME PERIOD
COVERED BY AUDIT:** January 1 – May 31, 2005, with unannounced cash counts
on July 11, 2005, and August 24, 2005

**FUNDING
INFORMATION:** N/A

BACKGROUND—SUMMARY OF FINDINGS:

U.S. Department of State officials and U.S. disbursing officers may create imprest funds, also called petty cash funds that cashiers operate in order to pay small, routine operating expenses. Cashiers are officers or employees of the Federal Government who are authorized to disburse cash or carry out other cash operations.

As of July 2005, USAID/Iraq was operating a \$350,000 imprest fund. USAID/Iraq's cashier was authorized to disburse cash for a variety of reasons, including petty cash, procurement, payroll, travel-related reimbursements, and travel advances. The Mission also used its imprest fund to establish small petty cash funds—ranging from \$500 to \$2,000—at its regional offices in Erbil, Hillah, and Basrah.

This audit was conducted to determine whether the Mission (1) managed its cashiering operations in accordance with established regulations, policies, and procedures and (2) properly calculated and disbursed cash payroll payments to its Foreign Service national workforce in accordance with established regulations, policies, and procedures.

USAID/Iraq properly managed its cashiering operations, and it properly calculated and disbursed its Foreign Service national cash payroll payments. However, auditors noted that the Mission did not require its regional representatives to sign a form to confirm that they received the petty cash funds sent to them. This unnecessarily exposed the Mission, and the staff responsible for transporting and receiving the cash, to the risk that someone could misappropriate the funds and deny having any responsibility for them because of the uncertainty surrounding when accountability for the cash was transferred.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

Auditors made one recommendation for USAID/Iraq to finalize and implement its draft policy requiring regional offices to accept, in writing, petty cash funds delivered to them by the Mission's cashier's office. The mission agreed with the recommendation and final

action was taken by the time the audit report was issued. The action taken by the mission is discussed below.

Mission management finalized new policy entitled “Petty Cash Administrator’s Handbook,” which is designed to provide an explanation of the normal operating cycle of petty cash and explain the use of the emergency salary advance. Incorporated in the new policy is the requirement that the regional office director must sign for the receipt of funds. Additionally, the original signed copy for the receipt of funds must be returned to the mission’s cashier.

TITLE: **Audit of USAID/Iraq’s Water and Sanitation Rehabilitation Activities (E-267-05-004-P)**

DATE: June 30, 2005

IMPLEMENTING PARTNER:

Bechtel National, Inc.
Parsons Infrastructure & Technology Group (subcontractor – phase 2)
Army Corp of Engineers

TIME PERIOD

COVERED BY AUDIT: April 17, 2003, through January 31, 2005

FUNDING

INFORMATION: As of January 31, 2005, about \$2.4 billion had been obligated and \$1 billion disbursed.

BACKGROUND—SUMMARY OF FINDINGS:

Under the Iraq Infrastructure Reconstruction Program, USAID issued two contracts to Bechtel. The first contract included repair of power generation facilities, electrical grids, and water and sanitation. Regarding water and sanitation, Bechtel was to rehabilitate, repair, and reconstruct water treatment plants, distribution systems, pump stations, wastewater collection systems and treatment plants, and solid waste collection equipment and disposal facilities.

The audit answered two questions: (1) Were water and sanitation projects were achieving their intended outputs and (2) was USAID addressing institutional capacity-building in its projects to rebuild and rehabilitate Iraq’s water and sanitation sector infrastructure? The audit determined that the projects were achieving their intended outputs with some exceptions. Of the 34 projects reviewed, 30 (88 percent) achieved, or were achieving, their intended outputs. All four projects (12 percent) not achieving intended outputs encountered performance problems because they were located in areas that were deemed “nonpermissive” because of precarious security conditions. Some of the four projects were hampered by the lack of cooperation from the local government, who would not provide safe access during implementation.

The audit also found USAID was addressing capacity building by providing training and operational manuals and by taking steps to institute operations and maintenance support and training at the plant level in order to preserve the U.S. Government’s investment.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

None.

TITLE: **Audit of USAID/Iraq's Electrical Power Sector Activities
(E-267-05-003-P)**

DATE: June 29, 2005

**IMPLEMENTING
PARTNER:** Bechtel National, Inc.
(EEE-C-00-000018-00 & SPU-C-00-04-00001)

**TIME PERIOD
COVERED BY AUDIT:** April 17, 2003, through January 31, 2005

**FUNDING
INFORMATION:** As of January 31, 2005, combined cumulative obligations for the contracts were approximately \$2.4 billion, while total disbursements were approximately \$1 billion.

BACKGROUND—SUMMARY OF FINDINGS:

Two contracts to Bechtel were issued under the Iraq Infrastructure Reconstruction Program to repair, rehabilitate, or rebuild Iraq's infrastructure. Most of the money went to the electrical power sector.

The audit focused on 22 electrical projects implemented under both contracts with a combined funding level of \$1.1 billion. The audit found that 7 of the 22 power sector projects (32 percent) had not achieved or were not achieving planned outputs. The audit also determined that the problems preventing planned outputs from being achieved were beyond the mission's control. For example, two of the seven projects not achieving planned outputs were affected by the U.S. Government's decision to reprogram more than \$1 billion from the electrical sector to security and other priority areas, resulting in the cancellation of the two projects. Several other projects were experiencing delays in part because of a non-USAID contractor, a lack of cooperation from the Ministry of Electricity staff at the plants, and security.

The audit also found that the mission was addressing institutional capacity building through training and manuals. However, much more has to be done to address the existing problems and challenges in this area.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

The audit recommended USAID develop a multiyear strategy outlining its long-range plan of activities to strengthen the Ministry of Electricity's institutional capacity to properly operate and maintain the electrical power infrastructure rebuilt or rehabilitated by the U.S. Government. USAID initiated corrective action and began developing a 3-year transition strategy for institutional capacity building. As of May 1, 2006, USAID/Iraq approved and put into place a

strategic plan for 2006-2008 that includes key approaches that addresses the Iraq infrastructure sectors, which includes the operation and maintenance of the electrical power sector infrastructure rebuilt and refurbished by the U.S. Government. This recommendation is considered closed based on final action completed in May 2006.



Photograph showing one of the 155 severely damaged transmission line towers along the Khor Al Zubayer-Nassiriyah corridor. USAID funded a project to refurbish these towers to permit the transmission of electricity through this corridor. (Photo furnished by Bechtel; undisclosed location in Southern Iraq; June 2003)



Photograph of one of the towers erected under USAID's transmission line project (JO-04-004) along the Khor Al Zubayer-Nassiriyah corridor in Southern Iraq. (Photo furnished by Bechtel; undisclosed location in Southern Iraq; undated)

TITLE: **Audit of USAID/Iraq's Health System Strengthening Contract Activities (E-267-05-002-P)**

DATE: February 28, 2005

IMPLEMENTING PARTNERS:

ABT Associates, Inc., (RAN-C-00-03-00010)

TIME PERIOD

COVERED BY AUDIT: April 2003 through November 2004

FUNDING

INFORMATION:

\$23 million was obligated at the time of the audit (November 2004). Disbursements in November 2004 totaled \$21 million. Disbursements as of January 2007 totaled \$22 million.

BACKGROUND—SUMMARY OF FINDINGS:

In general, the goals of the health strengthening contract activities were to help strengthen the overall health system and ensure the rapid normalization of health services. Specific activities included technical assistance to the Ministry of Health in connection with the provision of health services, education, information, and technical assistance.

The audit found that activities under the contract did not achieve their intended outputs. Based on a review of documentation on file at USAID and furnished by the contractor, 60 percent of the activities (28 of 47) did not achieve their intended outputs. This occurred, in part, because the contractor did not ensure that activities were completed as scheduled and that deliverables were produced. A reduction in January 2004 of the contract's cost ceiling from \$44 million to \$23 million prompted the contractor to cancel or curtail a number of its activities. Some of these canceled activities included ones that USAID expected to be completed prior to the ceiling reduction.

Although the contract had expired, which prevented USAID from taking action to address the unachieved outputs, the audit found that USAID needed to improve its process for reviewing and approving requests for modifications to future contracts. Specifically, USAID needed to develop written procedures to ensure the timely disposition of such requests.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG recommended that USAID/Iraq develop written procedures covering the review and approval of contractor and cognizant technical officer requests for modifications to future health sector contracts to ensure timely and efficient disposition of these requests. A management decision was reached at the time the audit report was issued, and final action was taken. Mission

management issued an Acquisition and Assistance Notice, which went into effect on January 11, 2005, establishing written procedures covering the mission's process for responding to contract modification requests. The mission furnished a copy of this notice which specified the procedures to be followed by the cognizant technical officer and contracting officer in responding to such requests, including the time frames that specific tasks are to be completed within to ensure that requests are addressed in a timely manner. This recommendation is closed.



Photograph showing the contents of one of the health care kits. Due to delays, kits like this one were still waiting to be shipped to primary health care facilities at the end of the contract. (Warehouse in South Shunei, Jordan; April 2004). Activities like the ones cited earlier did not achieve their intended

TITLE: **Audit of USAID/Iraq's Community Action Program
E-267-05-001-P**

DATE: January 31, 2005

IMPLEMENTING

PARTNERS: Mercy Corps (AFP-A-00-03-00001), International Relief and Development (AFP-A-00-03-00002), Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance (AFP-A-00-03-00003), Cooperative Housing Foundation (AFP-A-00-03-00004), Save the Children (AFP-A-00-03-00005).

TIME PERIOD

COVERED BY AUDIT: May 2003 to August 2004

FUNDING

INFORMATION: \$120 million obligated at time of audit (August 2004) and \$271 million obligated as of January 2007 under these same cooperative agreements (there is now a CAP II Program also). Disbursements in August 2004 totaled \$38 million (32 %). Disbursements currently for these agreements total \$233 million.

BACKGROUND -- SUMMARY OF FINDINGS:

The Community Action Program (CAP) was designed to aid Iraq's capacity to provide quality social services that had declined due to three wars, unemployment, economic decline, and lack of investment. Examples of projects funded under this program include repair to local sewerage systems and roads, rehabilitation of schools, and renovations of health clinics. The audit found that the CAP achieved intended outputs. Based on tests performed on 89 statistically selected sample projects (out of a universe of 1411 projects), the CAP achieved 98 percent of its intended outputs, including citizen participation, inter-community cooperation, local government cooperation, local employment generation, and consideration of environmental concerns.

The audit identified an internal control that needed to be strengthened to improve CAP's monitoring and reporting processes. This internal control concerned the data contained in the project list used by USAID for monitoring and reporting purposes, which did not always agree with supporting documentation.

RECOMMENDATIONS -- MANAGEMENT DECISIONS:

The audit recommended that USAID develop and implement a plan of action to improve the integrity of the data in the CAP's project list in order for it to be a more effective monitoring tool and a more accurate and reliable data source for reporting purposes. A management decision was reached at the time the audit report was issued. USAID/Iraq developed and implemented a plan to improve the integrity of the data in the Community Action Program's project list. This recommendation is closed since final action has been taken.

TITLE: **Audit of USAID's Compliance with Federal Regulations in Awarding the Contract for Security Services in Iraq to Kroll Government Services International, Inc. (A-267-05-005-P)**

DATE: January 6, 2005

IMPLEMENTING

PARTNER: Kroll Government Services International, Inc. (Contract no. 267-C-00-03-00001-00)

TIME PERIOD

COVERED BY AUDIT: March 31, 2004, to December 31, 2004

FUNDING

INFORMATION: Cumulative disbursements totaled \$20,301,879

BACKGROUND—SUMMARY OF FINDINGS:

In August 2003, USAID took steps to obtain security services for its personnel and facilities in Iraq—including the purchase of 17 vehicles (14 of them armored)—after multiple attacks on Mission staff. Using other than full and open competition, USAID selected Kroll Government Services International Inc. (Kroll) to provide these services. On August 23, 2003, USAID authorized the use of a letter contracts to Kroll for up to \$4.5 million that would allow the contractor to begin immediately performing services, and submitted its proposed letter contract to Kroll for signature. This contract would have authorized costs of up to \$1 million. The letter contract did not contain most of the required clauses specified in the Federal Acquisition Regulation (FAR), and Kroll never signed it.

Over the next 7 months, USAID negotiated price and contract terms with Kroll while Kroll provided the requested security services in Iraq. At Kroll's request, USAID agreed to change the contract type from a cost reimbursement contract—as originally proposed—to a fixed price contract for commercial items. During the period September 1, 2003, to March 31, 2004, four additional authorizing letters were given to Kroll increasing the amount of costs that could be incurred to \$12.5 million even though Kroll never signed the letter contract. On March 31, 2004, USAID executed and Kroll signed a \$12.1 million fixed price contract for commercial items for Kroll to provide facility security and protection services and vehicles for USAID/Iraq. Three contract modifications increased the total contract price to \$29,742,389 and extended the contract an additional 9 months to December 31, 2004.

OIG conducted an audit to determine whether USAID complied with federal regulations in awarding a contract for security services in Iraq. The audit determined that USAID: (1) did not adequately document the use of less than full and open competition or explain its contractor choice; (2) obtained security services using a letter contract that did not meet FAR requirements; (3) incurred multiple potential funds control violations, and; (4) purchased 14 armored vehicles that did not meet U.S. Government armoring standards and had no documentation to support the \$1.9 million cost of the vehicles.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG made the following four recommendations:

- That USAID's Chief Acquisition Officer issue a notice reminding all Bureau of Management, Office of Acquisition and Assistance personnel that adequate and complete documentation must be prepared and retained in all procurements when using less than full and open competition. This documentation should adequately explain the contractor selection and why multiple contractors could not or were not considered for the procurement.
- That USAID's Chief Acquisition Officer issue a notice to all Bureau of Management, Office of Acquisition and Assistance personnel reminding them that procurements for USAID activities are subject to all federal procurement requirements. Specifically, the reminder should cover the proper preparation of letter contracts in accordance with the Federal Acquisition Regulation along with examples of fully compliant letter contracts prepared in the past by USAID.
- That USAID's Financial Officer initiate an inquiry of this series of potential funds control violations as required by ADS 634.3.5.3 and prepare the appropriate report on the results of the inquiry as required by ADS 634.3.5.4 to also include identifying corrective measures to be taken to address the applicable internal control weaknesses.
- That the Office of Security initiate action to amend Automated Directives System 563 to extend its application to all USAID-financed armored vehicle purchases including purchases by USAID's contractors.

USAID agreed with the recommendations and all final actions were completed by March 31, 2006. The actions taken by the Mission are discussed below.

- (1) On March 30, 2006, the procurement executive issued (via e-mail) a reminder to all contracting officers stating that adequate and complete documentation must be prepared and retained in all procurement files when using less than full and open competition. The notice also reminded the contracting officers of the requirements of FAR 6.303 (justifications).
- (2) On March 30, 2006, the procurement executive issued (via e-mail) a reminder to all contracting officers, reaffirming the agency's position regarding the use of letter contract and the need to follow the guidelines in Part 16.603 of the FAR. The notice included an example of a contract that satisfies FAR 16.603.
- (3) The Office of Financial Management conducted an inquiry and issued a report on March 23, 2005. The report disclosed that since a valid contract was in place, no funds control violation occurred regarding the establishment of an obligation without the required minimum. Since the original contract had unexpended funds remaining in an amount sufficient to cover services received in the initial days in April and no

voluntary services were being provided, no funds control violation occurred regarding the modification of the contract without providing funding to pay for the extended services. Also, because funds were available in the mission's unobligated budget allowance, no funds control violation occurred when the first amendment was not fully obligated.

- (4) On November 20, 2006, the Office of Security revised ADS 563, which establishes the policy directives and required procedures for armored vehicles purchased directly or funded by USAID and certain purchases by USAID contractors and subcontractors.

TITLE: **Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract (A-000-04-004-P)**

DATE: September 23, 2004

IMPLEMENTING PARTNER: Creative Associates International, Inc. (CAII)

TIME PERIOD COVERED BY AUDIT: May 2, 2003, through October 31, 2003

FUNDING INFORMATION: 2 year contract (with three 1-year options) issued June 30, 2004, for \$191.4 million

BACKGROUND—SUMMARY OF FINDINGS:

In response to the emergency situation in Iraq, USAID awarded \$1.5 billion in contracts to carry out the initial phase of reconstruction work within the country. Among these contracts was a \$62.6 million contract awarded to CAII to provide technical and other assistance to facilitate rapid school enrollment and retention in primary and secondary schools. This contract was awarded on April 11, 2003, as a cost-plus, fixed-fee level of effort term contract (EDG-C-00-03-00011-00) using other than full and open competition.

To conform to congressional wishes, and to promote full and open competition, USAID did not exercise the renewal option with CAII. Instead, USAID awarded a new contract as part of the second phase of contracts awarded for work in Iraq. On June 30, 2004, USAID completed its procurement process and awarded a \$56.5 million (base period cost) cost-plus-fixed-fee term contract to CAII. The contract's purpose is to support the Iraqi Ministry of Education (MOE) in its efforts to improve the quality of Iraqi education in the areas of procurement and distribution of educational materials, community education grants, teacher training, early childhood development, model schools, and the development and establishment of a modern decentralized education system. This contract covers a five year period, including a 24-month base period plus three one-year option periods. The total value of the contract is \$191.4 million.

OIG conducted an audit to determine whether USAID complied with Federal regulations in awarding the Iraq Basic Education Phase II Contract. OIG determined that USAID complied with applicable Federal regulations in the awarding of this contract.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

None.

TITLE: **Audit of USAID/Iraq's Economic Reform Program
(E-266-04-004-P)**

DATE: September 20, 2004

**IMPLEMENTING
PARTNER:**

Bearing Point, Inc
(RAN-C-00-03-00043)

TIME PERIOD

COVERED BY AUDIT: July 18, 2003, through July 17, 2004

FUNDING

INFORMATION:

Obligated funds as of June 21, 2004, totaled \$79.6 million and disbursements totaled \$53.8 million. The contract has been fully disbursed.

BACKGROUND—SUMMARY OF FINDINGS:

During the post-war period in Iraq, the Coalition Provisional Authority established multiple economic objectives, such as promoting conditions that would encourage sustainable economic growth, development of a private sector, and raising living standards. In support of these objectives, USAID awarded a contract to Bearing Point to provide economic reform, stimulate international trade engagement, increase employment, and create broad-based prosperity.

The audit found that USAID's program partially achieved its intended outputs. Based on a review of documentation at the mission and with the contractor, only 10 of the 38 planned activities (26 percent) were completed, while 6 were canceled (16 percent) and the remaining 22 (58 percent) were still in progress as of May 31, 2004. A table of activities reviewed is attached. Most of the 22 activities in progress had not been completed because of challenges beyond USAID's control, such as the limited control USAID had in managing this program in the design and implementation stages. The other challenge was security. Bearing Point's ability to monitor activities was severely restricted and its security costs rose from \$894,000 to about \$37 million. The audit found that USAID needed to improve its record keeping procedures for documenting actions, decisions, and status of activities. Also, USAID needed to revise its contractor reporting requirements so that it could monitor progress more effectively.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

USAID should implement documented procedures dealing with decisions that impact the design and status of activities. Also, it should develop procedures to ensure that contractors furnish monthly financial reports that present a breakdown of the actual level of effort billed for the month by activity.

Management decisions and final action were taken by the time the audit report was issued. The actions taken by USAID are discussed below.

The mission's Office of Economic Growth established and implemented new documentation management procedures. These new procedures require all activity managers and cognizant technical officers within the office to maintain a work file that documents all significant actions associated with each contract. The procedures also require all electronic communications to be printed and stored in the work file in accordance with ADS 502. In addition to providing a copy of an internal memo outlining these new procedures, the mission's response included guidance sent to the mission's Office of Economic Growth reminding the cognizant technical officers of their responsibility for establishing and maintaining adequate work files and specified the documentation these files, at a minimum, must contain.

Also, the mission's Office of Economic Growth developed new reporting requirements that have been implemented for all new contractors. These new requirements include monthly financial reports with a revised reporting format that provides more detailed information on the contractor's activities. Some of the additional information that will now be required to be furnished by the contractor includes the following: (1) narrative on results achieved by activity, including benchmarks and results achieved; (2) advisors by activity and work location; (3) level of effort expended under each activity; and (4) overall expenditures and expenditures at the activity level.

Breakdown of Activities Reviewed – Economic Reform Program

#	Description of Activities	Status
1.	Provide technical assistance for procurement and implementation of an interbank payment system.	Canceled. Coalition Provisional Authority (CPA) advisor canceled this activity and redirected contractor to work on another activity not approved by USAID/Iraq.
2.	Complete an assessment of the entire population of state-owned enterprises (200) to identify which 10 are the most viable and which 10 are the least.	In Progress.
3.	Develop and implement mechanisms for making sizable loans to small and mid-sized enterprises.	In Progress.
4.	Review 12 key commercial laws and make recommendations to amend or introduce new laws that create an investor friendly, market-driven economic legal framework.	Completed.
5.	Design and implement a public works program that creates 77,000 jobs. (Note: This number was scaled back from 300,000 because of funding limitations.)	Completed.
6.	Review state-owned insurance companies and recommend under what conditions companies can be reactivated. Also, perform assessment of the regulatory framework for the insurance sector.	Completed.
7.	Procure and implement a comprehensive financial management information system for the Ministry of Finance.	In Progress.
8.	Implement a budget planning system.	Completed.
9.	Provide assistance in developing a presentation of Iraq's capital programming requirements for October 2003 donors' conference in Madrid.	Completed.
10.	Perform review and evaluation of existing tax policy in law and practice.	In Progress.
11.	Provide assistance in developing strategy for reforming and reactivating tax administration.	In Progress.
12.	Provide assistance with day-to-day tasks in managing the currency exchange project.	Completed.

#	Description of Activities	Status
13.	Establish rules for intervening in the currency market to help stabilize the exchange rate and set up statistics division at the Central Bank.	In Progress.
14.	Provide assistance to the Electricity Commission in developing a strategy to increase commercial viability of the state-owned power company.	In Progress.
15.	Provide assistance to the Electricity Commission in developing an electricity sector master plan to be used as basis for generation and transmission investment decisions for period 2004-2010.	In Progress.
16.	Provide assistance to the Electricity Commission in building its financial capacity.	In Progress.
17.	Provide assistance in the introduction and implementation of various domestic taxes.	In Progress.
18.	Provide assistance to large commercial banking institutions and develop/implement framework for an inter-bank payment system.	In Progress.
19.	Provide assistance to develop an assessment of intergovernmental finance and possible interim measures to improve flow of funds between the central and local levels of government.	Completed.
20.	Perform planning, program management support, analysis, logistics, reporting, data applications and communications for the Oil for Food Program.	In Progress.
21.	Provide assistance to the CPA senior advisor to the Ministry of Transportation in development of policy framework for transportation subsectors.	Canceled. Activity was canceled because of the departure of the CPA senior advisor at the Ministry of Transportation.
22.	(1) Train Iraqi ministries of Agriculture, Electricity, Telecommunications and Water and Sanitation on executing capital programs in their sectors; and (2) Train Iraqi counterparts in financial oversight and contract administration.	In Progress.
23.	Provide assistance in establishing an umbrella public utilities regulatory agency encompassing power, water, telecommunications, and petroleum.	Completed.
24.	Provide assistance to Ministry of Electricity to strengthen its capacity to assume management responsibility over the Oil For Food contracts and purchase orders being transferred to it.	Completed.

	Description of Activities	Comments
25.	Provide technical assistance to the Ministry of Transportation and Communication to create an integrated information technology strategy.	Completed.
26.	Develop a master plan for telecommunications infrastructure in Iraq providing guidance for policy decisions, regulation, and reconstruction.	In Progress.
27.	Provide technical assistance to the Ministry of Transportation and Communication in creating a strategy for reforming and developing Iraq's telecommunications sector.	In Progress.
28.	Implement the Business Development Center Program.	In Progress.
29.	Provide technical assistance to the Ministry of Finance in conducting legal research on foreign attachment issues potentially affecting Rafidain or Rasheed Bank.	In Progress.
30.	Provide assistance to the Ministry of Finance in designing statistical collection and reporting capabilities of the Central Statistics Office.	In Progress.
31.	Provide assistance to the CPA to assist Iraqi firms and prepare them to qualify for credit from bank and nonbank direct lending organizations.	Canceled. Activity canceled because of time and funding limitations and a delay in the arrival of contractor's advisor.
32.	Provide technical assistance to support Iraq's entry into the World Trade Organization and training to ministries involved.	Canceled. Activity canceled because of time and funding limitations and low priority.
33.	Provide assistance to the Ministry of Electricity to evaluate system operations for summer 2004.	In Progress.
34.	Provide technical assistance to the Ministry of Trade to implement a company registration system and develop its institutional capacity.	Canceled. Activity canceled because of time and funding limitations; mission also did not consider this a priority activity.
35.	Review financial statements for each of the 17 private banks licensed in Iraq.	Canceled. Activity canceled because of funding limitations.
36.	Provide assistance to the Ministry of Finance to collect and evaluate national income data.	In Progress.
37.	Provide technical assistance to the Private Sector Development Office by carrying out specific tasks for the Iraq Depository and Iraq Stock Exchange.	In Progress.
38.	Provide technical assistance for development of the Iraq National Economic Survey Project.	In Progress.

TITLE: **Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract (E-266-04-003-P)**

DATE: August 6, 2004

IMPLEMENTING PARTNER: International Resource Group, Ltd. (IRG)

TIME PERIOD COVERED BY AUDIT: Award process that culminated in a contract on March 30, 2004

FUNDING INFORMATION: 18 month contract for \$86.8 million with two 1-year options.

BACKGROUND—SUMMARY OF FINDINGS:

USAID awarded \$1.5 billion in contracts to carry out the initial phase of reconstruction work within Iraq. Among these contracts was a \$27.1 million contract awarded to IRG to provide experienced personnel for the implementation of emergency relief and short-term rehabilitation activities. This contract was awarded on February 7, 2003, as a cost-plus-fixed-fee contract (EMT-C-03-00007) using *other than* full and open competition.

USAID later determined that the statement of work under the IRG contract needed to be revised to address the changing situation and current needs of the Mission. USAID decided not to extend the contract but to award a new contract as part of the second phase of contracts awarded for work in Iraq. (Previously, Congress expressed concern about other than full and open competition contracts let in Iraq.) On March 30, 2004, USAID completed its procurement process and awarded an \$86.8 million cost-plus-fixed-fee term contract to IRG to provide experienced personnel for the implementation of development assistance promoting the reconstruction effort in Iraq. This contract covers a 42-month period which includes an 18-month base period plus two, one-year option periods.

OIG conducted an audit to determine if USAID complied with Federal regulations in awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract? OIG determined that USAID complied with applicable Federal regulations in awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

None.

TITLE: **Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program (E-266-04-002-P)**

DATE: June 3, 2004

IMPLEMENTING PARTNER: Bechtel National, Inc. (EEE-C-00-00018-00)

TIME PERIOD COVERED BY AUDIT: April 16, 2003, through April 15, 2004

FUNDING INFORMATION: As of March 31, 2004, approximately \$450,000 had been disbursed from the \$1.03 million contract.

BACKGROUND—SUMMARY OF FINDINGS:

The contract with Bechtel was for the repair, rehabilitation, or reconstruction of vital elements of Iraq's infrastructure. The audit examined 72 activities totaling \$686 million performed by Bechtel to determine whether they were on schedule to achieve planned outputs. The activities included the assessment and repair of power plants, municipal water systems, sewage treatment plants, the Umm Qasr seaport, government and public facilities, telecommunications facilities, and surface transportation components.

Of the 72 activities reviewed, the audit found that Bechtel had completed, or was scheduled to complete, 64 projects (89 percent) by the scheduled due date. Eight (11 percent) activities were completed late or were behind schedule. The audit noted that USAID was taking aggressive actions to address these scheduling issues. However, the audit also found that USAID's management controls related to the infrastructure projects were in need of improvement. For instance, the contractor did not always conduct environmental reviews, and job order plans were not always submitted as required.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

Four recommendations were made by the audit: (1) establish procedures regarding the documentation of environmental reviews and assessments; (2) develop and document procedures to ensure specific plans are submitted with job orders, and obtain specific plans for the eight job orders that did not have specific plans; (3) develop procedures that address excess charges of approved job orders; and (4) complete and implement job-order closeout procedures.

USAID addressed all four recommendations, which were closed by the time the audit report was issued. The actions taken by the Mission are discussed on the following page.

- (1) USAID and the U.S. Army Corps of Engineers (USACE) implemented procedures to notify the USACE environmental engineer when a draft job order was requested so that planning for an environmental review could begin before the official job order was approved. The standard operating procedures (SOP) entitled "Environmental Reviews and Assessments-Submission and Approval, define USACE responsibilities and the process for monitoring, tracking, and reporting environmental review requirements; and (b) the mission provided an environmental checklist tracking sheet.
- (2) USAID and USACE, in consultation with Bechtel, developed procedures to ensure that job order specific plans are submitted and approved. These procedures define the process and the responsibilities for submitting, distributing, modifying, and approving the plans. The mission also developed a tracking worksheet maintained by the USACE reporting the acceptance dates for all required plans.
- (3) The mission provided a SOP that states that sector managers will perform an in-depth analysis after USAID submits payment to Bechtel. If USAID identifies cost discrepancies in excess of \$5,000 of the approved job order amount, it will be noted in the subsequent recommendation letter and BNI will be informed by USAID/Iraq and USACE to make an adjustment to either increase the amount of the rough order of magnitude for the job order of credit future invoices for the amount of the excess cost. If the cost discrepancy is less than \$5,000, it will be noted in the subsequent recommendation letter. No adjustments will be necessary until the job order is closed, when the rough order of magnitude will be increased in line with the actual cost.
- (4) The mission provided a copy of Bechtel's March 12, 2004, job order closeout procedure. The procedure defines the process for USAID final inspection and acceptance of job order performance requirements. The procedure applies to job orders issued under USAID's contract for the Iraq Infrastructure Reconstruction Project.



Photograph of the construction of the platform for one of the electric generation plants. (March 9, 2004)

TITLE: **Capping Report on Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase 1 Contracts (A-000-04-003-P)**

DATE: May 19, 2004

IMPLEMENTING PARTNER: N/A

TIME PERIOD COVERED BY AUDIT: April 29, 2003, to February 27, 2004

FUNDING INFORMATION: Combined cumulative value of contracts is \$1.5 billion

BACKGROUND—SUMMARY OF FINDINGS:

This capping report was done at the request of the U.S. Agency for International Development (USAID) Administrator and summarizes the results of the Office of Inspector General's (OIG) audits of USAID's compliance with Federal regulations in awarding 10 contracts under USAID's reconstruction efforts in Iraq. These 10 procurements had an approximate cost of \$1.5 billion and included awards for economic governance, personnel support, seaport administration, local governance, education, infrastructure reconstruction, monitoring and evaluation, health, airport administration, and agriculture.

Between June 2003 and March 2004, OIG issued 10 individual memorandum reports on the awards process. The audits found that USAID generally complied with the Federal Acquisition Regulation (FAR) in authorizing the expedited award of these contracts using other than full and open competition, and that the contracts, valued at about \$1.5 billion, were valid and legal. However, the report pointed out instances in which compliance with the FAR was not achieved and improvements that could be made in the awards process. The individual audits found a number of instances where USAID did not follow the FAR and the individual memorandum reports made specific recommendations for these issues which included:

- Adequately documenting market research related to contractors available to perform work being sought.
- Obtaining and documenting legal analysis regarding apparent or possible conflict of interest situations with contractors.
- Notifying and debriefing bidders who were not awarded a contract.

- Documenting the mitigation of an unfair competitive advantage noted on one award.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

OIG's previously issued individual memorandum reports discussed in detail its findings and recommendations relating to the 10 contracts. The capping report includes findings and recommendations that OIG believed had Agency-wide applications. For contracts awarded under less than full and open competition, the report recommends that USAID (1) develop and maintain a procurement process checklist to ensure that important procurement steps and procedures specified in the regulations are not overlooked; and (2) develop a standardized illustrative budget to be used in its Requests for Procurements and require the use of this standardized format in the cost proposals submitted to USAID by its offerors.

In addition to determining if the contracts were awarded in accordance with the FAR, the Administrator also requested that OIG review and make recommendations where improvements in the awards process could be made for future awards. To that end, OIG also suggested improvements in the following areas:

- (1) Documenting of pre-solicitation meetings.
- (2) Developing guidance for determining if "requests for proposals" should specify a facilities clearance requirement (a security clearance for the firm).
- (3) Standardizing the treatment of security costs in bidders' cost proposals overall and especially for Iraq contracts.
- (4) Developing support for the level of effort or technical assistance to be procured under a contract.

Management agreed with the recommendations and took final action on the recommendations. The action taken by USAID is discussed below.

- (1) On September 13, 2005, the procurement executive issued Procurement Executive's Bulletin (PEB) 2005-06 entitled "File Standardization Pilot" to all USAID/Washington contracting/award officers. The PEB contains mandatory guidance and six checklists that cover each phase of the acquisition and assistance process. Within the checklist, specific reference is made to justification for other than full and open competition in Section I Pre-Solicitation Documents--Contract. Additionally, a sample action memorandum for justification for other than full and open competition has been posted on Management Bureau, Office of Acquisition and Assistance website for contracting/award officers worldwide. Specific reference within the checklist is also made to organizational conflict of interest issues in Section III-Pre-Award Documentation--Contracts. This section includes a mandatory field that must be annotated with an "X" by each contracting/award office that it seeks advice of General Counsel and formerly document substantive issues.

- (2) On March 30, 2006, the procurement executive reissued Procurement Executive's Bulletin (PEB) 2005-09 entitled "Template for Budget Line Item Headings in Solicitations for Cost Reimbursement Contracts." The PEB established a standardized format for cost elements for cost proposals. The reissuance of PEB 2005-09 included a supplemental section on budget line item definitions and illustrations.

TITLE: **Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Infrastructure Reconstruction Program Phase II Contract (AIG/A Memo 04-006)**

DATE: April 20, 2004

IMPLEMENTING PARTNER: Bechtel National, Inc.

TIME PERIOD COVERED BY AUDIT: Award process that culminated in a contract on January 5, 2004

FUNDING INFORMATION: \$1.8 billion

BACKGROUND—SUMMARY OF FINDINGS:

OIG conducted an audit to determine if USAID complied with Federal regulations in awarding the Iraq Infrastructure Reconstruction Program Phase II contract.

This is the first contract awarded by USAID in the second phase of contracts to be awarded for reconstruction work in Iraq. In the initial phase of work in Iraq, USAID awarded contracts for \$1.5 billion for economic governance, personnel support, seaport administration, local governance, education, infrastructure reconstruction, monitoring and evaluation, health, airport administration and agriculture. USAID has also awarded grants, cooperative agreements, and interagency agreements in connection with Iraq reconstruction efforts. This contract to Bechtel was competitively awarded using full and open competition.

On October 2, 2003, USAID published a Request for Proposal (RFP) on the Federal Business Opportunities website for the Iraq Infrastructure Reconstruction Program Phase II. Questions regarding the RFP were submitted by five firms and addressed in a subsequent amendment to the RFP. The firms were given until October 31, 2003 to respond, and an RFP amendment changed the closing date to November 6, 2003.

Three firms submitted proposals by the closing date. A technical evaluation panel reviewed the proposals and determined that all three were acceptable. These three firms submitted final revised technical and cost proposals by the closing date of December 9, 2003. After reducing the competition to the two higher ranked firms, additional discussions were held with both firms regarding their cost proposals. On January 5, 2004, USAID awarded Bechtel a cost-plus fixed-fee term contract for approximately \$1.823 billion for the time period of January 5, 2004 through December 31, 2005.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

The OIG reviewed USAID documentation and conducted interviews to determine the events that took place and decisions made supporting the award of the contract. In our opinion, USAID complied with applicable Federal regulations in making the award. Recommendations were not made.

TITLE: **Audit of USAID's Results Data for Its Education Activities In Iraq (E-266-04-001-P)**

DATE: March 19, 2004

IMPLEMENTING

PARTNER: Creative Associates International, Inc., Bechtel National, Inc. UNCESCO, UNICEF, and five NGOs.

TIME PERIOD

COVERED BY AUDIT: May 2, 2003, through October 31, 2003

FUNDING

INFORMATION: USAID obligated \$116 million for education activities in Iraq as of October 31, 2003.

BACKGROUND—SUMMARY OF FINDINGS:

The Revitalization of Iraq Schools and Stabilization of Education Program (RISE) was an emergency program that emphasized getting children to return to school. USAID entered into three contracts and issued nine grants to rehabilitate and supply Iraqi schools with educational material and supplies. USAID rehabilitated schools (1,356), delivered student kits (1,660,240), delivered teacher kits (81,735), delivered chalkboards (28,182), delivered furniture (198,474), edited math and science textbooks (48), and printed textbooks (5,452,204).

The audit found that USAID did not accurately report data and results for its educational activities, as seven out of eight items reported by USAID differed from the numbers verified by the audit. Six of the 7 items were underreported (i.e., more was accomplished than reported). One item exceeded the amount verified by the audit.

RECOMMENDATIONS—MANAGEMENT DECISIONS:

The audit recommended that USAID develop procedures to verify data included in reports prior to the issuance of the reports to ensure the data reported is accurate. USAID agreed with the recommendation and established tighter monitoring systems by having an outside party act as a clearinghouse for information reported to outside audiences. The recommendation was closed by the time the audit report was issued.



Photograph of Al Majidat School in Al Hillah, which has 563 students and was rehabilitated by Bechtel National, Inc. (BNI) with USAID funds. (December 3, 2003)