



## SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 27, 2006

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ  
DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT  
OFFICE  
COMMANDING GENERAL, GULF REGION DIVISION,  
U.S. ARMY CORPS OF ENGINEERS

SUBJECT: Fact Sheet on the Use of the \$50 Million Appropriation to Support the Management and Reporting of the Iraq Relief and Reconstruction Fund (SIGIR-05-026)

We are providing this memorandum for your information and use. We performed this review in accordance with our statutory duties in Public Law 108-106, as amended, which mandates the independent and objective conduct of audits relating to the programs and operations funded with amounts appropriated or otherwise made available in support of Iraq relief and reconstruction.

This memorandum addresses the disposition of the Fiscal Year 2004 \$50 million Department of Defense appropriation to the Coalition Provisional Authority earmarked for the preparation, maintenance, monitoring, or reporting of the Iraq Relief and Reconstruction Fund information required by the Public Law 108-106. We present the facts on how the funds were used and our concerns as to the lack of information available to support the detail expenditure of this appropriation.

The objective of this review was to determine whether the \$50 million appropriated by Congress was used appropriately and in an efficient and effective manner. We interviewed and received documentation from responsible staff in the Office of Management and Budget, the Department of State, and the Department of the Army.

In November 2003, Congress passed Public Law 108-106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, which appropriated \$18.4 billion for the rebuilding of Iraq. This money is known as the Iraq Relief and Reconstruction Fund (IRRF). The Act imposed significant reporting requirements on the implementing agencies, including quarterly reports to Congress on how the IRRF was being spent; estimates of the costs required to complete each project; information on IRRF obligations and expenditures; IRRF reconstruction activities; IRRF contracts; and IRRF fund transfers. To meet these reporting and monitoring requirements and to prepare and maintain public records required by the Act, Congress authorized \$50 million, which was to remain available until September 30, 2005.

One of the efforts to collect and report on IRRF information was to develop and implement an automated system in Iraq. Although efforts to develop this system have been underway since June 2004, at present the system has only been partially implemented. Moreover, only \$26.2 million of the authorized money had been spent on a

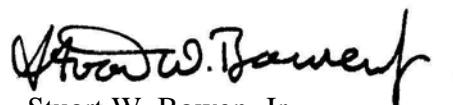
system development effort. The remaining \$23.8 million was returned to the Office of Management Budget and reapportioned to the Department of State.

Our review determined that the \$50 million was initially apportioned by the Office of Management and Budget to the Department of Defense as “Operating Expenses of the Coalition Provisional Authority” (apportionment symbol 31 2004/2005 2090). The Department of the Army obligated \$26.2 million in FY 2004 under the sub-account “Reporting” and made disbursements of \$9.2 million in FY 2004 and \$9.7 million in FY 2005, with the remaining \$7.3 million remaining obligated for additional disbursements under the “Reporting” sub-account requirement.

When the Coalition Provisional Authority was terminated, the Department of the Army transferred the remaining \$23.8 million in “Reporting” funds back to the Office of Management and Budget; which in turn reapportioned the \$23.8 million to the Department of State. The Department of State allocated the funds to the Near East Asia Bureau where \$22.1 million went for Iraq Reconstruction Management Office 3161<sup>1</sup> salary expenses; and the remaining \$1.7 million was transferred to the Department of State Office of the Inspector General for the reimbursement for the Iraq-related activities to engage in monitoring functions through the Economy Act. The Department of State did not provide further documentation on how these expenses supported the preparation, maintenance, monitoring, or reporting of the IRRF information.

The Special Inspector General for Iraq Reconstruction does not question the Department of State’s authority for obligating and disbursing the \$23.8 million. We do question, however, disbursing the remaining of the earmarked funds for salary expenses without being able to provide either the rationale or support for how these expenditures complied with the congressional intent for the appropriation.

We appreciate the courtesies extended to the staff. For additional information on this memorandum, please contact Joseph T. (Mickey) McDermott, at 914-822-4618 (Baghdad), or by email at [joseph.mcdermott@iraq.centcom.mil](mailto:joseph.mcdermott@iraq.centcom.mil), or Dan Haigler by email at [wilson.haigler@iraq.centcom.mil](mailto:wilson.haigler@iraq.centcom.mil).



Stuart W. Bowen, Jr.  
Inspector General

cc: See Distribution

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<sup>1</sup> Employees that are appointed as 3161 employees are Excepted Service employees governed by 5 U.S.C. 3161 and provisions of Title 5 of the United State Code.

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