



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit to the U.S. Congress and the Secretaries of State and Defense the ninth Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR).

As this year of transition in Iraq reconstruction unfolds, U.S.-funded projects are rapidly being completed and transferred to Iraqi management and control. Within that context, SIGIR identifies, in Section 1 of this Report, five critical issues the resolution of which will help advance Iraq toward economic prosperity and democratic success:

- Improve Infrastructure Security—by intensifying efforts to ensure that Iraq can secure its essential energy infrastructure.
- Close the Reconstruction Gap—by providing funds for sustaining Iraq’s infrastructure and developing Iraqi capacities to manage projects and programs.
- Bolster Anticorruption Efforts—by empowering and enabling Iraq’s incipient anticorruption institutions through training and funding.
- Energize the Oil and Gas Sector—by stimulating and sustaining investment in this sector, which is the key to Iraq’s future prosperity.
- Increase International Donor Participation—by engaging donor nations to participate more actively in the next phase of Iraq’s relief and reconstruction.

Section 2 of this Report updates SIGIR’s previous reviews of Iraq’s essential service sectors—oil and gas, electricity, and water—and provides initial reports on the following sectors: security; transportation and communications; health care; and democracy, education, and private sector development. Taken together, these sector reviews provide, for the first time, a comprehensive and detailed picture of the activities, outputs, and outcomes arising from the enormous U.S. investment in Iraq’s infrastructure. Despite certain setbacks, chiefly caused by security problems, the overall picture conveys a sense of substantial progress in the relief, recovery, and reconstruction of Iraq.

Section 3 of this Report provides summaries of SIGIR audits, inspections, and investigations performed this quarter. Notable among the audits is a performance review of the contract to construct primary health care centers across Iraq. As the audit notes, both the contractor and the U.S. government’s oversight failed to meet expectations. After \$186,000,000 had been spent, only six health care centers were complete. Fourteen more will be completed by the contractor, and the remaining facilities, which are partially constructed, will have to be completed by other means. SIGIR performed five inspections of selected health care centers covered by this contract, and, at each facility, SIGIR inspectors found serious deficiencies.

SIGIR also audited “Task Force Shield” this quarter, a program designed in September 2003 to build Iraq’s capacity to protect its oil and gas and electrical infrastructures. The audit documents significant shortcomings in the program and concludes that it failed to meet its goals because it was

burdened by a lack of clear management structure and poor accountability. There were also indications of potential fraud, which are now under review by SIGIR investigators.

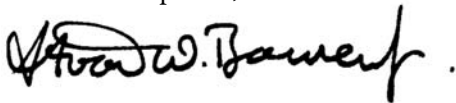
SIGIR inspectors continued to meet their mission this quarter, which is to visit project sites from every sector and geographical region in Iraq and report on the quality of the work performed. The 13 on-site project assessments in this Report include positive reviews of the work performed at the Mosul Airport, the Erbil electrical transformer project, and the Dahuk primary school, and problematic reviews regarding construction at the Kirkuk airport and the Ninewa village roads project. Detailed inspection reports of these and other sites visited, with accompanying photographs, are in Section 3.

SIGIR's investigators continued work on more than 70 cases in Iraq and the U.S., combating and deterring fraud. During this quarter, a U.S. contractor and a former Coalition Provisional Authority (CPA) regional comptroller pleaded guilty to charges of money laundering, bribery, and conspiracy; others have been arrested in this widening case that involves corruption in CPA's south-central regional office during 2003-2004. In March, SIGIR investigators also arrested a contractor for bribery in an undercover sting operation executed in Iraq.

This Report also contains a thorough review of the history and status of investments in Iraq's relief and reconstruction by non-U.S. donor nations and international institutions, as well as a summary of Iraq's current debt situation. SIGIR's Lessons Learned initiative made progress this quarter toward the publication of the contracting report, which will be out next quarter. The Lessons Learned forum on program and project management was held in April, and that report will be out in the summer of 2006.

I am gratified to report that SIGIR's dedicated auditors, inspectors, and investigators remain on the case in Iraq and the U.S. SIGIR continues to oversee the American taxpayers' investment by providing meaningful oversight that promotes efficiency, enforces accountability, and seeks to serve the interests of the overall success of U.S. relief and reconstruction efforts in Iraq.

Submitted April 30, 2006

A handwritten signature in black ink, appearing to read "Stuart W. Bowen, Jr.", with a period at the end. The signature is written in a cursive, somewhat stylized font.

Stuart W. Bowen, Jr.

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SIGIR SUMMARY OF PERFORMANCE
FEBRUARY 1, 2004 – APRIL 30, 2006

AUDIT

Reports issued	55
Recommendations issued	165
Dollars Saved	\$10,900,000
Financial Benefit of SIGIR Audits	\$391,800,000 ¹

INSPECTIONS

Project Assessments issued	42
Limited preliminary assessments issued	97
Satellite imagery reports issued	112
Financial Benefit of SIGIR Inspections	\$1,339,700,000

INVESTIGATIONS

Investigations initiated	177
Investigations closed	105
Open investigations	72
Arrests	5
Convictions	2
Value of assets seized/recovered	\$13,011,304

HOTLINE CONTACTS

Fax	12
Telephone	55
Walk-in	108
E-mail	248
Standard mail	22
Referrals	25
Total Hotline Contacts	470

NON-AUDIT PRODUCTS

Congressional Testimony	5
Lessons Learned Reports issued	1

¹For details on Financial Benefits, see Appendix I



SIGIR Observations

A YEAR OF TRANSITION UPDATE

CRITICAL ISSUE: PROTECTING IRAQ'S INFRASTRUCTURE

CRITICAL ISSUE: CLOSING THE RECONSTRUCTION GAP

CRITICAL ISSUE: ENERGIZING THE OIL AND GAS SECTOR

CRITICAL ISSUE: BOLSTERING IRAQ'S ANTICORRUPTION EFFORTS

CRITICAL ISSUE: ENCOURAGING MORE INTERNATIONAL DONOR
PARTICIPATION

NOTABLE SIGIR ACTIVITIES DURING THIS QUARTER

FINANCIAL IMPACT OF SIGIR OPERATIONS

THE HUMAN TOLL

SECTION

1



With 67% of the \$21 billion in Iraq Relief and Reconstruction Funds (IRRF) now expended and only \$2 billion left to obligate, the U.S. reconstruction program in Iraq is fully engaged in project execution and sustainment, contract close-out, and program transition. Effectively advancing the progress of reconstruction and development in Iraq at this critical juncture requires the U.S. government to work closely with the Iraqi government and

international donors to sustain the substantial U.S. investment in Iraq's infrastructure. For this process to succeed, more investment is necessary. To that end, Congress is currently considering a new supplemental funding bill that will support work toward achieving and sustaining U.S. reconstruction goals. The increasing pace of transition in Iraq makes it all the more important that these funds become available soon.

A YEAR OF TRANSITION UPDATE

In its January 2006 Report, the Special Inspector General for Iraq Reconstruction (SIGIR) observed that this is the Year of Transition in Iraq reconstruction. By the end of 2006, most programs and projects funded by the IRRF will be turned over to Iraqi authorities. With that prospect on the horizon, reconstruction planning and operations are increasingly becoming a joint enterprise, with U.S. and Iraqi officials coordinating on key initiatives.

Iraq's new government is re-staffing the 28 ministries responsible for managing government operations. For transition to succeed, Iraq must ensure that its ministries are ready to receive and capably manage completed

projects. U.S. transition plans anticipate this structural development to occur within Iraq's government this year.

Insurgent activity continues to impede ongoing reconstruction projects and interrupt their transition to Iraqi control. But the attacks remain concentrated in a few areas, leaving daily life in much of the rest of Iraq—particularly the Kurdish north and some areas of the south—in a state of gradual recovery. Though recent reports indicate that attacks on infrastructure have abated, Iraq continues to suffer the ill effects of intermittent strikes on key energy nodes.

CRITICAL ISSUE: PROTECTING IRAQ'S INFRASTRUCTURE

In testimony before the Senate Foreign Relations Committee in early February 2006, the Inspector General noted his concern that attacks on Iraq's oil and gas and electrical infrastructures have limited progress in these key sectors. SIGIR subsequently announced and executed, during this reporting quarter, an audit of U.S. programs designed to improve the capacity of Iraqis to protect infrastructure—particularly the critical nodes in the oil and gas sector that have been most subject to attack since 2003. The Inspector General further addressed the matter with U.S. leadership in Baghdad during his eleventh trip to Iraq in February. Recognizing the importance of this issue, the U.S. Ambassador to Iraq has made infrastructure security an essential element of the Embassy Joint Blueprint for Success.

Through April 2006, the United States has invested more than \$265 million to improve Iraq's capability to protect its oil and gas and electricity infrastructures. This investment is mission-critical because insurgent attacks and

criminal sabotage diminish oil and gas production and reduce exports. SIGIR auditors reviewed \$147 million of IRRF and Iraqi funds that supported Task Force Shield, a program established in September 2003 to build Iraq's capacity to protect its oil and gas and electrical infrastructure. Task Force Shield sought to cover 340 key installations, 7,000 kilometers of oil pipeline, and 14,000 kilometers of electrical transmission lines. The audit found that the program failed to adequately meet its goals. For a summary of SIGIR findings, see Section 3 of this Report.

To address this critical issue, the Department of Defense (DoD) recently dispatched a team of experts to Iraq to assess the protection of oil and gas facilities. They examined the sector's infrastructure protection programs, seeking to identify current security challenges. The team is now drafting a strategy that will help the Iraqis more effectively protect their energy infrastructure.

Insurgent activity continues to impede ongoing reconstruction projects.

CRITICAL ISSUE: CLOSING THE RECONSTRUCTION GAP

In its October 2005 Quarterly Report, SIGIR identified a “reconstruction gap,” which acknowledges that—for a variety of reasons, security being the most salient—the U.S. relief and reconstruction program will accomplish less than originally planned. The shortfall in various sectors was caused by more than 250 reprogramming actions, delays driven by security and administrative problems, poorly managed cost-to-complete schedules, and shifting emphases in contracting and program management. Of note, another reprogramming of the IRRF occurred this quarter: \$353 million was shifted from the electricity and health care construction sectors into non-construction programs.

The reconstruction gap, however, comprises more than simply the notion that fewer projects will be completed than expected; it also addresses the shortfall’s impact on outputs and outcomes. Fewer projects completed axiomatically affects infrastructure outputs in Iraq—that is, fewer electrical projects means fewer megawatts on the grid, and fewer oil and gas projects means fewer barrels of oil produced per day. These constrictions have the cumula-

tive effect of slowing improvement in the daily lives of Iraqis.

Ambassador Khalilzad’s initiative to devolve more project decision-making to Iraqis at the local governorate level should help remediate the effects of the reconstruction gap. Iraqis are now exerting a formative influence over project choices. Their management of the process through the Provincial Reconstruction Development Councils, assisted by coalition-staffed Provincial Reconstruction Teams, is building local government capacity in Iraq. The aim of the Ambassador’s initiative is to produce more immediate benefits for Iraqis in every governorate.

The success of the Ambassador’s initiative depends, in part, on new funding. Thus, SIGIR strongly supports the President’s FY 2006 supplemental and FY 2007 budget requests, which propose an additional \$3.2 billion to help secure and sustain Iraq’s critical infrastructure, to build the capacities of national and local governments, and to stimulate economic growth, increased employment, and private-sector development.

CRITICAL ISSUE: ENERGIZING THE OIL AND GAS SECTOR

Iraq has the second-largest oil and gas deposits in the world; revenue from this sector provides 94% of Iraq's national income. Several factors, however, have limited progress in the oil and gas sector: breakdowns in the sector's deteriorated infrastructure, delays in forming the new Iraqi government, uncertainties regarding the legal framework governing Iraq's petroleum industry, and attacks on the sector's critical nodes. The U.S. reconstruction plan allocated 9% of the IRRF for the rebuilding of Iraq's oil and gas infrastructure. Despite U.S. allocations of \$1.7 billion and supplemental Iraqi expenditures, the sector has not returned to pre-war oil production levels. Consequently, Iraq's national income has yet to achieve its great potential, which will be necessary if the country is to fully shoulder its primary role in recovery and reconstruction.

Before the war, it was assumed that:

- Oil and gas revenues in post-war Iraq would pay for much of the reconstruction.
- Foreign private investment in the oil and gas sector would quickly flow into Iraq after the fall of Saddam.

- Post-war Iraq would be sufficiently secure to allow the development of oil and gas without hostile impediment.

To varying degrees, each of these assumptions has not been realized. Continuing attacks on the oil infrastructure have slowed production and cut revenue. Moreover, outside investors have been unwilling to commit capital to this sector until the insurgency abates and a permanent government takes power. Accordingly, the new Iraqi government, which is now forming, can provide necessary certainty by approving and implementing laws that govern foreign investment in the oil and gas sector.

SIGIR recommends that the United States and other donors develop strategies with the Iraqis that will increase oil and gas production and stimulate new capital infusion into the sector. These must include aggressive efforts to curb corruption, which reportedly plagues the oil and gas industry in Iraq. For example, the long-delayed installation of a metering system is essential. Succeeding in these various efforts is critical for Iraq to achieve its enormous economic potential.

CRITICAL ISSUE: BOLSTERING IRAQ'S ANTICORRUPTION EFFORTS

Corruption is another form of insurgency in Iraq. This second insurgency can be defeated only through the development of democratic values and systems, especially the evolution of effective anticorruption institutions in Iraq. The primary players in this effort are the Commission on Public Integrity (CPI), the Board of Supreme Audit (BSA), and the 29 inspectors general (IGs) in the Iraqi ministries.

The Coalition Provisional Authority (CPA) created the CPI and the IGs specifically to institutionalize anticorruption elements within the new Iraqi government. SIGIR worked at generating support for these institutions early on and continues to highlight the need to support them financially.

Iraq, the United States, and other donors should sustain and increase funding for these

essential institutions. New funding will bolster their effectiveness, while raising general awareness of the new Iraqi government's commitment to fighting corruption. Foreign investment in Iraq may not appreciably increase until Iraq's anticorruption institutions meaningfully investigate and prosecute fraudulent government practices.

SIGIR previously reported that the Department of State (DoS) developed an initiative to strengthen anticorruption efforts in Iraq. Now, at the request of U.S. Embassy-Baghdad, SIGIR and the DoS Office of Inspector General have announced a coordinated survey of the \$365 million supporting U.S. anticorruption programs in Iraq. The survey is intended to assess the initiatives and establish metrics to gauge progress.

CRITICAL ISSUE: ENCOURAGING MORE INTERNATIONAL DONOR PARTICIPATION

As IRRF funds draw down, the role of donor nations will become increasingly important. In Section 2 of this Report, SIGIR provides a detailed history and assessment of non-U.S. donor funding to Iraq.

The next phase of Iraq's reconstruction will require a broader international effort. U.S. reconstruction officials should begin now to engage more directly and intensively with their international counterparts—the World Bank, in particular—to help ensure that donors

implement pledges and develop, in close coordination with the Iraqis, the way forward for the next phase of reconstruction. Funding is now needed to stimulate the oil and gas sector, which has thus far underperformed for a variety of reasons. SIGIR notes the promising development of an integrated donor database to aid coordinating and deconflicting donor activities, but the system needs more comprehensive inputs from all donors before it can become an effective management tool.

NOTABLE SIGIR ACTIVITIES DURING THIS QUARTER

In the course of performing its oversight function during this reporting period, SIGIR found that the U.S. Ambassador to Iraq, the Commander of the U.S. Army Corps of Engineers Gulf Region Division (GRD-PCO), and the Mission Director of the U.S. Agency for International Development (USAID) have continued to improve management coordination of the Iraq reconstruction program.

SIGIR issued 29 audits and inspections this quarter, which contain 58 new recommendations. Although these audits and inspections

raise a variety of concerns, SIGIR generally found that the likelihood of project success was high when quality control was integrated actively into the project's management and government oversight was consistently disciplined.

Notable SIGIR audits during this reporting period include a performance review of the contract to construct primary health care centers, an audit of reconstruction management information systems, and an examination of the planning and processes for transferring

reconstruction assets to the new Iraqi government. SIGIR's audit of the IRRF-funded primary health care centers contract, summarized in Section 3 of this Report, presents a difficult story. The audit took a comprehensive look at the program and found shortfalls: only 6 of 150 clinics have been completed, although 75% of the funding has been spent. 14 more PHCs will be completed under the original contract, each with construction issues yet to be resolved. The Iraq Reconstruction Management Office (IRMO) estimates that approximately \$36 million will be required to complete 121 partially constructed clinics that were terminated for convenience.

The 13 inspections completed this quarter continue SIGIR's mission to provide on-site assessments of projects in every sector across Iraq. Most of the projects reviewed are still in progress; thus, SIGIR's recommendations may allow for money-saving course-corrections. SIGIR also inspected 55 additional projects through its rapid-review program, using local hires to visit sites that SIGIR inspectors cannot reach. Overall, SIGIR inspectors found that, where management and quality assurance programs were active in the on-site construction process, the quality of work usually met or exceeded contract standards. Moreover, SIGIR believes that the expansive coverage of its inspections teams provides a highly visible deterrent to those who might be inclined to commit acts of fraud, waste, and abuse. Figure 1-1 shows the locations of SIGIR's various inspections across Iraq.

SIGIR investigators are currently work-

ing on 72 open cases involving fraud, theft, bribery, and other alleged crimes. During this quarter, contractor Philip Bloom and former CPA regional comptroller Robert Stein pleaded guilty to conspiracy, bribery, and money laundering in connection with a scheme to defraud the CPA. Bloom now faces up to 40 years in prison and a fine of \$750,000. Under the terms of his plea agreement, he must pay \$3.6 million in restitution and forfeit \$3.6 million in assets.

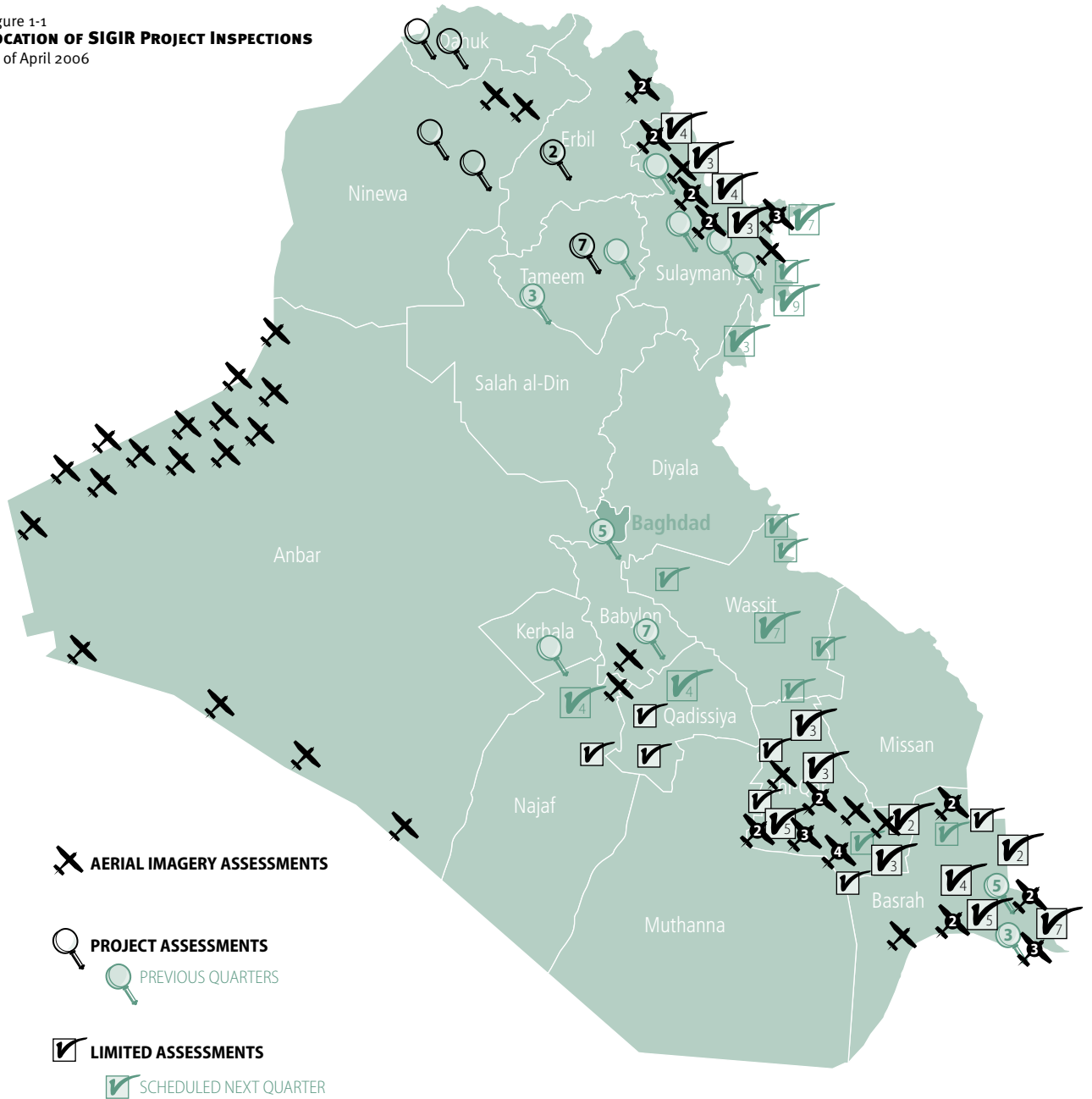
Bloom admitted that from December 2003 through December 2005, he, Stein (who faces 30 years in prison), and other officials conspired to rig bids to ensure that the contracts were awarded to Bloom. The total value of the contracts exceeded \$8.6 million. Bloom admitted paying Stein and other public officials more than \$2 million in bribes.

During this quarter, SIGIR's investigators conducted a sting operation involving an alleged criminal conspiracy. The sting resulted in the arrest of a contractor who offered a bribe to a SIGIR undercover agent. The case is currently being managed by the U.S. Department of Justice.

SIGIR continued its Lessons Learned Initiative this quarter, conducting its third forum, which focused on program and project management in Iraq reconstruction. The program and project management report is due for release later this summer. During the next quarter, SIGIR will release its second Lessons Learned report, addressing contracting in Iraq reconstruction. SIGIR's first Lessons Learned report, which examined human capital management, is available at www.sigir.mil.

SIGIR OBSERVATIONS

Figure 1-1
LOCATION OF SIGIR PROJECT INSPECTIONS
 As of April 2006



FINANCIAL IMPACT OF SIGIR OPERATIONS

SIGIR’s oversight has produced tangible financial benefits. SIGIR audits have saved \$10.9 million, recovered \$1.4 million, and improved the use of \$7.8 million. SIGIR challenged payments of \$306.9 million, which included possible duplicate payments, overpayments, and payments for work that was not completed. SIGIR also made recommendations that improved property accountability valued at \$64.8 million. The net potential beneficial

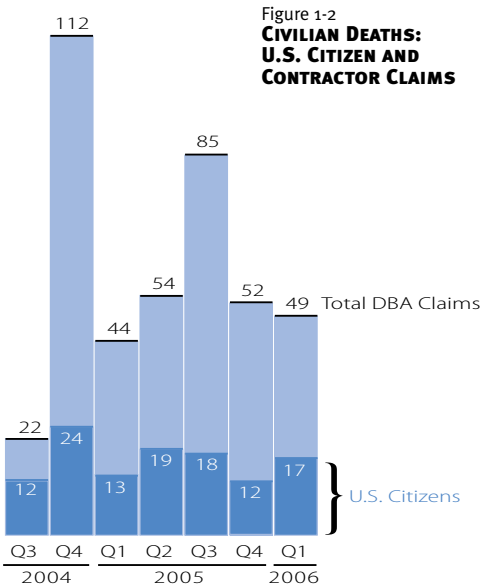
impact of SIGIR’s audits amounts to approximately \$391.8 million, as of December 31, 2005. In addition, SIGIR inspections have produced recommendations that could potentially increase Iraqi oil revenues by \$1.277 billion. SIGIR investigations report that \$13 million in cash and assets have thus far been seized or recovered in the course of its investigations. The data supporting all of these accrued benefits is provided in Appendix I.

THE HUMAN TOLL

The lethal environment in Iraq continues to pose a significant threat to civilians engaged in reconstruction activities. Since the relief and reconstruction effort began in March 2003, 516 death claims for contractors of all nationalities have been submitted under the Defense Base Act (DBA). The Department of Labor reports that death claims over the past four calendar quarters represent almost half (46.5%) of all claims filed over the three years since the war ended in April 2003.

GRD’s daily situation reports regularly summarize attacks at project sites in Iraq. The reports reveal a variety of ongoing threats to contractors in Iraq, ranging from small arms fire to mortars, rockets, and improvised explosive devices (IEDs). Attacks on reconstruction contractors and their security details most frequently occur when personnel are transiting to and from work sites. The death trends noted in prior SIGIR Reports continue: non-U.S. contractors continue to be killed at a faster

rate than U.S. contractors, although there was a spike in U.S. contractor deaths during this reporting period. Figure 1-2 provides a breakout of contractor death totals.



Note: Numbers reported in previous quarters have been updated to reflect recent DoS and DoL reports.

These attacks (and threats of attacks) cause work stoppages and worker absenteeism that push up construction costs. The financial impact is difficult to calculate, but SIGIR believes that delays caused by insurgent activity account for a substantial portion of the total security costs related to Iraq reconstruction.

Security threats vary greatly by region and

type, but all impede progress in Iraq. On March 24, 2006, for example, a project manager in central Iraq received an email threatening that the names, license plate numbers, and other personal information of employees working for the subcontractor would be turned over to assassins who would kill them all. No worker showed up at the site the following day.



Uses of Funding: Status Reports by Sector

INTRODUCTION: SECTOR REPORTS
STATUS OF SECURITY AND JUSTICE
STATUS OF HEALTH CARE
STATUS OF TRANSPORTATION AND COMMUNICATIONS
STATUS OF DEMOCRACY, EDUCATION, AND PRIVATE SECTOR
DEVELOPMENT
STATUS OF ELECTRICITY
STATUS OF OIL AND GAS
STATUS OF WATER
CONTRACTS
SOURCES OF FUNDING

SECTION

2



INTRODUCTION

In its January 2006 Report, the Special Inspector General for Iraq Reconstruction (SIGIR) focused its first status reports on the heavy construction sectors—electricity, oil and gas, and water. This Report updates those reviews and features initial reports on four additional sectors: security and justice; health care; transportation and communications; and democracy, education, and private sector development.

These status reports examine three aspects of reconstruction—activities, outputs, and outcomes:

- *activities*: the reconstruction projects themselves (an electric turbine, a water treatment plant, a primary health care center, a training program for teachers, etc.)
- *outputs*: the results of the reconstruction projects (increased electricity generation, increased capacity to treat wastewater, more Iraqis with access to health care, more trained teachers, etc.)
- *outcomes*: the potential effects of the project outputs for the people of Iraq (hours of power, more Iraqis with access to clean



Iraqi children with U.S. Army Corps of Engineers staff and contractor in front of newly built school

water, more Iraqi children vaccinated for polio, higher literacy rates, etc.)

Outcomes are not always easy to determine in the short run. For example, the effect on infant mortality rates of new primary health care facilities may be measurable only years later.

Observations

Based on the following sector reviews, SIGIR makes the following general observations:

- As a program, the Iraq Relief and Reconstruction Fund (IRRF) 2 is in its close-out phase. All of the funds have been allocated, 88% of these funds have been obligated to contracts, and more than 60% have been expended. The focus of the program is now on completing assigned work in a timely and efficient manner. See Figure 2-1 for an overview of reconstruction status.
- Many completed IRRF projects have delivered positive results, but there exists a gap between U.S. project outputs and the delivery of essential services to Iraqis.

This gap narrowed somewhat in the last quarter. For example, the hours of power in all areas of the country, except Baghdad, have surpassed pre-war levels. Also, U.S. projects have provided potable water to an additional 3.1 million people and sewerage services for an additional 5.1 million. And oil production has advanced above the lows of last quarter.

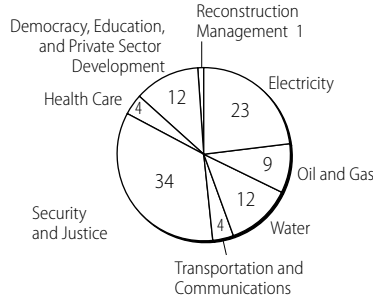
- The pace of project completions and IRRF expenditures in the three critical infrastructure sectors—electricity, oil and gas, and water—increased from last quarter. In aggregate, however, projects in these sectors are still less than 50% complete. Assuming that the pace of project completion of the last six months continues, construction will not be completed in these three key sectors for nearly two more years. The primary IRRF implementing agencies—the U.S. Army Corps of Engineers Gulf Region Division (GRD) and the U.S. Agency for International Development (USAID)—predict varying completion dates for construction.

Figure 2-1

OVERVIEW OF RECONSTRUCTION PROGRESS

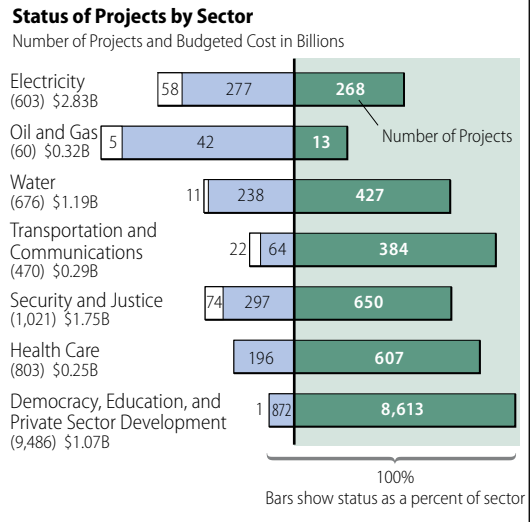
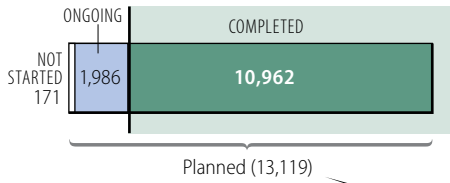
As of March 31, 2006

SECTOR SHARES OF IRRF FUNDS
 % of \$18.439 Billion
 Source: DoS *Iraq Weekly Status Report*, 03/29/06

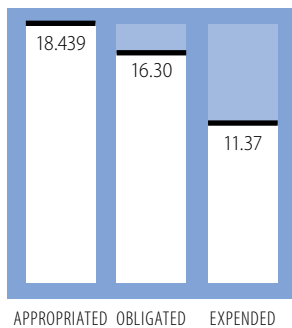


Note: Shares may not add to 100% due to rounding.

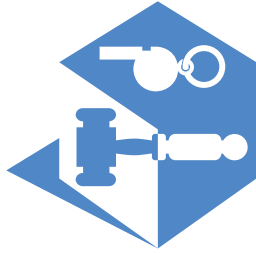
STATUS OF IRRF PROJECTS
 Number of Projects
 Source: IRMS-IRMO Rollup File, 03/31/2006



STATUS OF IRRF FUNDS
 \$ Billions
 Source: DoS *Iraq Weekly Status Report*, 03/29/06







STATUS OF THE SECURITY AND JUSTICE SECTOR

The SIGIR security and justice sector review examines U.S. spending to support Iraq’s military forces, police, and justice infrastructure.¹

Based on available data, SIGIR finds that the security and justice sector in Iraq has shown steady development over the past three years. The overall security situation, however, remains volatile. Insurgent attacks continue to disrupt the reconstruction process by intermittently targeting key infrastructure facilities and increasingly exploiting sectarian divisions in Iraqi society. Because law and order are essential to the successful development of a democratic state, Iraq must field cohesive military and police forces under the control of capable Ministries of Defense and Interior.

In addition to covering IRRF-funded activities in this sector, SIGIR also presents information on the Iraq Security Forces Fund (ISFF).

These are the highlights of this security and

justice sector report:

- More U.S. funds have been devoted to security and justice than any other reconstruction sector. A total of \$11.6 billion has been allocated, combining funds from IRRF 2 and ISFF.
- By the end of this quarter, 82% of the \$6.35 billion IRRF allocation had been expended, and 31% of ISFF funds have been expended. (See Figures 2-3 and 2-4.)
- Approximately 250,500 military and police personnel have reportedly been trained and equipped.
- More than 600 facilities have been completed—police stations, fire stations, courts, border forts, and army facilities.

Activities in the Security and Justice Sector

On October 1, 2005, the primary responsibil-

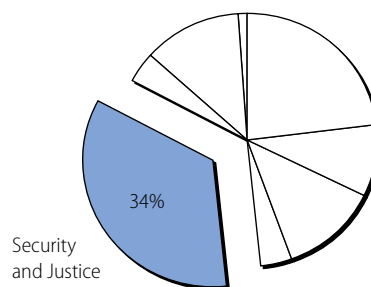
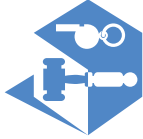


Figure 2-2
SECURITY AND JUSTICE SECTOR AS A SHARE OF IRRF FUNDS
 % of \$18.439 Billion
 Source: DoS *Iraq Weekly Status Report*, 03/29/06



SECURITY AND JUSTICE

ity for developing the Ministry of Defense and Ministry of Interior was transferred from the Iraq Reconstruction Management Office (IRMO) to the Multi-National Security Transition Command-Iraq (MNSTC-I). Under IRMO and now MNSTC-I, the Civilian Police Assistance Training Team (CPATT) has managed the training and equipping of Iraq's police forces for the Ministry of Interior. CPATT has also managed initiatives to build capacity within the Ministry of Interior.²

The MNSTC-I, working with the Ministry of Defense, has begun to emphasize improving Iraqi logistics capabilities and leadership. Also, the Commander, Multi-National Force-Iraq (MNF-I), designated 2006 as the "Year of the Police,"³ and the Administration affirmed that one of the major U.S. reconstruction goals in 2006 is "to accelerate the training of the Iraqi police."⁴

Funding Status of the Security and Justice Sector

As of March 31, 2006, more than 80% of IRRF 2 funds for military and police forces had been expended, although only 30.5% of ISFF funding was expended (ISFF funds began to be expended later than IRRF funds).

Figures 2-3 and 2-4 show the status of IRRF and ISFF funding for the security and justice sector.

The Administration also submitted an FY 2006 supplemental request that includes \$3.7 billion to continue to train, equip and build facilities for the Iraqi army and police and \$962 million in foreign assistance funding to fulfill goals related to security.^{6a}

Key Programs Completed and Underway

At the time of publication, a comprehensive list of projects in this sector could be obtained

Figure 2-3
STATUS OF IRRF FUNDS IN THE SECURITY AND JUSTICE SECTOR
\$ Billions
Source: DoS *Iraq Weekly Status Report*, 03/29/06

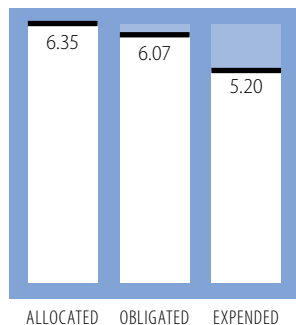
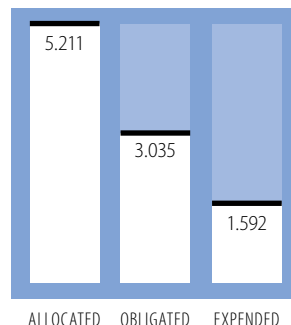


Figure 2-4
STATUS OF ISFF FUNDS IN THE SECURITY AND JUSTICE SECTOR
\$ Billions
Source: DoD *Weekly Financial Update*, 04/05/06



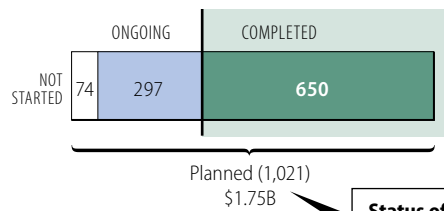


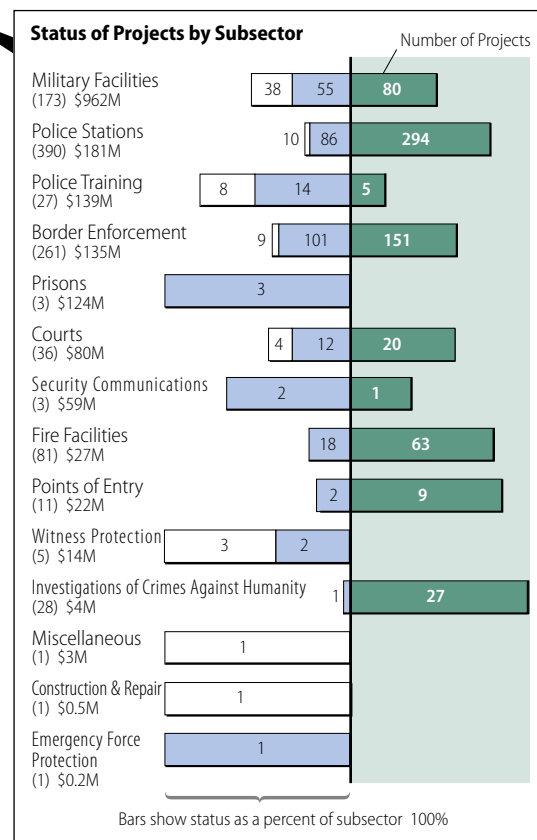
Figure 2-5
STATUS OF SECURITY AND JUSTICE PROJECTS
 Number of Projects
 Source: IRMS-IRMO Rollup File, 03/31/06

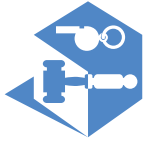
only for activities funded by IRRF 2. Projects focus on facilities construction and refurbishment. For a detailed list of projects funded by IRRF 2, see Figure 2-5.

FACILITIES CONSTRUCTION

In this sector, IRRF 2 has funded construction and rehabilitation of border forts, fire stations, police stations, public safety training academies, prisons and corrections facilities, courthouses, and witness protection facilities.⁹ According to the Gulf Region Division and Project and Contracting Office (GRD-PCO), the last IRRF-funded construction project in the security and justice sector is scheduled to be completed by August 2007.¹⁰ Figure 2-6 shows reconstruction activity in this sector by governorate.

Construction on the Provincial Police Headquarters in Mosul was 98% complete as of March 30, 2006.¹¹ Renovation of the Domies Police Station in Kirkuk is 99% complete and is expected to be finished by the end of April 2006.¹² This station will provide increased security to an economically crucial oil-producing region.





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Work continues on the Baghdad Police College (formerly the Baghdad Public Safety Training Academy), which will increase the Ministry of Interior's police training capacity. The project is 80% complete and is expected to be finished by July 2006.¹³ Also, renovations on the Al-Zab Courthouse in Kirkuk, which began in October 2005, are 52% complete, with an estimated completion date of mid-August 2006.¹⁴

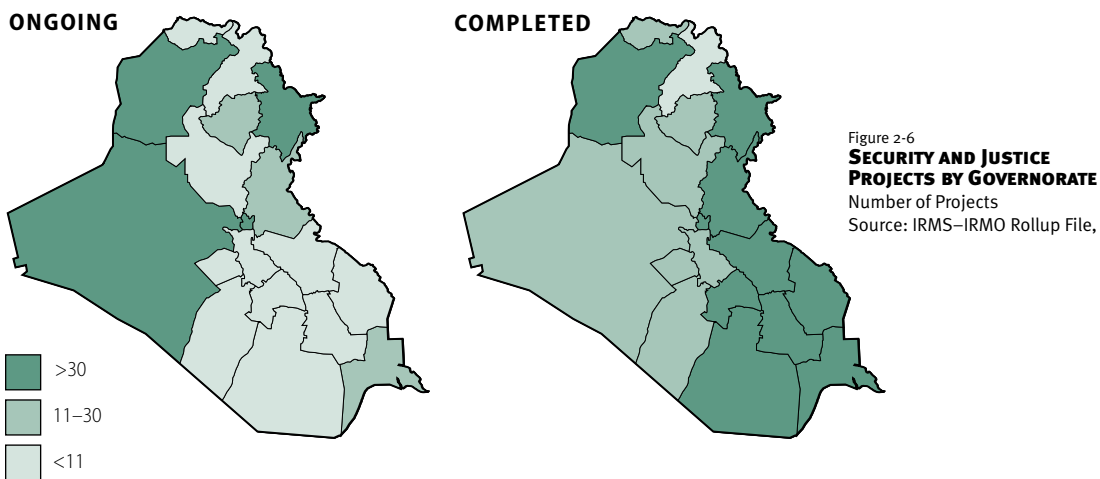
Progress on the Nassriya correctional facility, currently 28% complete, has been hampered due to inadequate workforce levels and security concerns at the site. This facility, expected to be completed in August 2006, is slated to have a capacity of at least 800 beds,

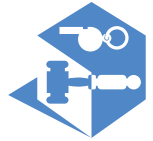
with the possibility of an additional 400 beds.¹⁵

Construction was also completed this quarter on these military facilities:

- Camp India Base, which will support 2,500 Iraqi soldiers in the 4th Brigade of the 1st Division
- Samawah, which will support 750 Iraqi soldiers in the 2nd Brigade of the 10th Division
- Naiad, which will support 250 Iraqi soldiers in the 1st Brigade Headquarters of the 8th Division¹⁶

In Section 3 of this Report, SIGIR presents findings from a series of inspections on construction projects in the security and justice sector. These findings range from a determina-





tion that sufficient work has been performed at the new Second Brigade Base in Kirkuk to poor workmanship at certain border forts along the Iraq-Iran border.

INITIATIVES TO SUPPORT SECURITY AND JUSTICE DEVELOPMENT

Several initiatives are underway to promote oversight and transparency in the security and justice sector, including continued funding and development of the Commission on Public Integrity (CPI), which is tasked to detect and investigate illegal activities and organizations. The CPI has become a crucial component in combating corruption throughout Iraq, and it has several significant corruption investigations focusing on the Ministry of Defense. Other initiatives support Iraq's witness protection program—moving judges into specially constructed facilities and equipping and training personnel at both the CPI and the Central Criminal Court of Iraq (CCCI).¹⁷

A notable project to support public security initiatives in Iraq is the Advanced First Responder Network (AFRN), a national communications and dispatch system that will enable first responders to communicate with government officials during crises. The project is currently being closed out and will soon be turned over to the Ministry of Interior.¹⁸ SIGIR is auditing this project and will report its findings next quarter.

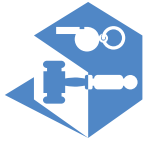
Outputs of Programs Funded by IRRF 2 and ISFF

Approximately 250,500 Ministry of Defense and Ministry of Interior forces have been trained and equipped for counter-insurgency and police operations:

- 115,700 Iraqi Army, Navy, and Air Force personnel
- 134,800 police, highway patrol, and other Ministry of Interior forces¹⁹

The goal of the coalition and Ministry of Interior is to train and equip 195,000 personnel. MNSTC-I projects that this goal will be met by December 2006.²⁰ The force generation plan for the Ministry of Defense forces will be completed by mid-2006, with an end-strength of approximately 131,000 soldiers.²¹ To determine the readiness of Iraqi security and police forces, the Multi-National Corps-Iraq uses the Transition Readiness Assessment (TRA) process.²² These metrics may change over time as key personnel rotate, equipment is added or replaced, and the tempo of unit operations changes.²³

Large-scale counter-insurgency initiatives this quarter demonstrated the growing capacity of Iraqi forces to operate successfully in the field. In March 2006, soldiers from the 6th and 9th Iraqi Army Divisions, with support from coalition forces, led Operation Glory Light, one of the largest operations of the last six months. Soldiers succeeded in taking control of an insurgent stronghold just south of Baghdad.²⁴



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Security conditions have also affected reconstruction in this sector. On April 18, 2006, GRD-PCO reported that insurgents destroyed the Al Yusufiyah Police Station in the Baghdad governorate, which was 83% complete when the attack occurred.²⁵

In January 2006, the Congressional Research Service (CRS) reported that fielding and equipping trained troops had received priority attention, but inadequate attention was paid to the ethnic and sectarian composition of those forces.²⁶ The coalition and Ministry of Defense have addressed this issue by increasing efforts to recruit in Sunni areas and to move soldiers away from their home areas to other parts of the country.

Ethnic and sectarian composition is also an issue for the police services. According to the DoS *Human Rights Report for 2005*, “the vast majority of human rights abuses reportedly carried out by government agents were attributed to the police.”²⁷

TRAINING INITIATIVES

To evaluate overall progress in this sector, SIGIR looked at a variety of tangible results, such as fielding troops and police officers, and also intangible results. For example, conditions in the Iraqi Corrections Service (ICS) prison system have significantly improved over the past year. Many ICS facilities meet most international penal standards, although none meet all of the standards.²⁸ Concerns have been aired, however, that government military and police forces may have participated in the

abuse, torture, and deaths of Iraqi civilians.²⁹ To address this problem, coalition and Iraqi officials are providing more professional training for Iraqi security forces. For a description of training programs and initiatives currently underway, see Table 2-1.

According to the DoS *Human Rights Report for 2005*, the Iraqi police had received relatively little training, and their effectiveness was seriously compromised by sectarian militia influences, corruption, and intimidation.³⁰ As of late February, however, DoS reports that more than 8,600 Iraqi police recruits were being trained, and an additional \$250 million in emergency funding has been requested to continue the training process.³¹ One of the purposes of this training is to foster a better appreciation among security forces of the need to respect human rights.

Outcomes of Programs Funded by IRRF and ISFF

Three challenges continue to limit positive outcomes in the security and justice sector. First, the Iraqi insurgency remains active. Second, ethnic and sectarian tensions continue to rise—especially between Sunnis and Shiites—inflamed by the attack on the Golden Mosque in Samarra on February 22, 2006. Third, criminal violence persists. According to the World Bank, Baghdad alone “records an average of 90 crime-related murders per 100,000 residents every month—three times higher than in most major cities in the world.”³² Security conditions have delayed the transfer of security responsibilities to Iraqi forces, affected the pace of the



SAMPLE OF TRAINING INITIATIVES, AS OF MARCH 31, 2006

PROGRAM	GOAL
Basic Police Academy (BPA)	More than 7,900 recruits completed the BPA program (10 weeks) during this quarter, and nearly 570 recruits graduated from the 3-week Transition Integration Program (TIP), which gives police officers under the Saddam regime skills training and instruction in human rights and rule of law.
6-month Police Officer Academy	For current police officers with higher education; 278 new police lieutenants graduated on March 30, 2006.
9-month Police Officer Academy	For current police officers; began in December with 300 cadets.
3-year Police Officer Academy	Will begin next quarter with an anticipated enrollment of 500-1,000 new officer candidates.
Former Officer Course (FOC)	Provides training in human rights, ethics, and counter-insurgency operations; 500 students completed the program during this reporting period.
Basic Officer Commissioning Course	77 officers graduated from this one-year course on January 19, 2006.

Sources: DoS Section 2207 Report, January 2006 and April 2006.

TABLE 2-1

reconstruction effort, and increased security costs.³³

Notwithstanding these difficulties, Iraqi security forces are assuming responsibility for more demanding missions and making gradual progress toward operational independence.³⁴

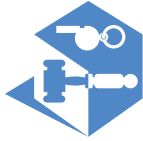
MINISTERIAL CAPACITY DEVELOPMENT

In this sector, SIGIR notes that officials are now focusing on improving support functions and developing the capacity of the Ministries of Defense and Interior. For instance, the Iraqi Army is building ministerial capabilities and also increasing combat support and combat service support units to supplement the battalions.³⁵ Increasing command/control and logistics capabilities will better prepare Iraqi Security Forces to be self-reliant and

independent.

The Ministry of Interior is developing capabilities to better provide the growing number of police personnel in the field with logistical and administrative support. The Ministry of Interior employs a Qualifying Committee to help eliminate “ghost employees” who remain on the payroll but no longer work in the Ministry.

Absenteeism is another problem in the police force. This year, more International Police Liaison Officers are slated to deploy to stations around the country to train and mentor Iraqi police, which is expected to reduce absenteeism.³⁶ In early October, CPATT was designated to lead coalition initiatives to develop the capabilities of the Ministry of Interior. CPATT and the Police Partnership Program for the Ministry of Interior have realigned their



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organization into a single team consisting of integrated military, International Police Liaison Officers, International Police Trainers, and former IRMO personnel.³⁷

Infrastructure Security

Protecting Iraq's oil and gas and electricity infrastructures is a critical issue for the future of Iraq. In the second half of 2005, the oil industry lost 78% of potential export earnings in the north,³⁸ primarily because of attacks on the infrastructure. Task Force Shield was established in September 2003 to oversee the training and operation of 20,400 guards of the Iraqi Oil Protection Force (OPF) and the Iraqi Electrical Power Security Service (EPSS). An ongoing, classified SIGIR review will measure the success of U.S. and Iraqi officials in protecting the oil and electricity infrastructure.

ACTIVITIES IN INFRASTRUCTURE SECURITY

Two entities are responsible for the security of Iraq's oil infrastructure—the Strategic Infrastructure Battalions (SIBs) and the OPF. The electric infrastructure is protected by EPSS.

- The SIBs currently field more than 3,400 trained personnel to guard Iraq's critical oil infrastructure, particularly the vast network of pipelines.⁴⁰
- The OPF, managed by the Ministry of Oil, is responsible for guarding all other Iraqi oil industry assets and facilities.⁴¹

In early 2005, the Iraqi Transitional Gov-

ernment formed the SIBs to improve infrastructure security. The SIBs are part of the Ministry of Defense, and four have completed basic training.⁴² They are currently conducting security operations to protect oil pipelines and facilities that are critical to the domestic market and export industry.⁴³ MNSTC-I equipped the SIBs and helped the Ministry of Defense develop institutional expertise and tradecraft.⁴⁴ More than 3,400 soldiers have completed training in this area, and training for a second group has already begun.⁴⁵

OUTPUTS IN INFRASTRUCTURE SECURITY

On February 9, 2006, the IRMO Director detailed the goals of infrastructure security program:

- strengthen the capacity of Iraqi security forces to protect critical infrastructure
- improve ministry coordination
- implement rapid infrastructure repair-and-response programs

It is simply impossible to guard the entire 17,000 kilometers of linear infrastructure in the oil and gas and electricity sectors. Thus, the strategy focuses on protecting key nodes and bolstering Iraqi capabilities.⁴⁶

SIGIR's Task Force Shield audit (SIGIR 06-009) indicated that the early programs to train and deploy an Iraqi oil and electricity security capacity did not meet their goals. The lack of a clear U.S. management structure for the program degraded the ability of Task Force Shield



to develop and meet critical capacity-building objectives. For a summary of this audit, see Section 3 of this Report.

OUTCOMES IN INFRASTRUCTURE SECURITY

Attacks on Iraq's infrastructure account for only a small portion of total attacks. According to DoD, attacks on infrastructure during this quarter are down by 60%.⁴⁷ But, combined with other variables, attacks on critical infrastructure are still expected to have a significant impact on:

- oil and fuel production
- revenues derived from crude exports

Additionally, although the number of infrastructure attacks has recently decreased, the complexity of the attacks has increased: insurgents have become more proficient at targeting critical infrastructure nodes, as well as intimidating personnel who deliver essential services.⁴⁸ In early March 2006, DoS reported that Iraqi police had arrested several SIB guards on suspicion of aiding insurgents in targeting the oil pipeline system. This was the second recent incident in which SIB personnel were arrested in connection with insurgent plots against the oil pipeline infrastructure.⁴⁹





STATUS OF THE HEALTH CARE SECTOR

The SIGIR health care sector examines U.S. spending to support Iraq's medical system, training, and vaccinations. Iraq once had one of the best health care systems in the region, but it declined significantly during the Saddam Hussein regime.⁵⁰ In 2002, the Ministry of Health had a budget of \$16 million—a 90% reduction from ten years earlier.⁵¹ After the 2003 war, a United Nations (UN) and World Bank estimate showed that the health care sector needed \$1.6 billion in near- and medium-term investment.⁵²

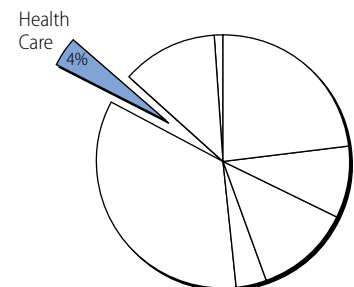
U.S. reconstruction has focused on rehabilitating and equipping local facilities, and providing more medical services like immunizations. Overall progress in this sector has been steady, but SIGIR auditors have identified several concerns this quarter regarding the

Primary Health Care Centers (PHC) Program.

These are the highlights of the health care sector report:

- The sector has IRRF 2 allocations of \$739 million (see Figure 2-7), and about 56% (\$417 million) had been expended by the end of this reporting period.
- More than 75% of projects have been completed in this sector, but progress has been significantly diminished by security and management problems.
- The notable shortfall in this sector involved the failure of the contractor to complete the PHC contract. The contract originally planned 150 clinics, but now it will complete only 20 facilities. The remaining 130 health care clinics were descope or cancelled. For a summary of SIGIR's audit of

Figure 2-7
HEALTH CARE SECTOR AS A SHARE OF IRRF FUNDS
 % of \$18.439 Billion
 Source: DoS *Iraq Weekly Status Report*, 03/29/06





HEALTH CARE

- this contract, see Section 3 of this Report.
- U.S. projects to provide immunizations have been successful: almost all Iraqi children have been inoculated against measles, mumps, and rubella. Nearly 98% of children under five have been immunized against polio.

Figure 2-8 shows facilities construction projects in this sector by governorate.

IRRF-funded Activities in the Health Care Sector

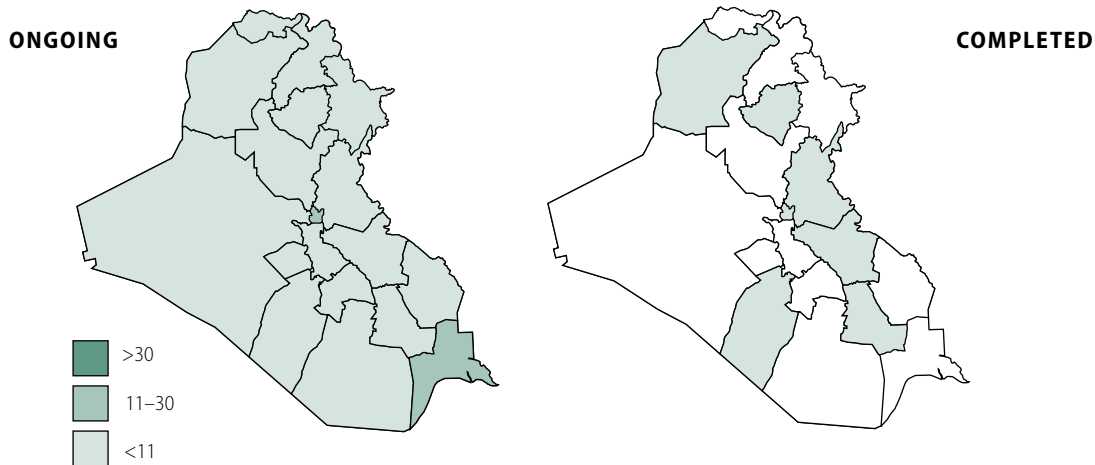
As of March 29, 2006, more than 90% of the sector’s funding had been obligated, and 56% had been expended. The sector was originally

allocated \$793 million in IRRF 2 funding,⁵³ but as of March 2006, allocations had decreased by \$54 million (<7%). Figure 2-9 shows the status of funds in the health care sector.

Projects in this sector focus on constructing, rehabilitating, and equipping PHCs and hospitals. They also address training and vaccination programs. In this sector, 608 of 803 total projects have been completed (76%), mainly non-construction. There are no remaining projects to start.

Completion of health care projects has been hampered by security issues and management problems. Figure 2-10 shows the status of projects in the sector.

Figure 2-8
HEALTH CARE PROJECTS BY GOVERNORATE
 Number of Projects
 Source: IRMS—IRMO Rollup File, 03/31/06





Projects Completed and Underway in Health Care

In March 2004, the Project Management Office (PMO) awarded a design-build contract with a \$500 million ceiling to Parsons Global. The contract provided for the construction or refurbishment of ministerial buildings, hospitals, primary health care centers, and schools. Much of the work was tasked to local subcontractors or awarded through direct contracts to local firms and other contractual arrangements.⁵⁴

Originally, Parsons was to construct 150 PHCs throughout Iraq, but because of cost increases, the design-build contract was initially descope to include only 141 centers.⁵⁵ But, as of March 2006, only six PHCs had been completed, all in Baghdad. These were handed

over to the Ministry of Health on March 15, 2006.⁵⁶ According to SIGIR’s audit, only 14 more PHCs will be completed under the design-build contract (See Figure 2-11).⁵⁷

GRD-PCO has reported to SIGIR that the remaining PHCs have since been descope from the design-build contract. They are expected to be completed through alternate funding means or by the Iraqis at a later date. For details of the SIGIR audit of this contract, see in Section 3 of this Report.

GRD-PCO is overseeing 22 hospital projects throughout Iraq. Six hospitals had been completed as of March 31, 2006, and 14 more are undergoing refurbishments.⁵⁹ Most will be completed by November 2006, but the Najaf Teaching Hospital is expected to be completed by March 2007.⁵⁸

Figure 2-9
STATUS OF HEALTH CARE FUNDS
\$ Billions
Source: DoS Iraq Weekly Status Report, 03/29/06

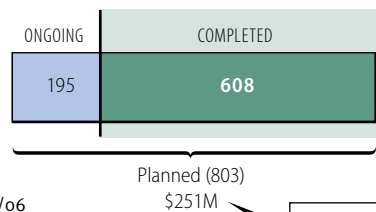
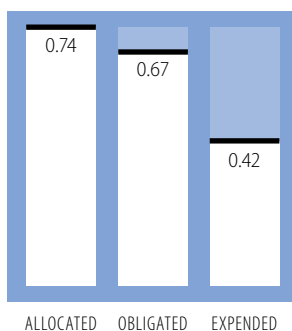
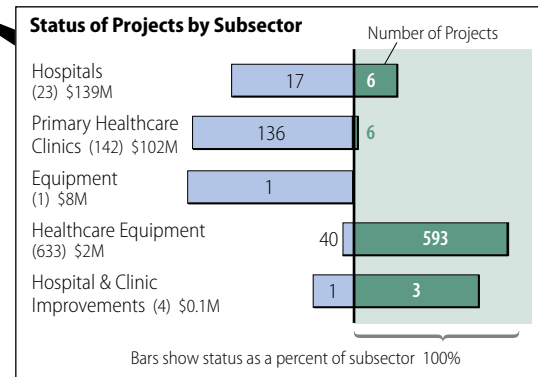


Figure 2-10
STATUS OF HEALTH CARE PROJECTS
Number of Projects
Source: IRMS—IRMO Rollup File, 03/31/06





HEALTH CARE

USAID is also in the process of completing one hospital project in the Basrah governorate, bringing to 21 the total number of hospitals in progress or completed with IRRF 2 funding. Completion rates have been slowed by poor security conditions, low contractor productivity, and quality-control issues.⁶⁰

Although construction may be complete, these hospital facilities face other challenges. One of the contractors working on the Hilla Maternity and Children’s Hospital is in the process of handing over the facility to the Iraqi Ministry of Health. However, much of the equipment is missing, and the contractor

is having difficulty locating the subcontractor. This missing equipment includes three chillers and a cooling tower, all scheduled to have been delivered by April 15, 2006.⁶²

These are other ongoing hospital projects:

- Basrah Children’s Hospital: a \$50 million design-build contract that is currently 30% complete.⁶³
- Alwaiya Children’s Hospital: a \$2.9 million project to modernize the facility that is approximately 72% complete.⁶⁴

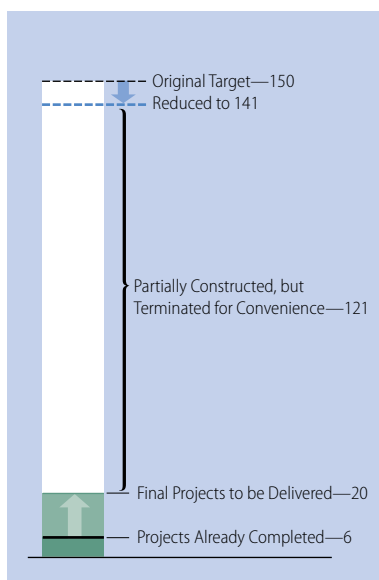
Outputs of IRRF-funded Health Care Projects

Over the previous 20 years, a combination of under-investment and poor management have contributed to the overall deterioration of the physical infrastructure of Iraq’s health care sector.

Before the war, Iraq had an estimated 250 hospitals and 1,200 PHCs, but they were poorly managed and maintained. Thus, many Iraqis in rural areas did not have access to health care facilities.⁶⁹

Further, the capacity to deliver health care services was seriously compromised by the post-war looting that occurred in April 2003. A 2004 survey by the Ministry of Health found that looting or serious damage had affected one-third of primary care clinics and one-eighth of hospitals.⁷⁰ Erratic electricity supplies, unreliable water quality, and an unstable security situation also degrade the health care system’s performance.

Figure 2-11
PHC PROJECTS BUILT UNDER THE DESIGN-BUILD CONTRACT
Source: IRMS—IRMO Rollup File, 03/31/06; IRMO Weekly Update Reports





HEALTH CARE

HEALTH CARE FACILITIES

Coalition health advisors have worked, in conjunction with the Iraqi Ministry of Health, to move the health care system from the current hospital-based model to a system based on localized primary care clinics. The goal is to develop a more sustainable health care delivery system that improves services for all Iraqis, particularly vulnerable population groups in remote or underserved areas.⁷² Execution of this strategy has been limited by the shortfall in PHC construction.

During this reporting period, SIGIR inspectors assessed five of the PHCs that were part of the Parsons contract. SIGIR found that these facilities were far from complete, and the completed portions were poorly constructed. There was inadequate quality control by the contractor and poor quality assurance plans. SIGIR inspectors also assessed two maternity and pediatric hospitals and four other clinics

but reported no significant deficiencies at any of the facilities. For details of these assessments, see Section 3 of this Report.

Of the six completed PHCs, three will reach initial operating capability by late April 2006 and will be used to train staff for the first group of 20 clinics.⁷³

To date, the renovations of six hospitals have been completed, and another 14 are ongoing. See Table 2-2 for the status of facilities projects in this sector.

The hospitals and PHCs constructed under GRD-PCO supervision were funded with IRRF 2 dollars; the three sets of construction projects administered by USAID used mostly IRRF 1 funding. Of the USAID projects, the rehabilitated PHCs were meant to restore essential services to their service regions as rapidly as possible after the cessation of hostilities. The PHCs constructed and equipped by USAID focused on expanding the availability of basic health care in areas facing less risk of violence.⁷⁵

HEALTH CARE FACILITY CONSTRUCTION: CURRENT & PLANNED

HEALTH CARE FACILITIES	CURRENT STATE, AS OF 03/21/06	IRRF PLANNED END STATE
Hospitals Rehabilitated ¹	6	20
Hospitals Built ²	In progress	1
Primary Health Care Centers Rehabilitated ²	110	110
Primary Health Care Centers Equipped ²	600	600
Small Primary Health Care Centers Built and Equipped ²	6	6
Primary Health Care Centers Built and Equipped ¹	6	142

Source: NEA Data Call Response, March 24, 2006 (¹ represents work overseen by GRD-PCO; ² represents work overseen by USAID)
Table 2-2



HEALTH CARE

NON-CONSTRUCTION PROJECTS

The United States has procured and delivered approximately \$226 million in new medical equipment and supplies for Iraqi hospitals and PHCs.⁷⁸ Unfortunately, the PHCs that were to use this equipment are mostly incomplete. The United States has successfully trained thousands of health care professionals and funded two very effective vaccination campaigns for polio and measles, mumps and rubella (\$4.8 million).⁷⁹

Table 2-3 presents the status of vaccination and training programs in Iraq.

Outcomes of IRRF-funded Health Care Projects

The construction and delivery of only six PHCs—out of a planned total of 150—limits the progress of the reconstruction effort in this sector. IRMO estimates that approximately \$36

million is required to finish the 121 partially constructed PHCs that could not be finished under the contract.

Although the outcomes of U.S. projects will not be fully apparent for years, a few statistics show the immediate beneficial effects of U.S. interventions. Almost all Iraqi children have been inoculated against measles, mumps, and rubella. From 2004 to 2005, lab-confirmed cases of measles in Iraq dropped 90%. Also, nearly 98% of children under five have been immunized against polio, and there have been no recorded cases of polio since the war.⁸⁰ From 2002 to 2005, malaria cases dropped from 1,043 to 86.⁸¹ Some data suggest that infant mortality rates have decreased from 10.7% in 2003⁸² to an estimated 5.03% last year.⁸³

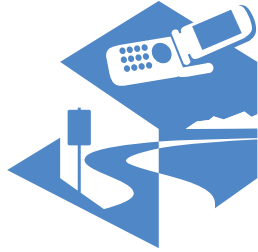
The effects of U.S. health care construction projects remain unclear.

VACCINATION AND TRAINING PROGRAMS

OUTPUTS METRIC	CURRENT STATUS, AS OF 3/21/06
Vaccination programs	3.6 million children vaccinated against MMR (98% of target population) 4.6 million children vaccinated against polio (97% of target population)
Number of Ministry of Health Professionals Trained in Maternal and Child Health Service Delivery	3,400 3,200 from IRRF 1; 200 from IRRF 2
Community Leaders and Other Non-ministry Personnel Trained in Health Promotion	3,100 All IRRF 1 funding

Sources: DoS, SIGIR Data Request, received on March 31, 2006; USAID, SIGIR Data Request, April 7, 2006.

Table 2-3



STATUS OF THE TRANSPORTATION AND COMMUNICATIONS SECTOR

This section examines the progress of reconstruction in the transportation and communications (T&C) sector. Projects in this sector improve transportation systems in Iraq, such as ports, railways, roads, bridges, and airports. This sector also includes U.S.-funded telecommunications projects.⁸⁴

These are the highlights of SIGIR's progress report on transportation and communications:

- More than 80% of projects have been completed in this sector, with 53% of the \$799 million allocated to this sector expended. Figure 2-12 shows sector funding as a portion of total IRRF 2 allocations.
- A series of IRRF-funded projects has restored Iraq's only operational deepwater port at Umm Qasr.
- U.S. projects have nearly completed repairs at most of Iraq's 107 railway stations, but the effects of these projects are not yet apparent. Only 4% of trains run each day, primarily because of security concerns.
- After the 2003 conflict, Iraq did not have any functioning airports; now there are two international and three regional airports.
- Almost 5.2 million more Iraqis now have access to mobile phone service than before the 2003 conflict, financed by the private

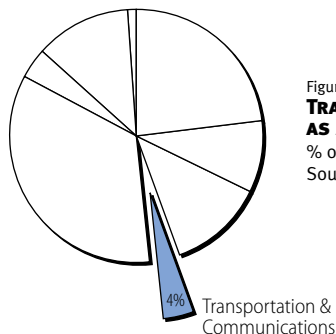


Figure 2-12
**TRANSPORTATION AND COMMUNICATIONS
 AS A SHARE OF IRRF FUNDS**
 % of \$18.439 Billion
 Source: DoS *Iraq Weekly Status* report, 03/29/06



TRANSPORTATION AND COMMUNICATIONS

sector. The United States provided technical guidance to the Iraqi government in developing mobile licenses, and the CPA built a “first responder” network.

Figure 2-13 shows reconstruction activity in this sector by governorate.

IRRF-funded Activities in the Transportation and Communications Sector

In this sector, 384 projects of 470 total projects have been completed. Projects in the T&C sector focus on five major areas:

- shipping
- railways
- air transportation
- roads and bridges
- telecommunications

Figure 2-14 shows the status of projects in the T&C sector.

Transportation infrastructure received heavy investment during the 1970s and 1980s, but much of it was destroyed during the first Gulf War, and years of neglect and sanctions slowed the rebuilding process.⁸⁵ In 2003, the UN and World Bank estimated that transportation and telecommunications in Iraq would require \$3.38 billion of investment in the immediate- and medium-term.⁸⁶ But CPA discovered later in 2003 that Iraq’s transportation and telecommunications infrastructure—would require significantly more investment.

The sector was originally allocated \$870

million in IRRF 2 funding⁸⁷ but currently has IRRF allocations of \$799 million. More than 90% of the sector’s funding has been obligated, and 53% has been expended. These are higher rates than all other U.S. reconstruction sectors except two: security and justice; and democracy, education, and private sector development. Figure 2-15 shows the status of funds in the T&C sector.

GRD-PCO estimates that construction will be completed in this sector by late 2008, when the last of the major highway projects executed through the Ministry of Construction and Housing are completed.⁸⁸

PCO and USAID have executed most of the projects in the T&C sector. USAID infrastructure reconstruction contracts included the rehabilitation of airports and restoration of the deep water port at Umm Qasr.⁸⁹

PCO projects in this sector were originally funded through an indefinite-delivery/indefinite-quantity (IDIQ) contract with a ceiling of \$325 million. This contract was terminated in October 2004, in part because of a shift from large design-build contracts to direct contracting with Iraqi firms.⁹³

SHIPPING

Key Shipping Projects Completed and Underway

Although there are six cargo ports in Iraq, Umm Qasr, on the Iraq border with Kuwait, is the only deepwater port.⁹⁴ A 2003 UN-World Bank assessment recommended that port reconstruction efforts focus on Umm Qasr because of the critical role the port would play

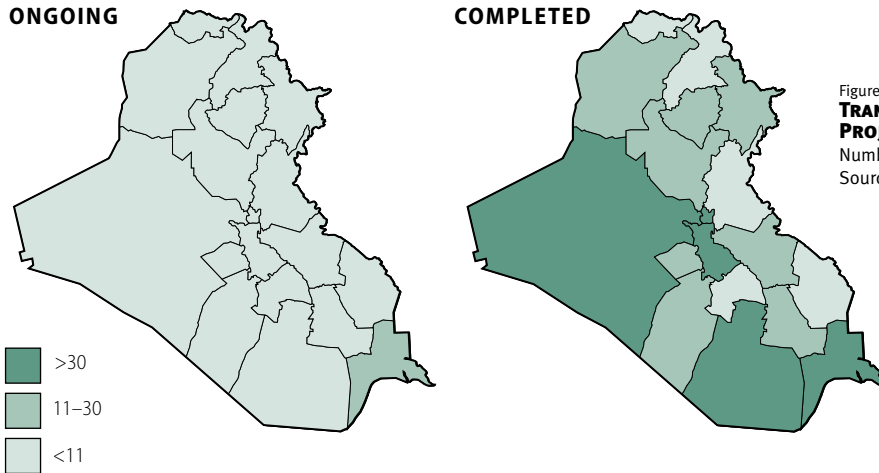


Figure 2-13
TRANSPORTATION AND COMMUNICATIONS PROJECTS BY GOVERNORATE
 Number of Projects
 Source: IRMS—IRMO Rollup file, 03/31/06

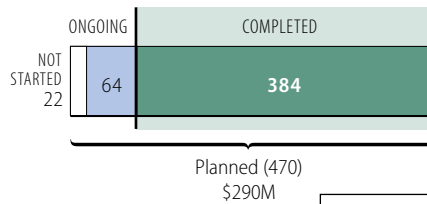
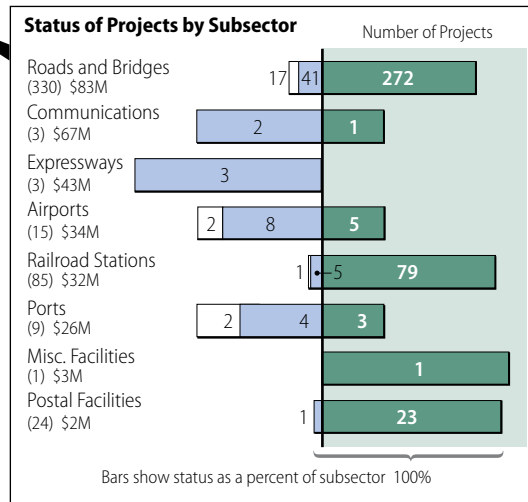
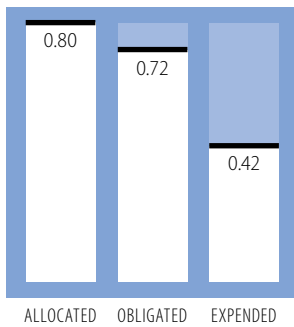


Figure 2-14
STATUS OF TRANSPORTATION AND COMMUNICATIONS PROJECTS
 Number of Projects
 Source: IRMS—IRMO Rollup file, 03/31/06

Figure 2-15
STATUS OF TRANSPORTATION AND COMMUNICATIONS FUNDS
 \$ Billions
 Source: DoS Iraq Weekly Status report, 03/29/06





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Port at Umm Qasr

in supplying the country.⁹⁵

To ensure that the port could receive emergency supplies, the U.S. Army of Corps of Engineers (USACE) began work on it immediately following combat operations. By mid-June 2003, Umm Qasr was open for commercial shipping.⁹⁷ Since that time nearly \$42 million of IRRF 2 has been obligated for rehabilitation of the port, and much of the work is already completed.⁹⁸

During this quarter, an operations building for the port was completed,⁹⁹ as well as \$4.8 million of security upgrades.¹⁰⁰ Also, a \$2.5 million project to buy various port vehicles—fire trucks, buses, and more—and fund operational training is nearly complete.¹⁰¹ PCO has completed three of eight construction projects at the port and will finish the remainder by January 2007.¹⁰²

Outputs and Outcomes of IRRF-funded Shipping Projects

During the week ending March 25, 2006, 14 ships were berthed at Umm Qasr, and 18 ships continued to unload from the previous week. During the same week, 4,544 trucks were processed at the port.¹⁰⁴ U.S. projects have focused on repairs at Umm Qasr, and the increased activity at the port shows the value of these efforts. Figure 2-16 shows the number of new berths at Umm Qasr from December 21, 2005, to March 28, 2006.

RAILWAYS

Key Railway Projects Completed and Underway

Iraq has one of the most extensive railway networks in the region.¹⁰⁵ To support the repair of this network, projects in this subsector were originally budgeted at \$210 million, but \$21 million of that was reallocated. Current allocations total \$189 million.¹⁰⁶

By the end of last year, GRD-PCO had rehabilitated 79 railway stations at a cost of \$1.5 million.^{106a} During this reporting period, 89 stations were reported complete.¹⁰⁷ A SIGIR on-site inspection of station renovations in Basrah found poor quality work in several areas. For a summary of this inspection, see Section 3. During this reporting period, work was set to begin on a \$3.4 million renovation of the Baghdad Central Railway station and two equipment maintenance facilities, budgeted at \$10.4 million, were near completion at Baji and Samawa.¹⁰⁸

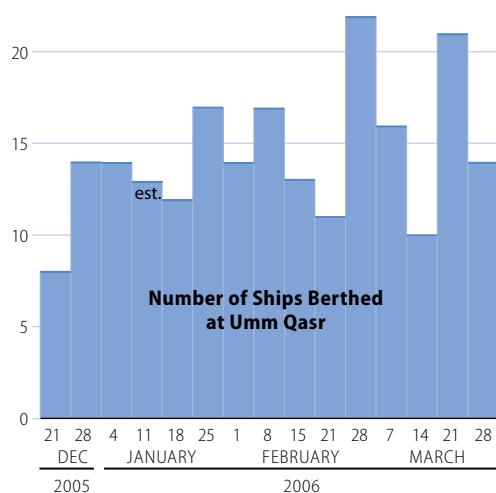
TRANSPORTATION AND
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Figure 2-16

NEW SHIP BERTHS AT UMM QASR

Number of Berths

Source: IRMO *Weekly Status* reports, 12/28/05–3/28/06

GRD-PCO is spending \$125 million on non-construction railway projects. Much of this funding has been spent on track-maintenance machinery, spare parts, and tools and materials.¹⁰⁹ One of the largest projects, costing \$54 million, provides communications for a train-control system, which is essential to a viable, national railway system. The project is expected to be completed by early 2007,¹¹⁰ but it faces a major challenge. Training on implementation and operation of the system is scheduled for July 2006 in the United States. However, obtaining travel permits from the Iraqi government for the trainees has been difficult. IRMO reported that this may cause this project to fail.¹¹¹

Outputs of IRRF-funded Railway Projects

Iraq's 1,522 miles of rail lines and 107 rail stations were in poor condition at the end of the 2003 conflict.¹¹² IRRF 2 money has not been

used to repair track but instead has been used to purchase tools and machinery needed for Iraqi workers to accomplish the repairs.¹¹³ U.S. projects have also helped bring the number of operational locomotives from 25 immediately after the war to 100 currently.¹¹⁴ Although the majority of funding has been allocated to non-construction projects, GRD-PCO does plan to repair 106 out of 107 rail stations in Iraq.

Outcomes of IRRF-funded Railway Projects

Although there has been progress in refurbishing railway stations and locomotives, the security situation in Iraq has contributed to a gap between planned and actual train movements. Train activity has declined substantially from post-war levels because of attacks concentrated in a six-mile section in Latafiya, south of Baghdad. No trains have operated along the Baghdad-Basrah-Umm Qasr route since February 2006, and PCO trains have not operated since



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January 2006. Figure 2-17 shows weekly train traffic for 2006.

While the effects of U.S. projects have not been felt by many Iraqis, improvements in security have enabled the Iraqi Republic Railway (IRR) to operate two large trains daily along the Mosul-Rabiya line, importing food, consumer goods, and fuel from Syria and Turkey.¹¹⁵

AIR TRANSPORTATION

Key Air Transportation Projects Completed and Underway

Iraq last conducted normal air transportation operations in 1989 when airlines carried about 1.2 million passengers to 42 destinations within Iraq and abroad. UN sanctions from 1990 to 2003 grounded most civil international air traffic, although there were still sporadic flights into Baghdad.¹¹⁶ Airports in Iraq were not maintained during the sanction years and

suffered further damage during the 2003 conflict. A 2003 UN/World Bank study noted that the two international and three major domestic airports in Iraq were incapable of supporting commercial operations and that most of the electromechanical systems were useless.¹¹⁷

In May 2003, USAID began emergency work at Bagdad International Airport (BIAP) and Basrah International (BIA). U.S. projects have since restored commercial operations at two international airports—BIAP and BIA—and regional operations at Mosul, Kirkuk, and Irbil.¹¹⁹ The program goal is to bring all of these airports up to the standards of the International Civil Aviation Organization. Work in Basrah will be complete in May 2006, and work in Baghdad and Mosul is estimated to be complete by August 2006.¹²⁰

During the last reporting period, IRRF 2 allocations for civil aviation decreased by \$38 million, to \$76 million.¹²¹ U.S. projects alone will not bring Iraqi airports to international standards; Iraqi efforts and funding will also be required.¹²²

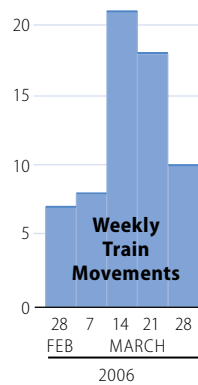


Figure 2-17
VOLUME OF RAIL TRAFFIC
Number of Train Trips
Sources: IRMO *Weekly Status Reports*, 2/28/06–3/28/06

Outputs of IRRF-funded Air Transportation Projects

After the 2003 war, Coalition forces provided air traffic approach and control services.¹²³ BIAP was returned to Iraqi control in August 2004.¹²⁴ Since September 2004, Iraqi Airways has operated a single Boeing 737 airplane, recently adding a Boeing 767 and other aircraft via leases.¹²⁵ A recent SIGIR project assessment at the Mosul Airport found that U.S.



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projects there were of high quality and that sustainability has been adequately addressed. For a summary of this assessment, see Section 3 of this Report.

Outcomes of IRRF-funded Air Transportation Projects

During the week of March 20-26, 2006, there were 291 civil aviation operations at BIAP.¹²⁷ Figure 2-18 shows the number of daily commercial flights at BIAP from this past quarter.

ROADS AND BRIDGES

This section outlines the key U.S. projects to improve roads and bridges in Iraq. SIGIR does not report outcomes in the roads and bridges subsector.

Key Road and Bridge Projects Completed and Underway

In 2003, Iraq was estimated to have 25,230 miles of roads, and 85% of the roads were paved.¹²⁸ Although roads were not seriously damaged during the 2003 conflict,¹²⁹ only 50% of the expressways were then estimated in “good” condition, and only 20-30% of secondary and village roads were in “good” condition.¹³⁰ Insurgent attacks after the war further damaged the road infrastructure, especially to the main highway connecting Baghdad and Amman.¹³¹

PCO reports that five bridges will be rebuilt by January 2008, at a cost of \$21.2 million. Two major roadway projects are also in their initial stages. The 54-mile highway between Baghdad

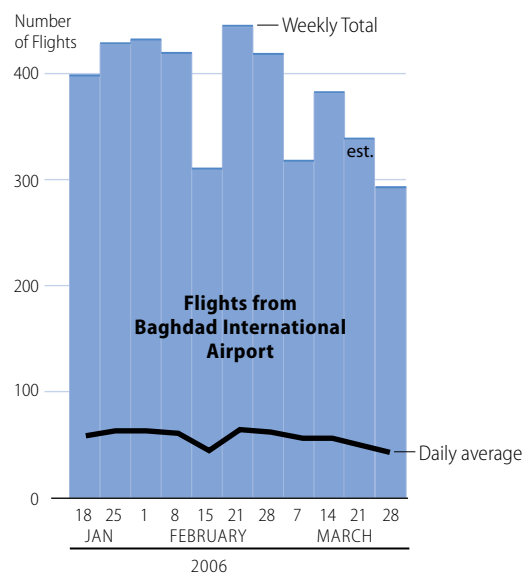


Figure 2-18
VOLUME OF FLIGHTS AT BAGHDAD INTERNATIONAL AIRPORT
Number of Flights
Sources: IRMO *Weekly Status* reports, 1/18/05–3/28/06

and Kirkuk will be upgraded to four lanes by December 2008, at a cost of \$27.9 million. The 43.4-mile highway between Diwaniyah and Semawa is also being upgraded to four lanes. It will be completed in January 2008, at a cost of \$15.5 million.¹³⁴

Major U.S. programs are also underway to repair small roads. The Village Roads Program, a \$38 million effort overseen by GRD-PCO, will provide 263 miles of improved roads, of which more than 50% has been completed to date.¹³⁵

A SIGIR assessment team reviewed a small section of village roads outside of Mosul and found that the project is on target. The team



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found problems with the design drawings of the project; but all other work was consistent with the contract. SIGIR also conducted two limited on-site inspections of road projects in Basrah and Thi-Qar. Summaries of these limited on-site inspections and the Mosul assessment—including aerial imagery of a road project in An Najaf—are in Section 3 of this Report.

Small roads are also receiving up to \$52 million through the Provincial Reconstruction Development Committees (PRDCs), which will allow provincial councils to prioritize the road projects in their respective provinces.¹³⁶ At the end of this reporting period, 59 projects, valued at \$49.5 million, had been approved. The projects are intended to meet key needs for Iraq's national highways, with scheduled completion in April 2007.¹³⁷

Outputs of IRRF-funded Road and Bridge Projects

U.S.-funded projects have focused on only a small percentage of roads and bridges in Iraq. Table 2-4 compares the cumulative total of miles of road repaired and built, as well as the number of bridges repaired and built, against pre-war levels.

TELECOMMUNICATIONS

Key Telecommunications Projects

Completed and Underway

Nearly \$20 million in IRRF was allocated to modernize the Iraqi Telephone and Post Company (ITPC). During this reporting period, 9 postal trucks and 26 vans were purchased and delivered for \$1.3 million.¹³⁸ PCO also plans

to construct or renovate 36 Iraqi post offices for \$2.83 million. To date, the projects are 41% complete; when finished, they will provide mail service for one million Iraqis.¹³⁹ The Iraqi telecommunications system was originally allocated \$90 million, but now has only \$48 million to initiate long-term upgrades and increase capacity and sustainment.¹⁴⁰

An allocation of \$20 million was also made available to rebuild the Al Mainoun Telecommunications Center. This technology center will house major switching elements of the Iraqi Telephone Network, the national operations center, and international gateway equipment.¹⁴¹

The \$70 million Consolidated Fiber Network (CFN) is intended to rehabilitate and extend the existing ITPC fiber network. When complete, the CFN will allow the Ministry of Electricity to control the electrical system and communicate via the network. By the end of this reporting period, 82% of the cable was installed, and the project is scheduled to be completed in summer 2006.¹⁴²

The National Communications and Media Commission (NCCMC) was originally allocated \$25 million, but now has only \$20 million. To date, the headquarters for NCCMC has been finished and equipped, and a training strategy plan is in progress.¹⁴³

Outputs of IRRF-funded Telecommunications Projects

The first Gulf War and the air strikes of 1998 severely damaged the telecommunications infrastructure. During the war, Coalition forces



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ROADS AND BRIDGES REPAIRED AND GOAL

OUTPUTS METRIC	PRE-WAR LEVEL (2003)	PLANNED REPAIRS/PAVING – GRD/PCO ONLY, AS OF MARCH 29, 2006
Miles of Road	25,230 21,450 paved *Only 50% of expressways and 20-30% of secondary roads in "good condition"	Village roads: 263* City carriageways: 125 Major roads: 17 Total: 405 *Village Roads program originally planned for 445 miles
Number of Bridges	1,156 *In poor condition or completely destroyed	10 *5 funded by IRRF, 5 funded by DFI

Sources:
Pre-war Level: Note, these figures are rough estimates. United Nations/World Bank, "Joint Iraq Needs Assessment," October 2003, p. 23.
Miles of road repaired: GRD-PCO, "Response to SIGIR request dated February 25, 2006," March 29, 2006, p. 8.
Number of bridges repaired: DoS Email to SIGIR, March 31, 2006.

Table 2-4

bombed many Iraqi telephone exchanges to disrupt communications within the country.¹⁴⁴ After combat operations in 2003, 12 of Baghdad's 38 switching stations were out of service, which made nearly 45% of all landlines inoperable. USAID repaired all 12 of these stations using IRRF 1 funds.¹⁴⁵ To date 35 of 42 ITPC sites have fiber connectivity through the CFN project,¹⁴⁶ with approximately 106 miles of fiber lines operational.¹⁴⁷

Outcomes of IRRF-funded Telecommunications Projects

Before the war, only the Kurdish governorates had a civilian mobile phone network, but now wireless technology is the most popular com-

munication method in Iraq. In late 2003, the Iraq Ministry of Telecommunications granted three, two-year licenses for Global System for Mobile Communications (GSM).¹⁴⁸ Although the U.S. Embassy provided technical guidance to the NCMC in awarding these licenses¹⁴⁹ and the CPA designed and built a "first responder" network for security forces,¹⁵⁰ most development in wireless communications has come through private investment. Table 2-5 compares the current number of telephone subscribers with the pre-war numbers.

Before the war, Internet access was expensive and carefully controlled, and only a few thousand users subscribed. After the war, the state-owned Internet service provider—State



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Company for Internet Services (SCIS)—began addressing the challenges of Iraq’s limited regulation, policy, and legal framework.¹⁵¹

Currently, there are about 213,000 SCIS Internet subscribers in Iraq; most Iraqis continue to gain access through cafes and hotels.¹⁵² DoS estimates that there are 2,000 Internet cafes and Internet access points in Iraq.¹⁵³

CURRENT TELEPHONE SUBSCRIBERS VS. PRE-WAR LEVELS

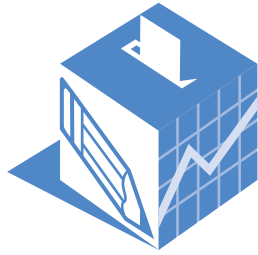
OUTPUTS METRIC	PRE-WAR LEVEL (2003)	CURRENT STATUS AS OF 3/28/06
Landline subscribers	833,000	1,036,854
Mobile Phone subscribers	80,000	5,261,789

Sources:

Pre-war Levels: Economist Intelligence Unit, Country Profile 2005-Iraq, 2005, p. 34; International Telecommunication Union, World Telecommunication/ICT Indicators, No Date, p. A-30. Available online at http://www.itu.int/ITU-D/ict/statistics/at_glance/cellular03.pdf.

Current Status: IRMO, Weekly Status report, March 28, 2006, p. 19.

Table 2-5



STATUS OF DEMOCRACY, EDUCATION, AND PRIVATE SECTOR DEVELOPMENT

This SIGIR review examines U.S. spending on democracy programs, education, and private sector development. Projects reviewed in this sector include construction or rehabilitation of education facilities and training programs in education, democracy, and private sector development. Many of the private sector development projects have focused on providing the Iraqi government with technical advice on institutional and market reforms.¹⁵⁴

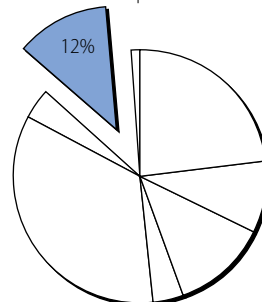
After initially focusing IRRF 2 funding almost exclusively on large infrastructure projects in 2004, U.S. spending in this sector was reoriented through a series of reallocations specifically designed to support elections in 2005.

These are the highlights of the report on democracy, education, and private sector development:

- These sectors have IRRF 2 allocations of \$2.249 billion. (See figure 2-19.) Other donors, including the World Bank, have seen education as a priority and have funded projects in this sector. In their 2003 needs assessment, the UN and World Bank estimated that the human resource development sectors needed \$6.7 billion in the near- and medium-term.¹⁵⁵
- More than 90% of projects (8,613) have been completed in this sector, and 872 are ongoing.
- A total of 5,108 schools have been repaired and rehabilitated, and more than 47,000 teachers have been trained. It has been difficult to derive the precise number of schools refurbished and constructed because these projects had multiple funding sources and implementing agencies.

Figure 2-19
DEMOCRACY, EDUCATION, AND PRIVATE SECTOR DEVELOPMENT SECTOR AS A SHARE OF IRRF FUNDS
 % of \$18.439 Billion
 Source: DoS *Iraq Weekly Status Report*, 03/29/06

Democracy, Education, and Private Sector Development





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- Private sector development projects have focused on training programs and technical advice to the Iraqi government on institutional and market reforms. These programs have helped to set the stage for economic growth based on private sector initiatives. The Iraqi economy grew by an estimated 75% between 2002 and 2005, and some of this growth is directly linked to U.S. programs.

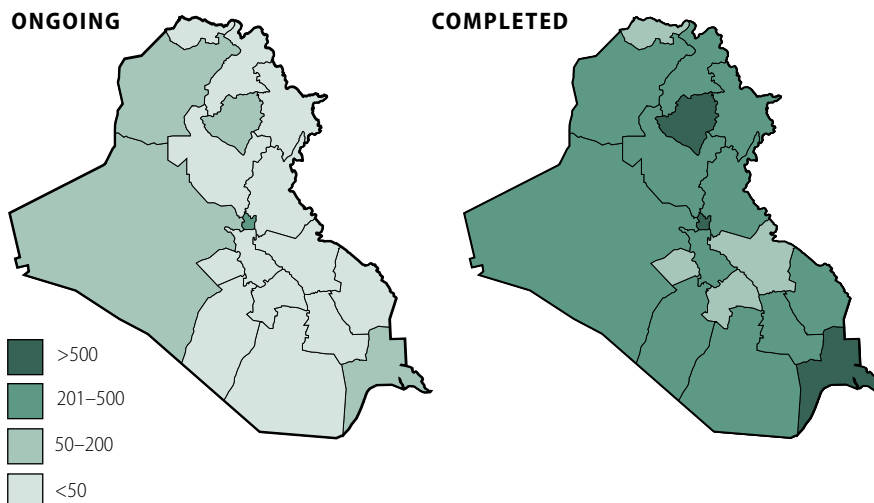
Figure 2-20 shows reconstruction activity in this sector by governorate.

IRRF-funded Activities in Democracy, Education, and Private Sector Development

By the end of this quarter, more than 93% of the sector’s funding had been obligated, and 67% had been expended. Democracy, education, and private sector development were originally allocated \$533 million in November 2003,¹⁵⁶ but allocations have been increased to more than \$2.2 billion, for an increase of 322%, which is shown in Table 2-6. Figure 2-21 shows the status of funds in the democracy, education, and private sector development sector.

Three wars, sanctions, and massive corruption under the Saddam regime degraded Iraq’s economy in every area. After the first Gulf War, there was little national investment in the services sector. The education system of Iraq was

Figure 2-20
**DEMOCRACY, EDUCATION, AND PRIVATE SECTOR
DEVELOPMENT PROJECTS BY GOVERNORATE**
Number of Projects
Source: IRMS–IRMO Rollup file, 03/31/06





DEMOCRACY, EDUCATION,
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Figure 2-22
**STATUS OF DEMOCRACY, EDUCATION, AND
PRIVATE SECTOR DEVELOPMENT PROJECTS**
Number of Projects
Source: IRMS--IRMO Rollup File, 03/31/06

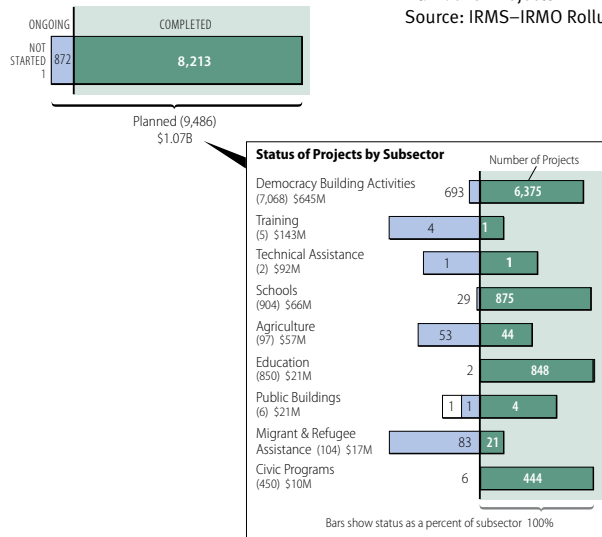
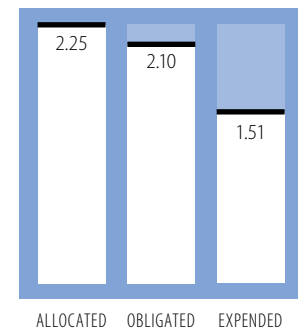


Figure 2-21
**STATUS OF DEMOCRACY, EDUCATION, AND
PRIVATE SECTOR DEVELOPMENT FUNDS**
\$ Billions
Source: DoS *Iraq Weekly Status Report*, 03/31/06



IRRF 2 ALLOCATION CHANGES FOR DEMOCRACY, EDUCATION, AND PRIVATE SECTOR DEVELOPMENT (DOLLARS IN MILLIONS)

2207 SECTOR	CONGRESSIONAL ALLOCATION, NOV. 2003	CURRENT ALLOCATION, MARCH 2006	CHANGE IN DOLLARS	PERCENTAGE CHANGE
Private Sector Development ¹	\$153	\$805	\$652	426%
Education, Refugees, and Human Rights	\$280	\$410	\$130	46%
Democracy ²	\$100	\$1,033	\$933	933%
Total for Democracy, Education, and Private Sector Development	\$533	\$2,248	\$1,715	322%

¹ \$360 million of private sector development is allocated to Iraqi debt forgiveness as required by Congress to enable implementation of the U.S.-Iraq bilateral debt agreement signed pursuant to the Paris Club debt forgiveness arrangement.

² \$100 million was made available for democracy-building activities from the justice, public safety infrastructure, and civil society sector.

Sources: U.S. Congress, Public Law 108-106, 117 Stat. 1225; DoS *Iraq Weekly Status Report*, March 29, 2006.

Table 2-6



DEMOCRACY, EDUCATION, AND PRIVATE SECTOR DEVELOPMENT

once among the best in the region, but schools and universities seriously declined during the past two decades.

Although 8,613 projects have been completed (91%) in this sector, the project completion rate is not evenly distributed among subsectors: private sector development programs lag, as do projects focused on refugee assistance. Figure 2-22 shows the status of projects in the sector.

DEMOCRACY

Since the last quarter, democracy-building initiatives have received approximately \$38.5 million in additional funding,¹⁵⁷ reflecting the premium that the U.S. government places on consolidating the success of the nationwide elections in December 2005. The development of a broadly representative national unity government in Iraq is a key to stabilizing the country.¹⁵⁸

Democracy Projects Completed and Underway

During the quarter, the United States continued to promote IRRF-funded local democracy-building initiatives, working through the Coalition Provincial Reconstruction Teams (PRTs) and the newly created Provincial Reconstruction Development Councils (PRDCs). The PRDCs comprise local officials and community leaders in each of the 18

governorates who are empowered to make decisions about local reconstruction priorities. Staffed by both civilian and military personnel skilled in various development specialties, the PRTs will help monitor reconstruction programs and various outreach efforts in the governorates. PRT staff help the leaders of their respective governorates prioritize initiatives to address the needs of the local people. As funds become available, the PRTs use those funds to help execute contracts that address the concerns of the local people and generate short-term employment opportunities and civic education initiatives.¹⁶¹

Cumulatively, \$126 million in IRRF funding was obligated to oversee and support the election and political process.¹⁶³ Support has also been given to media training and coalition-building initiatives, including workshops and educational training, to encourage political parties not represented in parliament to remain engaged in the constitutional process.¹⁶⁴

USAID also manages a number of democratic development initiatives, including:

- Community Action Program (CAP)
- Iraqi Civil Society and Independent Media Program
- Local Governance Program II

Because of funding shortfalls, current plans are to fund only the Local Governance Pro-



DEMOCRACY, EDUCATION,
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gram II in the future. This program promotes diverse and representative participation in local government in all 18 governorates. The program also offers training in government management and works with civil society organizations to help them become more involved in the public sector.

Outputs of IRRF-funded Democracy Projects

To date, only 4 of the 18 PRTs have been fielded, and a fifth is pending deployment. An agreement was reportedly reached in early-April 2006 between DoS and DoD, with DoD agreeing to provide security for the PRT teams already in the field.¹⁶⁷

According to USAID, 750,000 Iraqis have participated in 22,000 democracy dialogues initiated under the Local Governance Program II.¹⁶⁸ This program was also used to establish or rebuild 16 governorate councils, 90 district councils, 194 city or sub-district councils, and 437 neighborhood councils. The Local Governance Program II has also provided training to 88% of newly elected Iraqi political leaders, supported efforts to increase the participation and role of women in the new Iraqi democracy, and assessed PRDCs to help identify and prioritize local governance efforts.¹⁶⁹

The USAID CAP operates throughout Iraq to promote democracy and help mitigate conflict at the local level. This program has thus far established more than 1,400 community associations throughout the country and has created more than 2 million short-term jobs.¹⁷⁰

USAID also reports that the Civil Society

Program has issued 400 small grants, totaling \$3.5 million.

Outcomes of IRRF-funded Democracy Projects

The transition to democracy and representative government is a significant development for Iraq given its history. Representative structures are being built at the local and national levels. A persistent insurgency, ethno-sectarian violence, and human rights violations, however, all continue to threaten the development and consolidation of democratic governance.

Approximately 14,000 Iraqi citizens have received training on the role of elected members of parliament and how to advocate for citizens' rights,¹⁷² and more than 1,000 media managers have received training under CAP; smaller media outlets, in particular have demonstrated improved skills in reporting on complex social topics.¹⁷³ Finally, USAID activities helped provide electoral support to organize and manage the three milestone democratic events that occurred in January, October, and December 2005. Specifically, USAID-led initiatives helped build the capacity of Iraqi political parties, supported the transitional and constitutional processes, and promoted voter awareness.¹⁷⁴ For an overview of progress toward democracy in Iraq, see Figure 2-23.

EDUCATION

This section presents the key projects and outputs in the DoS *Section 2207 Report* sectors: Education, Refugees, Human Rights, and Gov-



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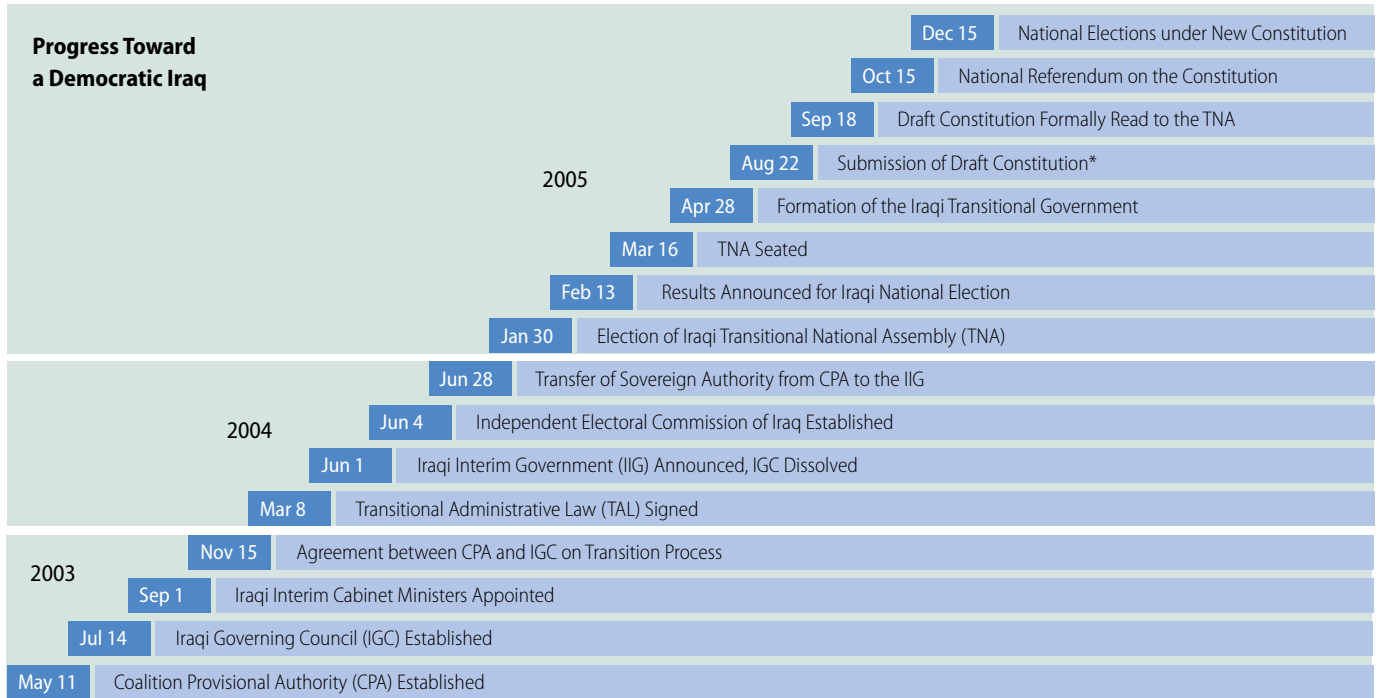


Figure 2-23
**MILESTONES OF PROGRESS TOWARD
A DEMOCRATIC IRAQ**
Source: DoD 9010 Report, February 2006

*Pursuant to the TAL, the TNA extended the deadline from August 15 until August 22

ernance; and education construction projects in the Roads, Bridges, and Construction sector. The outcomes of education projects will not be realized for some years; therefore, SIGIR does not report on them in this subsection.

Education Projects Completed and Underway

Renovations on the Malk Al Ashtar School project in Diwaniyah were completed during this reporting period. This project will ben-

efit approximately 2,000 Iraqi students who are currently attending classes in two inferior facilities. Refurbishment of the Imam Ali School in Karbala was also completed, serving approximately 960 students.¹⁷⁵

In addition, the Al Watan School in Beni-Zaid has refurbished classrooms, offices, and storage rooms, as well as a new schoolyard for the secondary school. This work will benefit more than 300 local students. The Al Ara-



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biyah School in Istiglal also received repairs and upgrades of its structural, mechanical, plumbing, and electrical building systems, all to the benefit of approximately 250 students.¹⁷⁶ Construction on a \$100,000 USACE school renovation project in Adhamiyah was also recently completed; it is expected to benefit approximately 250 students in grades K-6.¹⁷⁷

In Section 3 of this Report, SIGIR reports its findings on inspections of various school construction projects. The inspections reveal that, although the quality of workmanship at a primary school in Dahuk was good, the quality of workmanship at three other school projects assessed in the governorate of Thi-Qar appears to be low.

Several non-construction projects have also been completed in this subsector. The Revitalization of Iraq Schools and Stabilization of Education (RISE) is funded through an IRRF 1 contract valued at \$62.6 million and an IRRF 2 contract valued at \$56.5 million (a total of \$119.1 million).

USAID has also partnered with the United Nations Children's Fund and the United Nations Educational, Scientific, and Cultural Organization to provide educational sector assessments, teacher training, health education, and an accelerated learning program for out-of-school youth. The programs have received grants of \$29.6 million.

More than \$20 million has gone to the Higher Education and Development Program, which partners higher education in Iraq with U.S.-led university consortiums.¹⁸⁰ More than

1,500 Iraqi faculty and students have benefited from this program.¹⁸¹

Outputs of IRRF-funded Education Projects

Until the 1980s, the education system in Iraq was considered to be a model for the region. However, the system has steadily deteriorated because of Saddam Hussein's neglect, a lack of resources during multiple wars, and the politicization of the system.¹⁸² In 2003, the UN/World Bank needs assessment reported that rehabilitating the Iraqi education system to its 1980s level must be at the heart of the reconstruction effort, and that it could take \$4.8 billion.

The major cause for the deterioration of the education sector's infrastructure was Saddam Hussein's decision to terminate almost all maintenance and new construction of school facilities after the 1991 Gulf War when international sanctions came into force. Education expenditures fell from \$620 per student in 1989 to \$47 in 2002. During the 2003 conflict, many school buildings were damaged further by bombing and looting.¹⁸³

Just before the 2003 war, there were more than 14,000 schools in Iraq; an estimated 11,000 of those needed repairs or refurbishments. The specific purpose of the GRD-PCO school program was to refurbish existing facilities to restore them to an acceptable level to promote a healthy learning environment.¹⁸⁴ In February 2003, USAID reported that the coalition goal for physical reconstruction of school facilities would be to repair or rehabili-



DEMOCRACY, EDUCATION,
AND PRIVATE SECTOR
DEVELOPMENT

tate 6,000 schools within 18 months after the end of conflict.¹⁸⁵

As of March 31, 2006, GRD-PCO reported that it has successfully constructed or refurbished 800 schools using IRRF 2 funds,¹⁸⁶ and USAID had reported the construction or refurbishment of 2,943 with funding from both IRRF 1 and IRRF 2.¹⁸⁷ In addition to the schools completed by PCO and USAID, 1,365 schools have been refurbished by MNF-I, which also includes funding through the Commander’s Emergency Response Fund (CERP).¹⁸⁸

For a breakdown of total schools in Iraq versus IRRF funded activities, see Table 2-7.

Non-construction education projects have successfully trained thousands of teachers. USAID has also provided Iraqi schools with hundreds of thousands of desks, chairs, and

chalkboards, and more than three million school kits.¹⁸⁹ Table 2-8 shows the cumulative total of teachers trained with IRRF 2 funding.

REFUGEES, HUMAN RIGHTS, AND GOVERNANCE

This section presents projects covered in the DoS *Section 2207 Report* sector for Education, Refugees, Human Rights, and Governance. Results and effects are difficult to measure in the short term for refugees, human rights, and governance components of the subsector and so are not presented in this section.

Projects Completed and Underway

Migration and Refugee Assistance received an increase of \$27 million in IRRF 2 funding

TOTAL SCHOOLS IN IRAQ VERSUS IRRF FUNDED ACTIVITIES

TOTAL SCHOOLS (2003)	SCHOOLS NEEDING REPAIR (2003)	SCHOOLS COMPLETED	SCHOOLS IN PROGRESS	SCHOOLS NOT YET STARTED
14,121	11,000	2,358 – USAID IRRF 1 585 – USAID IRRF 2 800 – PCO IRRF 2 1,365 – MNF-I	N/A – USAID IRRF 1 221 – USAID IRRF 2 3 – (PCO) N/A – MNF-I	N/A – USAID IRRF 1 N/A – USAID IRRF 2 1 – PCO IRRF 2 N/A – MNF-I

Sources: DoS *Section 2207 Report* Executive Summary, April 2006, p. 18; USAID and PCO responses to SIGIR data calls on April 19, 2006.

TABLE 2-7



DEMOCRACY, EDUCATION,
AND PRIVATE SECTOR
DEVELOPMENT

CUMULATIVE TOTAL OF TEACHERS TRAINED WITH IRRF 2 FUNDING

OUTPUT METRIC	FUNDING	CURRENT STATUS AS OF 3/31/06	GOAL BY END-STATE
Teachers Trained	\$5.6 million	47,695	60,000

Sources: USAID, SIGIR Data Request submitted by DoS, March 24, 2006; USAID, Email to SIGIR, April 7, 2006; USAID, Email to SIGIR, April 19, 2006.

TABLE 2-8

last quarter, reaching \$186 million in total allocations. This includes cash grants for displaced persons, a capacity-building program, and work and relocation programs.¹⁹⁰

The DoS Bureau of Democracy, Human Rights, and Labor (DRL) and USAID have been allocated \$15 million to promote human rights in Iraq.¹⁹²

USAID is working on governance issues with the Ministry of Finance. Two contracts have been awarded to reform the tax, legal, fiscal, institutional, and regulatory frameworks in Iraq. The first, funded at \$79.6 million from IRRF 1, was completed in September 2004. The second, funded by \$184.6 million from IRRF 2, was awarded during the same month.¹⁹³ The U.S. Department of Treasury is working to establish modern central bank functions, with \$35.1 million from IRRF 1 and IRRF 2.¹⁹⁴ During the last quarter, bank restructuring recommendations were presented to the Ministry of Finance for consideration.¹⁹⁵

PRIVATE SECTOR DEVELOPMENT

This section presents the key projects in private sector development. SIGIR has not been able to verify the total number of Iraqis trained as a result of U.S. projects. It is difficult to measure the results of U.S. projects promoting institutional and market-based reforms in Iraq. As a result, outputs and outcomes are not presented for this subsector.

Projects Completed and Underway

USAID awarded two contracts in October 2004 for private sector development. The first—a \$154 million contract—was intended to provide assistance in privatizing state-owned enterprises, developing capital markets and trade policy, and training Iraqis in business management. The second—a \$12 million contract—was to build and maintain business centers that provide training and technical assistance to businesses.¹⁹⁶

At the program level, \$53 million has been made available for microfinance loans,¹⁹⁷ and \$184 million for institutional and market-



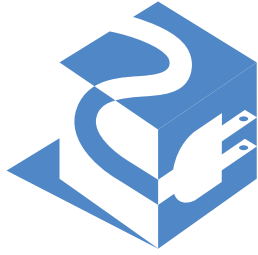
DEMOCRACY, EDUCATION, AND PRIVATE SECTOR DEVELOPMENT

based reforms. These reforms focus on helping develop the Iraq Stock Exchange, Iraq Securities Commission, and Iraq Association of Securities Dealers.¹⁹⁸ Work is also progressing on measures to support Iraq's membership in the World Trade Organization.

During last quarter, the \$75 million Vocational Training program was terminated because Iraq's government has changed priorities.²⁰⁰ A business skills training program, allocated \$40 million, was also closed out this

quarter by USAID. The program provided for \$3 million in grants for small and medium business startups, and training for 2,436 Iraqi entrepreneurs.²⁰²

The agriculture sector employs more Iraqis than any other sector; about a quarter of the Iraqi workforce is in the agriculture sector.²⁰³ Agriculture programs have been allocated \$105 million. These programs mainly focus on tractor repairs, training, and irrigation systems.²⁰⁴



STATUS OF THE ELECTRICITY SECTOR

This review updates the status of U.S. reconstruction projects to rebuild Iraq's infrastructure for generating, transmitting, and distributing electricity. SIGIR makes the following observations about progress over the last quarter in the electricity sector:

- By the end of the quarter, 44% of planned projects in this sector were complete,²⁰⁵ and 48% of the allocated dollars had been expended. More than \$700 million of the \$4.22 billion are still left to be obligated (See Figure 2-26). In addition, 1 nationwide project has been completed, and 33 nationwide projects are currently ongoing in the electricity sector.
- The current predicted completion date for all GRD-PCO projects in this sector is January 2008. However, at current rate of expenditures, actual completion by this date will not be met.
- IRRF-funded U.S. electricity projects have contributed 2,710 megawatts (MW) to Iraq's generation capacity. Overall genera-

tion capacity available to the grid, however, is currently below the estimated pre-war level—4,004 MW currently, compared to 4,500 MW before the war.

- For the week ending March 28, 2006, the average load served was 91,092 megawatt hours (MWH). Last year, during this same time period, the average was 86,700 MWH.
- On average, Iraqis outside of Baghdad are now receiving more hours of power than they did before the war. In Baghdad, there is less power (eight hours a day) than before the 2003 conflict. However, pre-war power distribution emphasized Baghdad's needs over the rest of the country.
- Slow progress in this sector can be attributed to many of the same challenges as found in other sectors: security, increased demand caused by growth and subsidies, widespread pre-war deterioration in the sector, corruption and theft, poor equipment operation and maintenance, and fuel shortages.

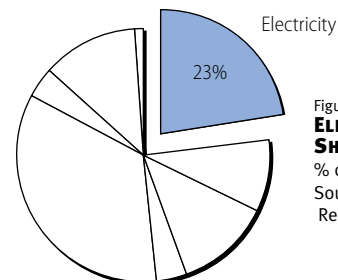


Figure 2-24
ELECTRICITY SECTOR AS A SHARE OF IRRF FUNDS
 % of \$18.439 Billion
 Source: DoS *Iraq Weekly Status Report*, 03/29/06



Figure 2-25 shows reconstruction activity in this sector by governorate.

IRRF-funded Activities in the Electricity Sector

Only 58 projects in this sector (9.6%) have yet to begin,²⁰⁶ and 44% are complete. To date, 63 design/build (D/B) projects valued at \$758 million have been completed and are operational. The 51 ongoing D/B projects valued at \$496 million are expected to be completed by June 2007.²⁰⁷ All GRD-PCO projects in this sector will be completed by January 2008.²⁰⁸

During the reporting period, \$240 million was disbursed in this sector—an increase of 67% from last quarter’s \$144 million. More than 80% of the sector’s funding has been obligated, and nearly half (48%) of the funding has been expended. Figure 2-26 shows the status of funds in the electricity sector, as of March 29, 2006.

Key Projects Completed and Underway

The U.S. reconstruction program in the electricity sector has three major types of projects:

- *Generation facilities*, which produce capacity for the power system
- *Transmission networks*, which carry that power throughout the country
- *Distribution networks*, which deliver the transmitted power to local areas, homes, and businesses

GENERATION

One of the largest IRRF-funded generation projects, the Al-Doura power plant, will add 280 MW to the power grid and serve more than 1.5 million people in the Baghdad area.²⁰⁹

Khor Al Zubayr power plant, the other large power-generation facility constructed with IRRF 2 funds, was completed at the end of last

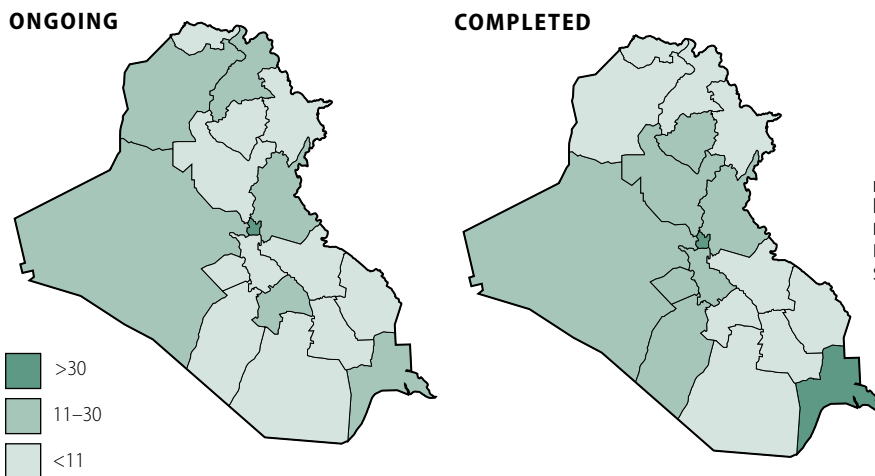


Figure 2-25
ELECTRICITY PROJECTS BY GOVERNORATE
 Number of Projects
 Source: IRMS—IRMO Rollup File, 03/31/06



Figure 2-27
STATUS OF ELECTRICITY PROJECTS
 Number of Projects
 Source: IRMS—IRMO Rollup File, 03/31/06

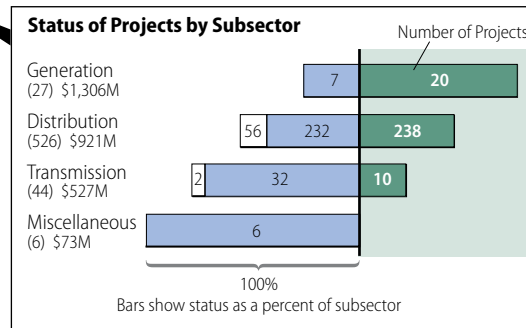
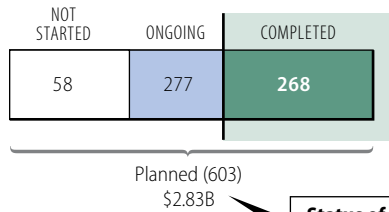
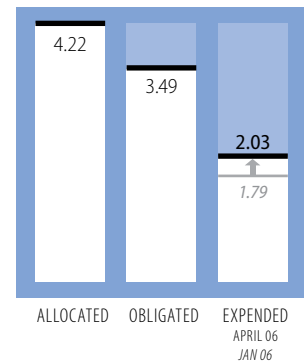


Figure 2-26
STATUS OF ELECTRICITY FUNDING
 \$ Billions
 Source: DoS Iraq Weekly Status Report, 03/29/06



quarter, and the plant is now operational. It is supplying 250 MW of power for the 1.5 million residents of Basrah.²¹⁰

GRD-PCO completed the refurbishment of a turbine at the Nassiriyah power plant, restoring 28 MW of generation capacity at a cost of \$21 million.²¹¹ Additionally, GRD/PCO completed the refurbishment of three gas turbine units, restoring 64.5 MW at the Petrochemical Power Plant.²¹²

As the construction component of the power generation program wraps up, the focus is now on improving Iraq's capacity to maintain the plants and continue to develop the sector independently. The execution of the newly awarded long-term Operations and Maintenance (O&M) support contract is critical to preventing the deterioration of the power generation plants.

TRANSMISSION

During this reporting period, \$305 million of deferred funds were reinstated to the sector to fund transmission projects in Iraq. This funding will be used to build substations and to supplement existing overhead lines.²¹³ Eleven transmission projects were started this quarter.²¹⁴

DISTRIBUTION

GRD-PCO reports that 46 distribution projects were completed this quarter, and 42 distribution projects started.²¹⁵ During this quarter, SIGIR conducted an assessment of the \$3.4 million Erbil City Transformer project. The SIGIR team observed good construction, effective project management, and adequate



sustainment efforts at the project site. If work continues in this fashion, the team concluded that the project will improve electricity service in the area. For a summary of the assessment, see Section 3 of this Report.

The Outputs of IRRF-funded Electricity Projects

The outputs of U.S. electricity projects are measured by generation capacity added in megawatts. U.S. reconstruction projects have contributed more than 2,700 MW of generation capacity. When all projects are complete, the

United States is expected to have contributed more than 3,700 MW of generation capacity.

Despite the success of U.S. projects, generation capacity now falls below the pre-war level and the goal for summer 2006. Table 2-9 shows the estimated pre-war level and summer goal compared to the current level. It is important to note that the current status of 4,004 MW provides only a snapshot, and production can be influenced by many factors, including weather, security problems, and system maintenance. Table 2-10 compares the summer 2006 goal for generation capacity with cur-

CURRENT ELECTRICITY GENERATION CAPACITY VS. PRE-WAR LEVEL (Megawatts)

OUTPUTS METRIC	PRE-WAR LEVEL AS OF MARCH 2003	IRAQ GOAL FOR JULY 2006	CURRENT STATUS AS OF MARCH 28, 2006
Generation Capacity	4,500	6,000	4,004

Sources: Pre-war Level: UN/World Bank Joint Iraq Needs Assessment, 2003, p. 28. Note: GAO recently reported the pre-war level as 4,300 MW (GAO Report 06-697T, April 25, 2006, p. 19)
 Goal: Joint U.S.-Iraqi Electricity Action Plan, March 12, 2006, p. 2.
 Current Status: IRMO, Weekly Status Report, March 28, 2006.

TABLE 2-9

ELECTRICITY GENERATION PROJECT OUTPUTS

IRAQ GOAL FOR JULY 2006	CURRENT U.S. CONTRIBUTION, AS OF MARCH 31, 2006	CURRENT U.S. CONTRIBUTION AS A PERCENTAGE OF JULY 2006 GOAL, AS OF MARCH 31, 2006	TOTAL PLANNED U.S. CONTRIBUTION
6,000 MW	2,710 MW	45%	3,710 MW

Sources:
 Goal: Joint U.S.-Iraqi Electricity Action Plan, March 12, 2006, p. 2.
 Current Status: IRMO, Weekly Status Report, March 14, 2006.
 Current and Total U.S. Contributions: SIGIR Data Call from DoS/NEA-I, March 24, 2006.

TABLE 2-10



rent U.S. contributions and the U.S. goal for contributions.

Outcomes of IRRF Projects

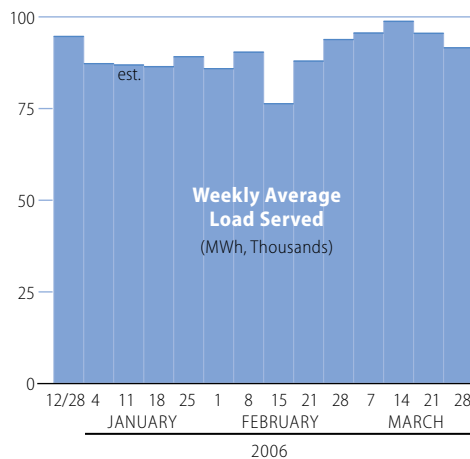
During this reporting quarter, the “hours of power per day” increased by several hours to exceed pre-war levels countrywide. In Baghdad, this metric continues to lag behind pre-war levels, in part because of a strategic

decision to provide power more equitably throughout the country. Current hours of power per day in Baghdad have been rising to near the 2006 Iraqi goal supported by the U.S.-Iraqi Joing Electricity Action Plan.

A comparison between the current load served and the same quarter last year shows that the load served has increased: for the week ending March 27, 2005, load served was 86,700 MWh.²¹⁶ Load served averaged 91,092 MWh per day for the week ending March 28, 2006.²¹⁷ However, this is well below the goal of 110,000 MWh.²¹⁸ Figure 2-28 shows the weekly average load served during this quarter.

Table 2-11 demonstrates the outcomes of U.S. projects in relation to the pre-war levels.

Figure 2-28
ELECTRICITY LOAD SERVED
 Megawatt Hours (MWh)
 Source: IRMO Weekly Status Reports, 12/28/05–03/28/06



Challenges

SIGIR continues to examine the challenges in this sector reported during last quarter’s Report, including rising demand that now exceeds generating capacity. This quarter, SIGIR also looked at O&M in the electricity sector. Other challenges include the lack of a centralized monitoring and control system and a shortage of fuels to operate power plants.²¹⁹

CURRENT OUTCOMES VS. PRE-WAR LEVEL AND GOALS

OUTCOME METRIC	PRE-WAR LEVEL	IRAQ GOAL FOR JULY 2006	CURRENT STATUS AVERAGE OF WEEK ENDING 3/28/06
Iraq Hours of Power/Day	4-8	12	16
Baghdad Hours of Power/Day	16-24	12	8

Sources:
 Pre-War level: Department of State Briefing by U.S. Embassy Baghdad, November 30, 2005.
 Goals: Joint U.S.-Iraqi Electricity Action Plan, March 12, 2006, p. 2.
 Current Status: IRMO, Weekly Status Report, March 28, 2006.

TABLE 2-11



The deteriorated infrastructure in Iraq continues to affect reconstruction efforts in the sector. Infrastructure security also remains a problem. Security in the electricity sector was the subject of SIGIR Audit 06-009, which reviewed the Task Force Shield programs to protect the electric and oil infrastructure. The electricity component of this security program—EPSS—was found to be unsuccessful and “barely got started before it was cancelled.”

RISING DEMAND

Demand for electricity in Iraq continues to outstrip the total generation capacity by more than 60% (6,429 MW demanded vs. 4,004 generation capacity).²²¹ Thus, generators are commonly used in Iraqi homes to make up for the shortage. DoS estimates that private generators provide up to 2,000 MW of generating capacity.^{2-z}

The surge in demand from pre-war levels stems from a growing economy, fueled by Iraqi purchases of new appliances and electronics and by the subsidized prices charged for electricity by the Iraqi government. According to the World Bank, Iraqis pay less than one cent per kilowatt-hour.²²² This is much lower than rates in other countries in the region: Iranians, Jordanians, and Syrians pay 1.5 to 5 cents per kilowatt-hour.²²³ The artificially low rate provides little curb on demand.

Electricity revenues in Iraq also suffer from a collection rate of less than 30%,^{221a} partly



Electricity transmission tower

because of inoperable meters and the dangerous work environment.²²⁵ The “collection of revenue is the best method to encourage the efficient use of electricity and thereby reduce the total usage.”²²⁶

The supply shortage has ramifications for every key infrastructure sector. Water supply stations often require on-site generators to operate. And the oil sector would virtually shut down without power because pump stations, refineries, and injectors cannot function without electricity.



OPERATIONS AND MAINTENANCE

SIGIR continues to examine the O&M problem in the electricity sector, where estimates are that the lifespan of a generator in Iraq is 10-25% of the lifespan of properly maintained equipment.²²⁷ The joint action plan for electricity from IRMO and the Iraqi government calls for an increase in generation capacity of 854 MW by July 2006, which will be achieved through new O&M projects and programs.²²⁸ The United States is partnering with the Iraqi government to implement a comprehensive O&M plan.²²⁹ This \$80 million program is part of the joint action plan and will develop the technical capacity of Iraqis, which is vital to the sustainability of the electricity system. The program includes:

- on-site training and mentoring at eight sites
- communication, control, and monitoring of power plants
- training on gas turbine technology²³⁰

The U.S. government and the Iraqi Ministry of Electricity are concentrating on securing the sustainable operations of completed generation facilities in order to maximize power generation for the summer. The Ministry of Electricity and U.S. government have developed, and are beginning to implement, a coordinated sustainability plan that includes the execution of improved inspections, provision of spare parts and consumables, and regular maintenance for plant equipment. The production of electricity in Iraq will decline unless the plan's objectives are realized and incorporated into the daily operation of Iraqi-controlled facilities.²³¹





STATUS OF THE OIL AND GAS SECTOR

This review updates the status of U.S. reconstruction projects to increase Iraqi oil production and exports, improve natural gas production, and enhance critical fuel-refining capabilities. Project work is designed to maintain major production fields and to repair key facilities and infrastructure.

SIGIR makes these observations about progress in the oil and gas sector:

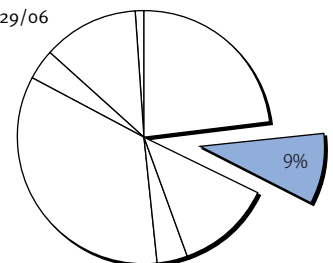
- Expenditures in the sector increased to 47% of allocated funds this quarter. At the current rate of expenditure, this sector will not be complete until after the end of 2006.
- Oil production, which is at 2.18 million barrels per day (BPD), is below pre-war levels and also below the Ministry of Oil goal of 2.3 million BPD.
- Exports are below pre-war levels and relatively stagnant.
- The reasons for the low production and export levels are the severely deteriorated infrastructure, insurgent attacks, and limited sustainment capability.
- Corruption in the oil and gas sector is a continuing problem that could have devastating effects on both the progress of sector reconstruction and on the overall status of the reconstruction and democracy-building effort in Iraq.

The situation in the oil and gas sector has not changed considerably since the January 2006 Report. Crude oil production climbed back to 2.0 million BPD in early March 2006, having averaged lower output levels in January and February, chiefly because of storage and weather issues in the Persian Gulf. Production throughout March 2006 has steadily increased each week, reaching 2.18 million BPD during the last week of the month.

Although U.S.-funded projects continue to progress in developing the sector, Iraqis are not yet fully benefiting from their nation's enormous oil supply. Security and critical infrastructure challenges have not improved significantly since the last quarter, and allegations of corruption in the Ministry of Oil present a substantial challenge to reconstruction.

Total funding for the oil and gas sector has changed little since last quarter, increasing by nearly \$15 million to \$1.736 billion because of proposed funding increases for the Al Fatah

Figure 2-29
OIL AND GAS SECTOR AS A SHARE OF IRRF FUNDS
 % of \$18.439 Billion
 Source: DoS Iraq Weekly Status Report, 03/29/06





crossing and the Infrastructure Sustainment Program.²³² Figure 2-29 shows the current allocation in oil and gas sector funding as a percentage of total IRRF funding.²³³

The total number of planned projects in this sector increased to 180, including 120 Engineering and Procurement (EP) and 60 Engineering, Procurement, and Construction (EPC) projects.²³⁴ The EP projects are non-construction, primarily to provide spare parts, training, procurement, and other services. These projects include:

- 57 projects executed by design-build contractors for Iraqi operating companies that worked on construction
- 21 government procurement projects
- 27 area task orders
- 15 capacity-development projects for training Ministry of Oil employees and the personnel of Iraqi operating companies²³⁵

Table 2-12 shows the completion status for EP and EPC projects as of the end of the quarter. Figure 2-30 shows reconstruction activity in this sector by governorate. Figure 2-31 shows the status of projects by subsector.

IRRF-funded Activities in the Oil and Gas Sector

Critical oil and gas facilities are nearing completion, and U.S. reconstruction officials hope that construction in the sector will be complete by the end of this year.²³⁶

During this reporting period, \$170 million was expended—up from the \$110 million expended last quarter—bringing the cumula-

tive total to \$820 million. Though almost 90% of the sector's funding has been obligated, only 47% has been expended. The next quarter is expected to have the largest project completion rate, assuming that project schedules hold. If the pace of expenditures for the last six months continues, construction will not be complete until well into next year. Figure 2-32 shows the status of funds in the oil and gas sector.

Key Oil and Gas Projects Completed and Underway

The Al Basrah Oil Terminal (ABOT) task order was 30% complete as of April 6, 2006,²³⁷ comprising 13 individual projects scoped that will provide a total crude-oil loading capacity of 6 million BPD.²³⁸ PCO reported to SIGIR that, as of March 31, 2006, 3 of the 13 projects had been completed,²³⁹ upgrading the safety, effectiveness, and efficiency of loading crude oil onto tankers. This refurbishment helped increase the load-out capacity of one portion of the terminal to its capacity of 3 million BPD.²⁴⁰

The Iraqi Ministry of Oil is beginning to work on a system to meter (and thus measure) all oil production and the flow of petroleum products to foreign markets for export. This metering initiative will complement the metering project being executed by the United States at ABOT,²⁴¹ which is 29.9% complete.²⁴²

Although the Al Fatah pipeline crossing initiative in northern Iraq has suffered repeated delays associated with security, logistical, and weather problems, it is now approaching completion. Its estimated completion date is May 2006, and the project is 96% complete,



OIL AND GAS

EP vs. EPC PROJECT STATUS SUMMARY

TYPE	TOTAL PROJECTS	NOT STARTED	ONGOING	COMPLETED
EP ¹	120	20	72	28
EPC ²	60	5	42	13

Sources: ¹GRD Bi-weekly Situation Report, April 3, 2006, p. 9; ² Iraq Reconstruction Management System (IRMS), as of March 31, 2006.

TABLE 2-12

Figure 2-31

STATUS OF OIL AND GAS PROJECTS

Number of Projects

Source: IRMS—IRMO Rollup File, 03/31/06

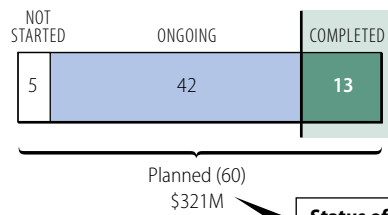
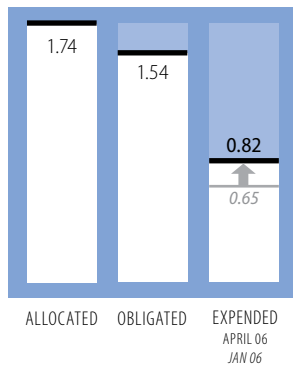


Figure 2-32

STATUS OF OIL AND GAS FUNDS

\$ Billions

Source: DoS Iraq Weekly Status Report, 03/29/06



Status of Projects by Subsector

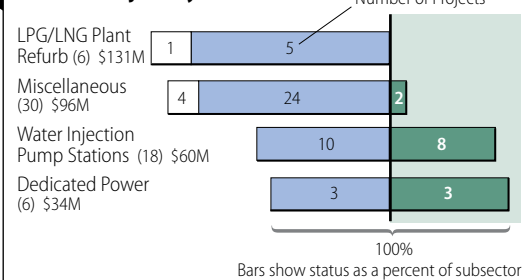


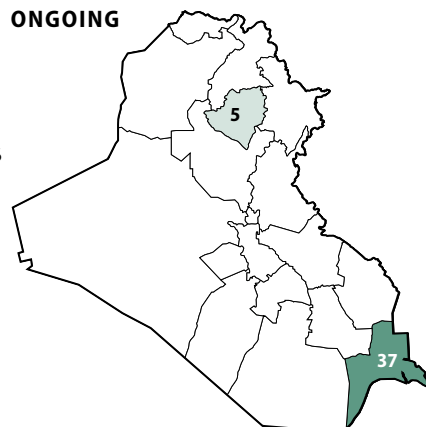
Figure 2-30

OIL AND GAS PROJECTS BY GOVERNORATE

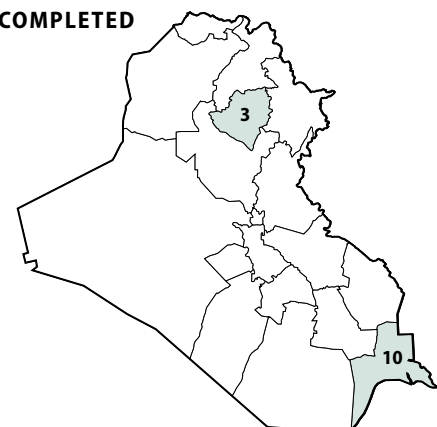
Number of Projects

Source: IRMS—IRMO Rollup File, 03/31/06

ONGOING



COMPLETED





Loading oil tankers at the Al Basrah Oil Terminal

with \$64 million of work accomplished out of a budget of \$67 million.²⁴³ Al Fatah connects crude oil and natural gas distribution from the northern oil fields in Kirkuk to the Baiji Refinery and power plants. The crossing also carries oil through the Iraq-Turkey Pipeline (ITP), the northern route for oil exports. The project is expected to add an additional 300,000 BPD of capacity to the ITP.²⁴⁴

At the Qarmat Ali water injection plant, a task order was initiated to provide treated water for injection wells to maintain reservoir pressure and help sustain production levels in one of the largest southern fields.²⁴⁶ The project will result in increased oil production capacity of 200,000 BPD. Phase I was completed in November 2005, and Phase II is scheduled for

completion by December 2006.²⁴⁷

GRD-PCO also reported progress on 14 Gas-Oil Separation Plants (GOSPs) being refurbished throughout Iraq.²⁵⁰ GOSPs separate associated gas, water, and salts from crude pumped from the well. The GOSPs already completed in northern Iraq have added 300,000 BPD of crude oil production capacity.²⁵¹ The 14 refurbished GOSPs are expected to have the capacity to treat 1 million BPD of crude oil.²⁵² The GOSP projects are expected to be completed by September 2006.²⁵⁴

According to GRD-PCO, five Natural Gas Liquids/Liquefied Petroleum Gas (NGL/LPG) processing plants and storage facilities are currently undergoing refurbishment,²⁵⁵ with the objective of producing 3,000 tons per day



Liquid petroleum gas plant at Khor Zubair

(TPD) of LPG to meet domestic demand. These projects will be completed by September 2006.²⁵⁶ The SR3R Compressor Station in Basrah, which was 57% complete as of mid-March, is considered a critical production component toward reaching the LPG goal of 3,000 TPD.²⁵⁷

Outputs of IRRF-funded Oil and Gas Projects

Progress has been made in improving outputs in this sector, but since reconstruction began 95 oil and gas projects have been descope or cancelled. Some of these include projects that address flared gas recovery, expansion of existing storage capacity, and pipeline repairs and upgrades.²⁵⁸ Projects were descope or

cancelled because they were not required to achieve the oil program objectives or because the Ministry of Oil took control of them.

Outcomes of IRRF-funded Oil and Gas Projects

There are at least two ways to measure overall progress in reconstructing the oil and gas sector:

- production capacity, which measures how many barrels of crude oil can be pumped on a daily basis
- daily production levels

Table 2-13 presents both of these metrics and weighs them against their respective pre-war levels and overall U.S. and Iraqi goals.

The Iraqi budget assumes a crude oil pro-



duction average of 2.3 million BPD for 2006,²⁶¹ gradually increasing production to hit 2.5 million BPD by the end of this year. For much of 2006, however, oil production has remained below 2.0 million BPD because of logistical bottlenecks in the south caused by rough seas and a lack of storage, which forced wells to be shut down. Production crept above 2.0 million BPD in March 2006.

Insurgent attacks account for a significant proportion of diminished output in the north, particularly when insurgents target crude pipelines from the Kirkuk oil fields to Baiji. This results in decreased production of crude oil, which impacts the production of refined fuel and thus the generation of electricity.

Northern production averaged 424,000 BPD in 2004 and 312,000 BPD in 2005.²⁶² Current production capacity for the northern fields is estimated to be about 600,000 BPD.²⁶³ Southern crude oil production has a greater oil production capacity, amounting to approximately 1.9 million BPD.²⁶⁵ It provides the majority of Iraqi national production, averaging 1.83 million BPD in 2004 and 1.77 million BPD in 2005.²⁶⁶ Figure 2-33 shows a timeline of oil production levels.

EXPORTS

The oil and gas sector remains the economic mainstay of the Iraqi economy: crude oil exports account for about 94% of Iraq's national income. In 2005, oil exports were estimated to generate \$23.5 billion in revenue,²⁶⁸ but this

positive outcome had more to do with high crude prices than production levels. Exports suffered a variety of setbacks throughout 2005, including insurgent attacks in the north, bad weather, low storage capacity in the south,²⁶⁹ slower than planned reconstruction, and allegations of corruption in Iraqi ministries. Revenues from oil exports in 2006 are forecast to reach approximately \$28 billion by the end of this year.²⁷⁰ Figure 2-34 shows a timeline of monthly exports and associated revenues.

However, exports decreased from a monthly average of 1.37 million BPD in February 2006 to 1.34 million BPD in March, mostly because of poor weather conditions at ABOT.²⁷¹ Overall, average losses in potential export earnings between October and December 2005 were approximately \$90 million per month, and these losses continued into 2006.

REFINING

Domestic refining of critical refined fuels has been limited, particularly regarding domestic fuels. The causes for unstable refining capacity include: post-war accelerated product demand, insurgent attacks on critical oil infrastructure, dilapidated infrastructure, weak operations, and overdue maintenance.²⁷³

Unstable production of critical refined fuels has affected Iraqi access to domestic commodities like gasoline and kerosene, and adversely impacted other sectors. Most notably, the electric sector has suffered many fuel shortages that have caused blackouts.²⁷⁵ During these



CURRENT OIL AND GAS PROJECT OUTCOMES VS. PRE-WAR LEVELS AND GOALS

OUTCOMES METRICS	PRE-WAR LEVEL (2003) ²⁵⁹	CURRENT STATUS	U.S. END- STATE GOAL	IRAQ END- STATE GOAL
Oil Production Capacity (million BPD)	2.6	2.5	2.8	2.8
Oil Production (Actual) (million BPD)	2.58	2.18 ^c	2.8 ^a	2.3 ^b
Export Levels (million BPD)	Not Available	1.32	2.2 ^a	1.65 ^b
Natural Gas Production (MSCFD)	Not Available	600	800	Not Available
LPG (TPD)	Not Available	1,200	3,000	Not Available

^aAccording to a DoS energy expert, these targets are not annual averages.

^bAccording to a DoS energy expert, these targets are annual averages.

^cMarch 27–April 2, DoS *Iraq Weekly Status Report* p. 22

Sources: DoS *Iraq Weekly Status Report*, DOE Country Analysis Brief, meetings and interviews with SIGIR, DoS briefing by U.S. Embassy-Baghdad Oil Metrics (11/30/2005), and “The Oil Story of Iraq,” by PCO (3/2006)

TABLE 2-13

blackouts, water and sewage processing facilities must rely on on-site electricity generators. Figure 2-35 shows days of stock for critical refined fuels since January 2005.

The low domestic production levels of critical refined fuels have led to high demand for costly imports from abroad, most notably from Turkey. Problems associated with the Iraqi government making import payments on time have led Turkish suppliers to refuse to continue delivering these products until being guaranteed payment.²⁷⁷ According to a SIGIR interview with a U.S. government oil expert, no new truck shipments have loaded from Turkey since January 21, 2006. Fuel trucks that were waiting to enter Iraq were allowed to proceed as scheduled; the last of these trucks reached their destinations in Iraq in early March. On February 15, 2006, an initial agreement was reached, but only two payments were subse-

quently made to Turkish exporters, and the dispute continues.

Challenges

The World Bank reports that the short-term outlook for a significant increase in oil production and exports in Iraq remains uncertain. Maintaining current production levels would require new annual investments of at least \$1 billion.²⁷⁸ These projections indicate the difficulty ahead in the effort to reach both Iraqi- and U.S.-stated goals for the sector.

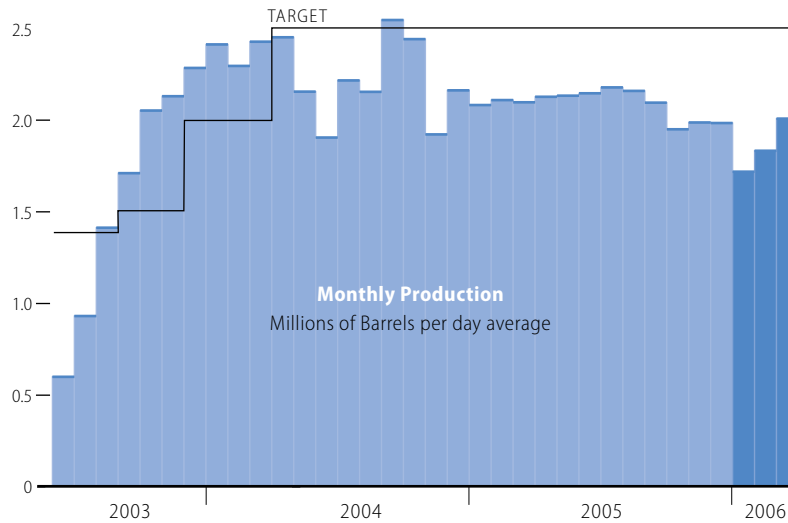
SECURITY

The World Bank reports that “oil production and exports remain heavily constrained by rundown facilities and sabotage.”²⁷⁹ Attacks on oil infrastructure remain a serious problem, despite attempts to bolster infrastructure secu-



OIL AND GAS

Figure 2-33
CRUDE OIL PRODUCTION
 (Millions of BPD)
 Source: IRMO



rity forces. The Ministry of Defense is responsible for guarding pipelines, while the OPF, under the control of the Ministry of Oil, is tasked with guarding all other Iraqi oil industry assets.²⁸⁰ SIGIR's initial assessment (SIGIR 06-009) of programs to train and deploy Iraqi oil protection forces indicated that they have been largely unsuccessful. See Sector 3 of this Report for a full discussion.

Attacks on the northern pipeline have reduced northern oil exports, which account for approximately 15-20% of all oil exports.²⁸¹ These attacks have placed a greater production burden on the southern fields and facilities, which are constrained by limited storage facilities. For instance, on February 1, 2006, insurgents attacked a new desulphurization plant in Kirkuk, which reportedly has a capacity of 1 million BPD. An older plant was brought online to make up for the loss, but it has a capacity of only 500,000 BPD, resulting in a

substantial drop in northern production.²⁸²

According to the World Bank, the “volatility of oil export revenues may hamper the prospects of Iraq’s reconstruction program.”²⁸³ Moreover, the repositioning of financial resources within the sector to address security concerns has had a deleterious effect on overall oil and gas development.²⁸⁴

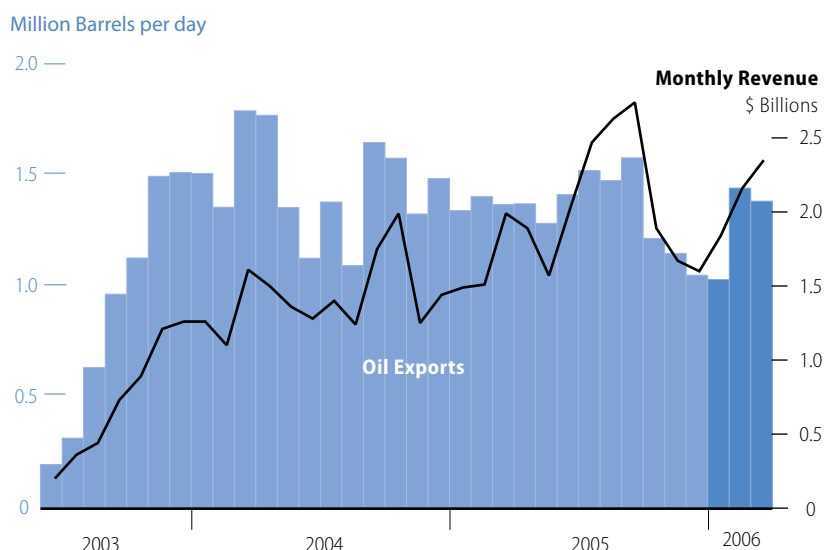
SUSTAINMENT

The sustainment of U.S.-funded projects continues to be an important aspect of successfully developing the oil and gas sector. SIGIR reported last quarter that U.S. reconstruction agencies have launched a variety of programs aimed at bolstering capacity development and improving operations and maintenance practices at oil and gas facilities. Reconstruction officials have also launched a number of training courses to address petroleum refining,



OIL AND GAS

Figure 2-34
OIL EXPORTS VS. REVENUE RAISED
 Source: DoS Iraq Weekly Status Reports,
 06/2003 – 03/2006



project management, distribution and marketing, leadership, human resource management, and financial methods.²⁸⁵

DETERIORATED INFRASTRUCTURE

In the January 2006 Report, SIGIR identified the deteriorated state of Iraq's oil infrastructure as a significant factor slowing the progress of restoring oil production.

The decision to not prioritize the refurbishment of existing storage facilities or construct new ones, for instance, has affected production, particularly in the south, where exports are impacted by external variables like bad weather in the Gulf, which has lowered production rates and led to harmful crude oil re-injection practices. The decision to descope or cancel a project related to expanding existing storage capacity is potentially problematic given the limited existing storage capacity. The

decision to not focus more heavily on natural gas and refinery refurbishment is also becoming a sector reconstruction challenge effort.

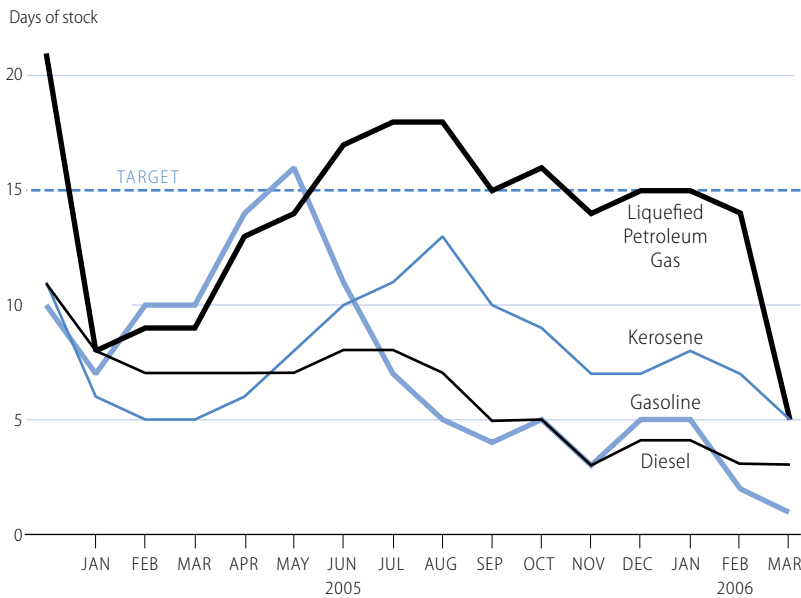
ALLEGATIONS OF CORRUPTION

In 2005, Transparency International ranked Iraq 136th worst of 159 countries that suffer from corruption.²⁸⁷ In the oil and gas sector, in particular, continued market distortions encourage illicit activity and corruption. These market distortions are driven primarily by large government subsidies and state domination of the economy.²⁸⁸

According to one analysis, "corruption has diverted much of Iraq's oil revenue from reconstruction to the bank accounts of government officials and their friends in organized crime."²⁸⁹ A high-ranking reconstruction official stated in mid-February 2006 that corruption is particularly troubling in the oil and



Figure 2-35
INVENTORIES OF CRITICAL REFINED FUELS
 Days of Stock
 Source: DoS Iraq Weekly Status Reports, 01/2004 – 03/2006



gas sector precisely because of oil’s economic significance and the lack of an effective and extensive metering system to gauge how much is being pumped relative to what is getting to market.²⁹⁰ Moreover, the insurgency has reportedly been partly funded by corrupt activities within Iraq and from skimming profits from black marketers.²⁹¹

The Iraqi government took steps in December 2005 to dismantle the fuel subsidy system. This is a positive start toward reducing the incentives for such corruption within the Ministry of Oil, as well as reducing smuggling.

Additionally, continued assistance to support the Commission on Public Integrity, the Board of Supreme Audit, and the Ministry of Oil’s Inspector General can help mitigate the corruption in the sector.



STATUS OF THE WATER SECTOR

This review updates the status of U.S. reconstruction projects in Iraq to increase access to clean water and sewerage services and improve water resource management capabilities. SIGIR makes the following observations about progress in the water sector:

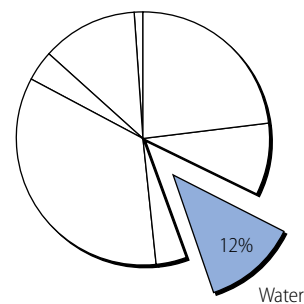
- The sector currently has allocations of \$2.13 billion. (See Figure 2-39.) Almost all projects in this sector have started, and nearly two-thirds are complete. However, only 42% of allocated funds have been expended, with the most expensive projects still to be completed.
- More than \$600 million is yet to be obligated in the water sector.
- The focus in this sector is now on completing projects and ensuring that they are sustained. The Water Sector Sustainment Program (WSSP), new in 2006, provides

\$110 million for sustainment activities.

- Currently, IRMO metrics show that 3.0 million more people have access to clean water, and an additional 5.1 million people have access to sanitation services since the 2003 conflict because of U.S. projects.

During this reporting period, \$202 million was expended, bringing the cumulative total to \$892 million for projects in this sector. Currently, 427 of the 676 total local projects are complete. In addition, 3 nationwide projects have been completed, and 17 nationwide projects are currently ongoing in the water sector. Figure 2-37 shows reconstruction activity in this sector by governorate.

Figure 2-36
WATER SECTOR AS A SHARE OF IRRF FUNDS
 % of \$18,439 Billion
 Source: IRMS-IRMO Rollup File, 03/31/06





IRRF-funded Activities in the Water Sector

At the end of this reporting period, 63% of projects were complete. Water sector funding is not expected to be fully expended until 2008.²⁹⁵ All USAID projects will be completed by August 2006.²⁹⁶ Figure 2-38 shows the status of projects in the water sector.

During this quarter, \$202 million was disbursed—a sharp drop from last quarter’s \$295 million in expenditures. Although more than 70% of the sector’s funding has been obligated and nearly two-thirds of projects are complete, only 42% has been expended, as of March 29, 2006. Figure 2-39 shows the status of funds in the water sector.

Key Water Projects Completed and Underway

SIGIR reported last quarter on the December 2005 insurgent attack on a convoy at the Erbil Water Treatment Plant project.²⁹⁷ The project will now be delayed beyond the original completion date of April 2006.²⁹⁸ The \$193 million project was 94% complete at the end of March, with final completion expected by June 2006. The plant will provide 144,000 cubic meters (m³) of water per day, which will serve 333,000 residents in Erbil and the surrounding areas.²⁹⁹

The Nassriya Water Treatment Plant is now 70% complete.³⁰⁰ The completion date was originally estimated to be June 2006,³⁰¹ but was recently pushed back to October 2006.³⁰² The setback is attributed to tribal conflicts, a shortage of trained workers, the replacement of

an unqualified subcontractor, logistics delays at the Iraq-Kuwait border, foundation problems, and schedule and safety issues at some of the water tank construction sites.³⁰³ Valued at \$234 million, the completed water treatment plant will provide 240,000 m³ of water per day serving more than 555,000 people.³⁰⁴

122 of the 157 Small Water Rehabilitation Program (PW-90) projects have now been completed; these projects, valued at \$63 million, will benefit 1.65 million Iraqis.³⁰⁵ An additional \$50 million for small water projects (PW-99 and PW-101) has been earmarked for an estimated 100 new projects.³⁰⁶

A \$30.1 million rehabilitation of the Baghdad water main was completed this quarter, which will provide better service reliability to the people of Baghdad.³⁰⁷ During this quarter, GRD-PCO cancelled the Halabja Water Supply project (\$1.9 million) and descope four projects valued at \$17.2 million.³⁰⁸

Progress continues to be made on the joint Iraqi-USAID initiative for developing a national Strategy for Water and Land Resources for Iraq, the first nationwide water resource master plan completed for the country since 1982. The 14-month Phase 1 of the plan includes data collection and analysis related to water resources, land use, water quality, and crop requirements. The overall goal of the strategy is “to provide a sound and comprehensive basis for the management and development of Iraq’s water and land resources over the next few decades, together with a framework and methodology for ongoing updates to the planning process.”³⁰⁹



Figure 2-37
WATER PROJECTS BY GOVERNORATE
 NUMBER OF PROJECTS
 Source: IRMS-IRMO Rollup File, 03/31/2006

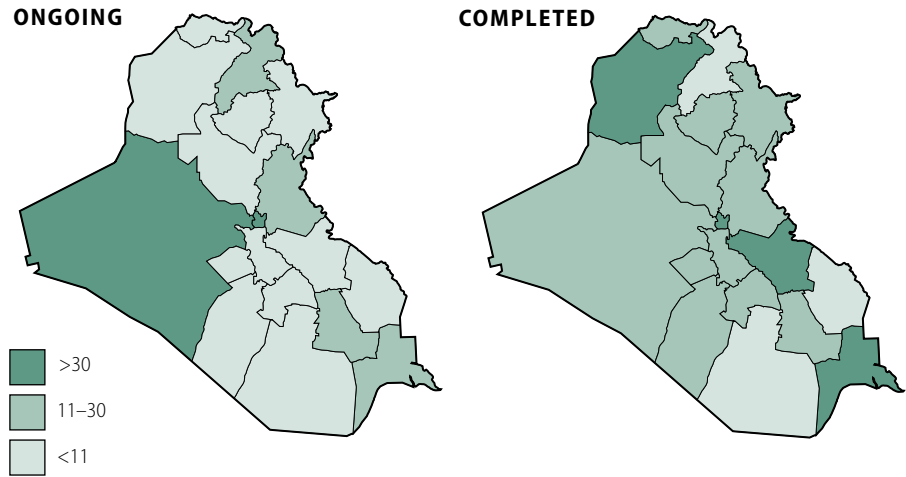


Figure 2-39
STATUS OF WATER FUNDS
 \$ Billions
 Source: DoS Iraq Weekly Status Report, 03/29/06

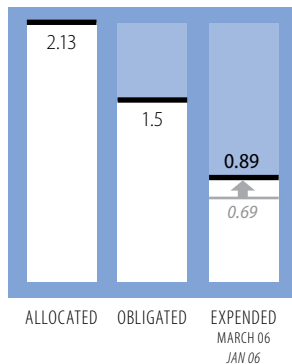
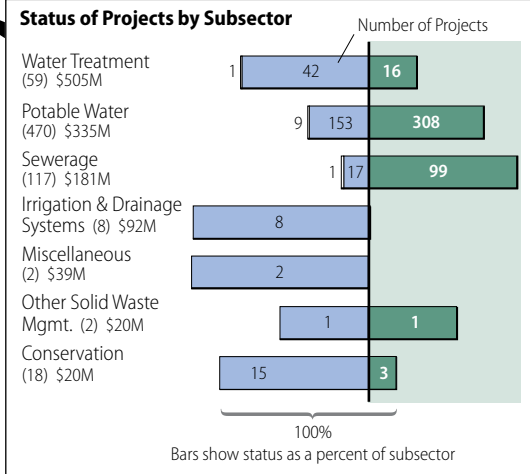
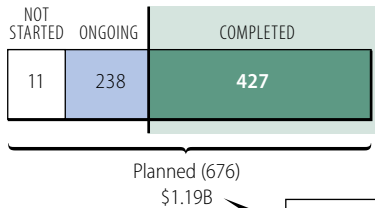


Figure 2-38
STATUS OF WATER PROJECTS
 Number of Projects
 Source: IRMS-IRMO Rollup File, 03/31/06





Water treatment plant at Nassriya

Outputs of IRRF-funded Projects

A 2005 Government Accountability Office (GAO) report concluded that better performance metrics and indicators are needed in the water sector to evaluate U.S. reconstruction efforts. To that end, SIGIR now reports a new output metric, developed by IRMO in cooperation with Iraqi experts, that estimates cubic meters per day of restored or new capacity. With this new metric, additional system capacity for each U.S. project is calculated by taking the difference between the actual system capacity before implementation and the capacity of the system after reconstruction.³¹¹

To date, the United States has repaired or rehabilitated 19 potable water treatment facilities and 9 centralized sewage treatment facilities.³¹³ The outputs of these IRRF-funded projects appear in Table 2-14, which shows the current capacity created by completed U.S. water projects and the anticipated capacity at the end-state, when all planned U.S. projects are completed.

Outcomes of IRRF-funded Projects in the Water Sector

There are a range of estimates of the number of Iraqis who had access to water before the war. Before the first Gulf War, Iraq had an efficient water system that was accessed by 95% of the urban population and 75% of the rural population.³¹⁴ In 2000, the UN and World Bank estimated that roughly 19 million Iraqis had access to water. During the build-up to the 2003 conflict, the continuing sanctions caused a steady decline in access. Last quarter, SIGIR reported that 12.9 million people had access to water before the war.³¹⁵ Other estimates of pre-war coverage range from 9.5 to 14 million people.³¹⁶

It is difficult to measure accurately the total number of Iraqis with access to clean water and sanitation services, but IRMO's new outcome metric to measure the number of people who benefit from U.S. projects has focused the assessment on value added by U.S. projects. This metric for potable water service includes a



Table 2-14

CURRENT U.S. WATER PROJECT OUTPUTS AND ANTICIPATED END-STATE

OUTPUTS (Maximum additional system capacity)	CURRENT STATUS AS OF 03/21/06	ANTICIPATED END-STATE (APRIL 2007)
Potable water	1.1 million cubic meters per day	2.5 million cubic meters per day
Sanitary sewage	1.2 million cubic meters per day	1.2 million cubic meters per day

Sources: IRMO, SIGIR Data Request, received via email on March 24, 2006, p.6.

physical loss factor of 60%, and the metric for sanitation service includes an infiltration factor of 20%. Table 2-15 summarizes data on the outcomes of U.S. water and sanitation projects.

Challenges to Sustainment

SIGIR continues to track the progress of sustainment efforts for U.S. water sector projects. Last quarter, SIGIR noted that a 2005 GAO report found that more than a quarter of reviewed completed projects were not operating at all or were operating at a lower capacity than expected. Since that time, the Water Sector Sustainment Program (WSSP), a new \$110 million sustainment project has been initiated

to address that problem.³¹⁷ WSSP builds on two other major sustainment programs:

- USAID’s Water Sector Institutional Strengthening Program (\$25 million)³¹⁸
- GRD-PCO’s Ministry of Municipalities and Public Water Resources (MMPW) Management Systems training program (\$14.5 million)³¹⁹

According to GRD-PCO, WSSP will include both operations and maintenance support and assistance and capacity development activities. It will ensure that U.S.-funded assets are operated effectively in the near term, while creating favorable conditions for sustained operation by

Table 2-15

CURRENT OUTCOMES OF U.S. PROJECTS AND ANTICIPATED END-STATE

OUTCOME METRIC (Additional people potentially served at a standard level of service, considering actual system conditions)	CURRENT STATUS 03/21/06	ANTICIPATED END-STATE
Potable water	3.0 million people	8.4 million people
Sanitary sewage	5.1 million people	5.3 million people

Sources: IRMO, SIGIR Data Request, received via email on March 24, 2006, p.6; IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.



the MMPW, the Ministry of Water Resources (MWR), and Baghdad Amanat (Mayorality).³²⁰ Capacity-development activities conducted through WSSP will be directly related to sustaining U.S.-funded assets and will include:

- training
- equipment
- technical assistance
- mentoring in the areas of project management
- O&M planning and budgeting
- maintenance management systems
- inventory and warehousing
- vehicle fleet management
- infrastructure protection³²¹

The Capacity Development Initiative (\$11.8 million) is training the technical and managerial staff of the MMPW and MWR in budget-

ing, water quality, project management, utility master planning, and other management skills. This program is scheduled to be finished at the end of this quarter.³²²

Project Partnership Agreements (PPAs) have also been used in the water sector to develop Iraqi capacity. PPAs are agreements between GRD-PCO and the responsible Iraqi organization to offer Iraqis the opportunity to award, administer, and oversee U.S. funded projects. PPAs will be used for a small number of water projects—including the construction of the Baladrooz Water Treatment Plant—to further build capacity in the MMPW and the MWR.³²⁴

CONTRACTS UPDATE

During this quarter, \$944 million of the IRRF was obligated, increasing the cumulative total to \$16.3 billion.³²⁵ As required under Public Law (P.L.) 108-106, as amended, SIGIR lists IRRF contracting actions through the SIGIR Iraq Reconstruction Information System (SIRIS). For a complete list of all IRRF-funded contracting actions received by SIGIR, see Appendix G on the Report CD.

No single U.S. government information system currently captures comprehensive project, contract, and financial information about Iraq reconstruction. To meet its statutory mandate, SIGIR designed and built SIRIS as a repository for all project, contract, and financial data on Iraq reconstruction. SIRIS serves as a warehouse of Iraq reconstruction data from all of the organizations authorized to obligate IRRF monies. The executing agencies feed contracting actions into SIRIS (subject to later validation) from facsimile copies of the source contract documents.

Since the January 2006 Report, SIGIR recorded 407 new contracting actions from Joint Contracting Command-Iraq (JCC-I/A), which obligated more than \$89 million. These contracting actions include modifications to existing contracts, as well as new task orders issued and contracts awarded. Of the \$89 million, more than \$5 million were IRRF obligations issued in 61 new contracting actions. Most of the contracting actions were funded

by the ISFF—179 actions obligating more than \$47 million.

To date, SIGIR has received 4,044 contracting actions into SIRIS, obligating \$12.8 billion. Of those actions, 1,677 have been funded by IRRF for obligations of more than \$5.3 billion.

Currently, no other U.S. information system tracks the \$16.3 billion in IRRF obligations. GRD-PCO plans to develop the capability as part of its newly integrated Iraq Reconstruction Management System (IRMS). See Section 3 for the audit, “Management of Iraq Relief and Reconstruction Fund Programs: The Evolution of the Iraq Reconstruction Management System.”

Competition and Contracting Action Analysis

Analysis of SIRIS contract data uses two parameters: the total number of contracting actions and the total dollar value of contracting actions.

During reconstruction in Iraq, several acquisition strategies were implemented based on project requirements and constraints. For the first two quarters of FY 2006, contracting actions were awarded using primarily full and open competition. Table 2-16 lists the total value of contracting actions by competition type.

For FY 2003, several projects were generally broader in scope and were therefore funded by

contracts with flexible terms. Indefinite delivery, indefinite quantity (IDIQ) contracts have these flexible terms: they are awarded based on the total ceiling value that a contractor may receive. The contractor receives payment only for work on task orders issued under the overall IDIQ contract.

Beginning in FY 2005, the method of solicitation shifted from issuing task orders under large “umbrella” contracts to competi-

tive, supply-and-build direct contracts. Table 2-17 delineates, by fiscal year, the increased gap between the total number of task orders and contracts issued. Table 2-18 breaks out contracting actions by contracting office. For the current fiscal year, contracting actions have been primarily managed by the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A).

TOTAL VALUE OF CONTRACTING ACTIONS BY COMPETITION TYPE, AS OF MARCH 31, 2006 (IN MILLIONS)

COMPETITION TYPE	FY 2003	FY 2004	FY 2005	FY 2006 QUARTER 1	FY 2006 QUARTER 2	TOTAL
Full & Open	\$4,336.85	\$22,964.55	\$1,064.37	\$119.86	\$41.45	\$28,527.07
Sole Source	8,578.54	1,302.64	0.00	0.00	0.00	\$9,881.18
Not Available	69.32	1,468.18	207.74	28.04	1.51	\$1,774.79
Limited Competition	480.01	729.25	39.40	0.00	0.00	\$1,248.65
Set-aside Small Business	29.57	172.60	5.35	0.00	0.00	\$207.52
Small Disadvantaged	112.70	19.52	0.00	0.00	0.00	\$132.22
<i>Subtotal</i>	<i>13,606.99</i>	<i>26,656.73</i>	<i>1,316.85</i>	<i>147.90</i>	<i>42.96</i>	<i>\$41,771.44</i>
Dollars out of Date Range	0.00	0.00	0.00	0.00	0.00	\$141.85
Total	\$13,606.99	\$26,656.73	1,316.85	\$147.90	\$42.96	\$41,913.29

Note: The values above represent the potential “ceiling value” of contracts.

Table 2-16

ANALYSIS OF CONTRACTING ACTIONS BY COMPETITION TYPE, AS OF MARCH 31, 2006

CONTRACTING ACTION	FY 2003		FY 2004		FY 2005		FY 2006	
	QUANTITY	% OF TOTAL	QUANTITY	% OF TOTAL	QUANTITY	% OF TOTAL	QUANTITY	% OF TOTAL
Contracts	32	53.33%	189	34.18%	1428	82.45%	371	81.72%
Task Orders	28	46.67%	364	65.82%	304	17.55%	83	18.28%

Department of State, Iraq Weekly Status, January 4, 2006, and March 29, 2006

Table 2-17

ANALYSIS OF CONTRACTING ACTIONS BY CONTRACTING OFFICE, AS OF MARCH 31, 2006

CONTRACTING OFFICE	NUMBER OF CONTRACTING ACTIONS	% OF TOTAL CONTRACTING ACTIONS	TOTAL VALUE (IN MILLIONS)	% OF TOTAL CONTRACT VALUE
U.S. Army Corps of Engineers	220	5.44%	\$13,572.16	32.38%
Defense Contract Management Agency	888	21.96%	\$7,001.84	16.71%
Coalition Provision Authority	331	8.18%	\$5,555.47	13.25%
U.S. Department of State	12	0.30%	\$5,332.80	12.72%
U.S. Agency for International Development	56	1.38%	\$4,000.64	9.55%
NAVFAC	4	0.10%	\$1,701.34	4.06%
Projects and Contracting Office	1199	29.65%	\$1,031.35	2.46%
AMC	13	0.32%	\$666.59	1.59%
Joint Contracting Command Iraq-Afghanistan	1155	28.56%	\$558.00	1.33%
DCCW	44	1.09%	\$404.82	0.97%
HQ JMC	1	0.02%	\$303.53	0.72%
Pentagon Renovation Office	4	0.10%	\$297.58	0.71%
Ordinance and Engineering	5	0.12%	\$290.80	0.69%
NRCC General Support Division	10	0.25%	\$251.04	0.60%
Defense Contracting Command	2	0.05%	\$191.11	0.46%
U.S. Army Tank-automotive Armaments Command	24	0.59%	\$178.41	0.43%
AFCEE	10	0.25%	\$172.75	0.41%
Acquisition and Assistance Office	1	0.02%	\$119.07	0.28%
Communications Electronics Command	1	0.02%	\$75.00	0.18%
SPAWAR Systems Center	6	0.15%	\$60.87	0.15%
Army Contracting Agency	7	0.17%	\$46.04	0.11%
DITCO	16	0.40%	\$42.11	0.10%
Defense Information Systems Agency	11	0.27%	\$30.13	0.07%
Other	24	0.59%	\$29.84	0.07%
Total	4044	100.00%	\$41,913.29	100.00%

TABLE 2-18



COST TO COMPLETE

Cost-to-complete (CTC) data helps to identify reconstruction sectors that are under-funded and helps to avoid exhausting budgets before project completion. U.S. agencies executing reconstruction projects are mandated by law to produce reliable cost-to-complete data. To do so, agencies must compare the amount budgeted for a project with current estimates of the final costs of the project to determine if there is a variance. This metric helps determine whether a project will run over its budget.

SIGIR reported on efforts to develop CTC data in its January 27, 2006 audit, “Methodologies for Reporting Cost-to-complete Estimates.” In the audit, SIGIR identified several challenges to consolidated reporting of the costs to complete projects, making several recommendations to U.S. reconstruction agency management. Table 2-19 provides the approximate consolidation of data reported by USAID and GRD-PCO into SIGIR progress report sectors. However, several issues prevent a clear accounting of the cost to complete projects in each sector:

- For some sectors (electricity, water, transportation and communications, and health care), the reported variance does not equal the mathematical difference between the authorized amount and the estimate at completion (EAC). This discrepancy occurs in both the GRD-PCO and USAID reports.
- For some sectors (electricity, water, transportation and communications, and health care), the variance reported in the Project Assessment Report (PAR) does not equal the mathematical difference between the authorized amount and the EAC. This discrepancy occurs because USAID uses an internally generated number—Project Identification Form (PIF)—in place of authorized amount in calculating variance.
- The values in the sector authorized amount field do not match the allocated (authorized) amounts for any sector reported in the April 2006 DoS *Section 2207 Report*. GRD-PCO and USAID’s explanation is that they report only construction projects, and they have deemed some projects to be non-construction, even in predominantly construction sectors.

As the reconstruction program moves toward completion in 2006-2007, SIGIR finds that the lack of consistent CTC data makes it impossible to accurately estimate the real costs to complete remaining Iraq reconstruction projects and programs. Thus, SIGIR cannot determine whether the remaining IRRF funds are sufficient to complete the U.S. reconstruction projects that are currently underway or those yet to start.

CONSOLIDATED IRRF COST-TO-COMPLETE REPORTS
GRD-PCO AND USAID PROJECTS, AS OF MARCH 31, 2006
(MILLIONS)

Sector	Authorized Amount	Estimate at Completion (EAC)
Electricity	\$3,605	\$3,520
Water	1,783	1,744
Oil and Gas	1,333	1,341
Security and Justice	1,059	1,022
Transportation and Communications	402	353
Democracy, Education, and Private Sector Development	111	109
Health Care	421	426

Note: Dollar totals are grouped by SIGIR-defined sectors.

Table 2-19

SOURCES OF FUNDING FOR IRAQ RECONSTRUCTION

SIGIR is required to report on the oversight of, and accounting for, funds expended in Iraq relief and reconstruction, under P.L. 108-106, as amended. Three primary funding sources support reconstruction and relief activities: U.S. appropriated funds, international donor funds, and Iraqi funds.

To date, U.S. appropriated funds total more than \$31.9 billion, including:

- \$2.44 billion of reconstruction and relief funding authorized in April 2003 (IRRF 1)
- \$18.439 billion of reconstruction and relief funding authorized in November 2003 (IRRF 2)
- \$5.391 billion of funding approved in May 2005 to support the Iraqi Ministry of Defense and Ministry of Interior security forces (ISFF)
- 16 additional reconstruction and relief programs totaling \$5.63 billion

As of March 31, 2006, international donor pledges totaled \$14.7 billion—\$13.6 billion pledged at the 2003 Madrid Conference on Reconstruction in Iraq, and \$.98 billion in post-

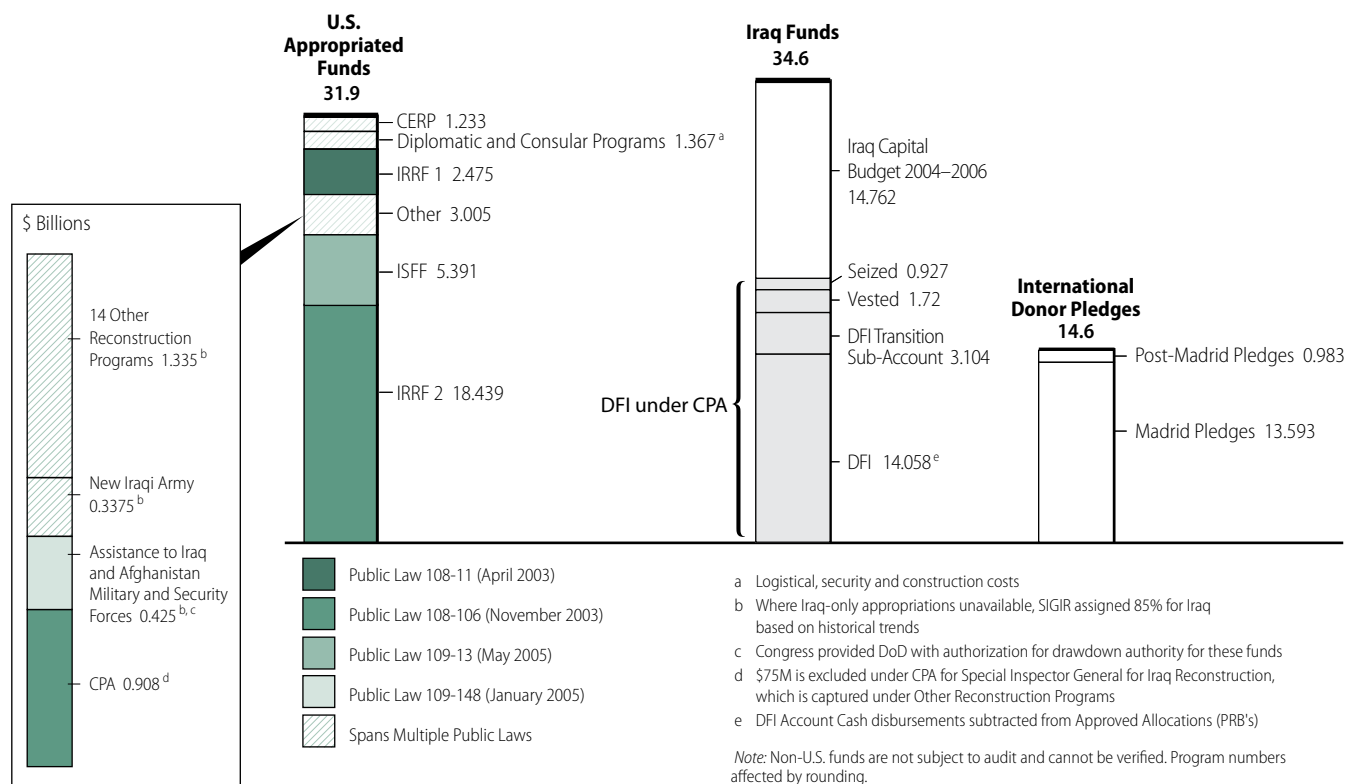
Madrid pledges. About 25% of these pledges—\$3.5 billion—have been expended.

Iraqi funds include vested and seized funds, the Development Fund for Iraq (DFI), and the Iraq Capital Budget. Iraqi funds have been an important source for relief and reconstruction efforts, particularly during the CPA's tenure. As of March 31, 2006, these funds total \$31.5 billion, including:

- vested (frozen) funds of \$1.72 billion
- seized funds, including confiscated cash and property, of just less than \$1 billion
- DFI funds, drawn primarily from oil proceeds and repatriated funds (more than 55% of the overall total Iraqi funds)
- budgeted Iraqi funding of \$14.762 billion, since 2004 (although much less has actually been expended)

Figure 2-40 provides an overview of all sources of Iraq reconstruction funding. More details are provided in Appendices B, C, and D.

Figure 2-40
SOURCES OF IRAQ RELIEF AND RECONSTRUCTION FUNDING—\$81.1 BILLION
 \$ Billions



U.S. Appropriated Funding

Since the 2003 conflict in Iraq, the U.S. Congress has passed six bills to appropriate \$31.907 billion for Iraq reconstruction. As of mid-April 2006, the Congress was considering legislation that could add \$8.57 billion to this amount.

The largest funding activities associated with reconstruction were the two Iraq Relief and Reconstruction Funds (IRRF 1 and IRRF 2), created under P.L 109-11 and P.L 108-106 in 2003. As of April 2006, IRRF appropriations account for nearly two-thirds of the entire U.S. effort for reconstruction.

During the past three years, 19 funds have supported the rebuilding effort, principally administered by DoD, DoS, and USAID. These funds range from infrastructure development to refugee and migration assistance.

See Table 2-20 for a list of current U.S. appropriations for reconstruction and pending requests.

U.S. APPROPRIATED FUNDS

FUNDING MECHANISM	EMERGENCY WARTIME SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF STATE, FY 2006	TOTAL APPROPRIATIONS	FY 2006 SUPPLEMENTAL APPROPRIATIONS REQUEST	FY 2007 BUDGET REQUEST (DoS/DoD)	TOTAL REQUESTS
	PL 108-11	PL 108-106	PL 108-287	PL 109-13	PL109-148	PL109-102				
	16-Apr-03	6-Nov-03	5-Aug-04	11-May-05	4-Jan-05	4-Jan-05		16-Feb-06		
Iraq Relief and Reconstruction Fund (IRRF 2)	\$18,439,000,000				\$18,439,000,000					
Iraq Security Forces Fund (ISFF)		\$5,391,000,000			\$5,391,000,000		\$3,703,000,000			\$3,703,000,000
Diplomatic and Consular Programs ¹	\$35,800,000		\$665,000,000	\$666,300,000			\$1,367,100,000	\$1,497,500,000	\$65,000,000	\$1,562,500,000
Economic Support Fund (ESF)					\$60,390,000		\$60,390,000	\$1,489,000,000	\$478,770,000	\$1,967,770,000
Iraq Relief and Reconstruction Fund (IRRF 1)	\$2,475,000,000						\$2,475,000,000			
Commander's Emergency Response Program (CERP)		\$140,000,000	\$718,000,000		\$375,000,000		\$1,233,000,000	\$378,000,000		\$378,000,000
Coalition Provisional Authority (CPA) ²		\$908,000,000					\$908,000,000			
Department of State, International Narcotics Control and Law Enforcement (DoS/INL)	\$25,000,000						\$25,000,000	\$107,700,000	\$254,600,000	\$362,300,000
New Iraqi Army ³		\$127,500,000	\$210,000,000				\$337,500,000			
Assistance to Iraq and Afghanistan Military and Security Forces ^{3,6}					\$425,000,000		\$425,000,000			
Natural Resources Risk Remediation Fund (NRRRF)	\$489,300,000						\$489,300,000			
USAID Administrative Expenses	\$21,000,000			\$24,400,000			\$45,400,000	\$119,600,000		\$119,600,000
International Disaster Assistance	\$143,800,000						\$143,800,000			
Combatant Commander Initiative Fund (CINC Initiative Fund) ⁴	\$29,750,000	\$12,750,000	\$21,250,000	\$21,250,000	\$21,250,000		\$106,250,000	\$21,250,000	\$21,250,000	\$42,500,000
Special Inspector General for Iraq Reconstruction (SIGIR) ⁵		\$75,000,000					\$75,000,000	\$24,000,000		\$24,000,000
Overseas Humanitarian, Disaster and Civic Aid ⁶				\$17,000,000			\$17,000,000			
International Affairs Technical Assistance							\$13,000,000			\$13,000,000
Legal Activities and U.S. Marshals (Salaries and Expenses)							\$5,500,000			\$5,500,000

FUNDING MECHANISM	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 2003	EMERGENCY APPROPRIATIONS ACT FOR THE DEFENSE AND FOR THE RECONSTRUCTION OF IRAQ AND AFGHANISTAN, 2004	DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2005	EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT FOR DEFENSE, THE GLOBAL WAR ON TERROR, AND TSUNAMI RELIEF, 2005	APPROPRIATIONS FOR THE DEPARTMENT OF DEFENSE, FY 2006	APPROPRIATIONS FOR THE DEPARTMENT OF STATE, FY 2006	TOTAL APPROPRIATIONS	FY 2006 SUPPLEMENTAL APPROPRIATIONS REQUEST	FY 2007 BUDGET REQUEST (DoS/DoD)	TOTAL REQUESTS
United States Agency for International Development, Office of Inspector General (USAID OIG)	\$3,500,000	\$1,900,000		\$2,500,000			\$7,900,000	\$2,500,000	\$2,500,000	\$2,500,000
Department of Treasury (Salaries and Expenses)						\$1,300,000		\$1,300,000		\$1,300,000
DoD Office of the Inspector General						\$1,120,000		\$1,120,000		\$1,120,000
Military Construction ⁵					\$341,900,000		\$341,900,000	\$347,700,000		\$347,700,000
Department of State Office of the Inspector General						\$1,000,000		\$1,000,000		\$2,000,000
Migration and Refugee Assistance								\$20,000,000		\$20,000,000
Emergency Refugee and Migration Assistance	\$37,000,000						\$37,000,000			\$37,000,000
Non-Proliferation, Anti-Terrorism, and Demining (NADR)								\$16,630,000		\$16,630,000
International Military Education and Training									\$1,185,000	\$1,185,000
TOTAL	\$3,260,150,000	\$19,581,150,000	\$1,036,250,000	\$6,823,450,000	\$1,163,150,000	\$60,390,000	\$31,907,540,000	\$7,726,670,000	\$860,935,000	\$8,570,605,000

¹Logistical, security and construction costs

²Excludes \$75M for SIGIR under P.L. 108-106

³Where Iraq-only appropriations unavailable, based on historical trends SIGIR split 85% for Iraq and 15% for Afghanistan

⁴CPA Operating Expenses under PL 108-106

⁵As identified in GRD bi-weekly reports

⁶Congress provided DoD with authorization for drawdown authority for these funds

TABLE 2-20

International Donor Funds

Funds pledged by non-U.S. bilateral donors and international institutions comprise the third source of funding for Iraq's reconstruction and development. As of the end of March, 2006, \$14.58 billion had been pledged, and approximately \$3.5 billion (25%) had been expended.³²⁶

HISTORY OF DONOR ACTIVITY

International donors and non-governmental organizations (NGOs) were active in Iraq for more than a decade before the start of hostilities in 2003. Several UN organizations in Iraq were monitoring the Oil-for-Food Program and conducting basic humanitarian and development work, particularly in the three northern Kurdish provinces. As the war approached, UN organizations and NGOs prepared for various humanitarian contingencies—particularly food shortages and refugee movements—using funding from international donors, including the United States.

Shortly after the war, in June 2003, donors met in New York to begin preparing for a major pledging conference to be held in Madrid in October 2003. In the next few months, donors held several meetings to plan for the conference, designing what would become the International Reconstruction Fund Facility for Iraq (IRFFI), based on the experiences of other multi-donor trust-fund models, including Afghanistan. During that same period, the United States sent high-level

delegations to various key donor nations to urge generous grant support for Iraq.

Table 2-21 shows donor pledges by nation as of March 31, 2006.

The United States, 28 other nations, the World Bank, and the International Monetary Fund (IMF) have pledged a total of \$33 billion in grants and loans for 2004-2007. Of this total, \$13.5 billion was pledged by donors other than the United States:

- \$8.4 billion by other governments
- \$5.1 billion by the World Bank and the IMF

The World Bank pledged between \$3-\$5 billion, including \$500 million in International Development Association (IDA) loans; the IMF pledged \$2.55-\$4.25 billion. The lower end of each of these number sets was used in tabulating the total.

Most of the pledges—\$22.1 billion—were for grant assistance, \$9.625 billion were for loans, and \$335 million were unspecified.

The United States strongly encouraged grant assistance, because it can be expended more quickly and would not add to Iraq's already considerable debt burden. Since the Madrid Conference, new pledges total \$911 million:

- European Commission, \$480 million (in two \$240 million tranches for 2005 and 2006)
- Islamic Development Bank, \$300 million (soft loans)
- Denmark, \$40 million
- Germany, \$10 million
- Australia, \$31 million

PLEDGES OF RECONSTRUCTION AID TO IRAQ BY COUNTRY, AS OF MARCH 31, 2006

Donor	Original Madrid Pledge October 2003	Additional Pledges Since Madrid Conference	Total Pledges March 2006
Australia	\$ 45,590,974	\$ 31,000,000	\$ 76,590,974
Austria	5,478,165		5,478,165
Belgium	5,890,500		5,890,500
Bulgaria	640,000		640,000
Canada	187,466,454		187,466,454
China	25,000,000		25,000,000
Cyprus	117,810		117,810
Czech Republic	14,659,023		14,659,023
Denmark	26,952,384	40,000,000	66,952,384
Estonia	82,467		82,467
Finland	5,890,500		5,890,500
Germany	-	10,000,000	10,000,000
Greece	3,534,300		3,534,300
Hungary	1,237,005		1,237,005
Iceland	2,500,000		2,500,000
India	10,000,000		10,000,000
Iran	5,000,000	5,000,000	10,000,000
Ireland	3,534,300		3,534,300
Italy	235,620,020		235,620,020
Japan	4,914,000,000	50,000,000	4,964,000,000
Korea	200,000,000		200,000,000
Kuwait	500,000,000	65,000,000	565,000,000
Lithuania	-	30,000	30,000
Luxembourg	2,356,200		2,356,200
Malta	27,000		27,000
Netherlands	9,424,801		9,424,801
New Zealand	3,351,975	990,000	4,341,975
Norway	12,867,617		12,867,617
Oman	3,000,000		3,000,000
Pakistan	2,500,000		2,500,000
Qatar	100,000,000		100,000,000
Saudi Arabia	500,000,000		500,000,000
Slovenia	419,382		419,382
Spain	220,000,000		220,000,000
Sri Lanka	-	75,500	75,500
Sweden	33,000,000		33,000,000
Turkey	50,000,000		50,000,000
United Arab Emirates	215,000,000		215,000,000
United Kingdom	452,326,416		452,326,416
United States	10,000,000		10,000,000
Vietnam		700,000	700,000
Subtotal	7,807,467,293	202,795,500	8,010,262,793
European Commission	235,620,000	480,000,000	715,620,000
Subtotal	8,043,087,293	682,795,500	8,725,882,793
International Financial Institutions			
IMF (low range)	2,550,000,000		2,550,000,000
World Bank (low range)	3,000,000,000		3,000,000,000
Islamic Development Bank	-	300,000,000	300,000,000
Subtotal	5,550,000,000	300,000,000	5,850,000,000
Total Donor Assistance	\$13,593,087,293	\$982,795,500	\$14,575,882,793

TABLE 2-21

Source: U.S. Department of State

Note: Data not formally reviewed, audited, or verified.

Pre-Madrid pledges for humanitarian assistance are not included in this table.

Japan also spent an additional \$50 million in grant aid beyond its \$1.5 billion pledge.

Up to this point, no single entity has been responsible for tracking donor pledges and expenditures. However, donors recently requested the World Bank to undertake an update on the status of pledges that were made at Madrid.

The Madrid Conference formally endorsed IRFFI, which comprised two trust funds—one managed by the World Bank and the other by the UN. IRFFI provided a structure through which donors could channel their assistance, if they did not wish to establish a bilateral mission in Iraq or if they wanted to support larger projects through a multilateral effort. A committee of 18 donors, 16 who have contributed at least \$10 million (and two representatives of smaller donors), advise the World Bank

and UN on the management of IRFFI. Table 2-21 lists the member countries. Most of the smaller bilateral donors have disbursed their pledges through the trust funds; larger bilateral donors—such as the United States, United Kingdom (UK), and Japan—also contributed to the trust funds.

The donor committee has met four times since Madrid, each time in conjunction with a broader donor gathering. At the first meeting in Abu Dhabi in February 2004, about \$1 billion from the Madrid pledges were promised to the trust funds, which were then formally launched. Japan was selected to chair the donor committee. For a list of IRFFI commitments and deposits as of April 20, 2006, see Table 2-22.

In 2004 and 2005, donors conducted three more meetings: at Doha, Qatar; Tokyo, Japan;

INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ DONOR COMMITTEE MEMBERS

Canada (Chair)	Kuwait
United Kingdom	Iran
Italy	Norway
India	Korea
Turkey*	Qatar
Sweden	Spain
Finland*	European Commission
Japan	United States
Australia	Denmark

*Rotating members

Table 2-21

and the Dead Sea, Jordan. The next meeting is expected to be scheduled shortly after the new Iraqi government is in place. In March 2006, representatives of the donor committee met with World Bank and UN officials in Washington to review IRFFI developments—particularly the ongoing external evaluation of World Bank and UN trust fund activities designed to determine the effectiveness of IRFFI planning and implementation. The meeting also proposed to extend the life of IRFFI from the end of 2007 to the end of 2010.

PROMOTING DONOR COORDINATION

During the last three years, all donors, particularly those with bilateral programs, have been increasingly interested in better coordinating their programs, both among themselves and with the Iraqi authorities, to avoid duplication of effort and to ensure that their priorities adequately reflect Iraq's needs. Although the donor meetings provide a valuable opportunity for consultation and coordination, all agreed that more needed to be done to coordinate in Iraq.

To meet this need, the Baghdad Coordination Group was established after a decision reached at the donors meeting at the Dead Sea, Jordan, in July 2005. Chaired by the Minister of Planning, the group meets periodically to discuss a variety of reconstruction issues and to share information on the progress of projects and programs. On February 27, 2006, a special session of the group was called to discuss reconstruction of the damaged Al-Askari

Mosque in Samarra. The group agreed that the UN would prepare a plan for international assistance to Iraqi efforts to rebuild the shrine and other damaged religious sites. There are also sector working groups in health, education, electricity, oil, and rule of law—each chaired by the appropriate Iraqi minister and a supporting donor. Similar donor coordination groups meet in regional cities, such as Basrah and Mosul.

Donors, including the World Bank and the UN, submit proposed projects to the Iraqi Strategic Review Board (ISRB), chaired by the Ministry of Planning and Development Cooperation. The ISRB gives the planning ministry visibility on projects proposed for the various line ministries and helps ensure that the overall resources implications are taken into account. (The United States has not, as a rule, submitted its proposed projects to the ISRB, in part because the sheer number of U.S. projects would overwhelm the board's capacity to review projects on a timely basis.)

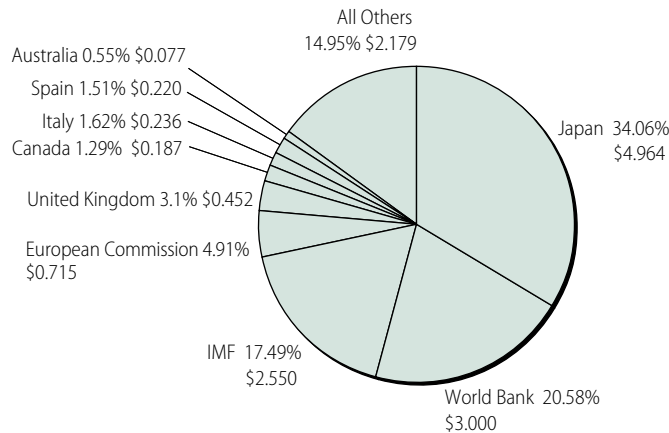
Another tool to promote donor coordination is the UN-sponsored Donor Assistance Database (DAD), funded in part by the United States, which is now operational and maintained by a newly established directorate in the Ministry of Planning. The database is populated with data on projects totaling more than \$8.5 billion; however, more data needs to be added if the DAD is to reflect all current projects. Ministry of Planning officials have said that they expect the DAD to become key to future Iraqi management of foreign assistance flows.

MAJOR BILATERAL AND MULTILATERAL PROGRAMS

The United States is actively encouraging other donors to implement their pledges as soon as possible. Figure 2-41 shows a breakout of other pledges by donor.

Since before the Madrid Conference, DoS has chaired a monthly teleconference of key donors and Iraqi officials to exchange information and respond to donor concerns. Coalition partners with a military presence in Baghdad, like the United Kingdom (UK) and Australia, have found it easier to establish an aid mission in Baghdad. In coordination with the Iraqi Ministry of Planning and Development Cooperation, the U.S. Embassy-Baghdad has set up working and living accommodations on

Figure 2-41
PLEDGES FROM INTERNATIONAL DONORS—\$14.58 BILLION
 Dollars in Billions
 Source: DoS as of March 2006



a reimbursable basis in a “donor village” in the PCO compound in the International Zone in Baghdad, which is now used by representatives from the EU, Canada, the World Bank, and others.

Both the World Bank and the UN reconstruction and development assistance mission have been constrained by security concerns since the UN headquarters was destroyed by a truck bomb in August 2003. The bombing killed the UN Secretary General’s representative and 25 other UN staffers. The UN presence in Iraq is primarily in support of the political mission, although assistance officials make periodic trips into Iraq. The World Bank is represented by a contract staffer in the International Zone, and by Iraqi staff and consultants outside the International Zone. Plans to open a mission are under review pending resolution of security concerns.

Japan

Japan pledged \$5 billion at Madrid:

- \$1.5 billion in grant funds, of which \$490 went to the IRFFI trust fund
- \$3.5 billion in concessional (soft) loans
- \$50 million to international organizations, such as the UN Development Programme (UNDP), Iraqi institutions and NGOs, and direct bilateral projects

Japanese funds have been used in the power, health, water, and sanitation sectors; for repairing roads; and for training and capacity build-

ing. Japan has provided hundreds of police vehicles, ambulances, and fire trucks. Japanese NGOs have been active in Al-Muthanna governorate, where Japanese troops are rehabilitating schools, health clinics, and hospitals.

On March 28, 2006, Japan announced its decision to extend concessional loans up to \$655 million for three projects:

- Umm Qasr Port Sector Rehabilitation Project (\$259 million)
- Irrigation Sector Loan (\$81 million)
- Al Mussaib Thermal Power Plant Rehabilitation Project (\$315 million)

Japan is continuing discussions with Iraq on the use of the remainder of the \$3.5 billion concessional loan program that it pledged in Madrid. Japan’s assistance officials are based in Amman; its programs are implemented and monitored by contractors.^{326a}

United Kingdom

The UK pledged \$452 million at Madrid of which \$392 million has been disbursed:

- \$127 million to IRFFI—\$71 million to the World Bank, \$56 million to the UN
- \$265 million to bilateral projects

Together with the \$468 million provided for humanitarian relief, before Madrid, UK contributions total \$920 million.

The UK Department for International Development (DFID) is responsible for implementing bilateral projects and has personnel

both in Baghdad and Basrah. Working with the UK forces in the four southern governorates, DFID has supported rehabilitation of basic infrastructure, capacity development of provincial and local governments, civil society institutions, and independent media. In Baghdad, the UK has been working to improve the basic organizational structure and functions of government and to advise on key economic reforms. The UK has also trained dozens of Iraqi officials.^{326b}

Canada

Canada pledged \$187 million at the Madrid Conference, of which \$92.8 million has gone to the IRFFI trust funds. Canada's focus is on reconstructing socio-economic infrastructure, including basic education, primary health care, clean water and sanitation, governance, civil society, and capacity building. Canada has contributed about \$15 million to the security sector, including police training. Canada is active in donor coordination, currently chairing the IRFFI Donor Committee.

In response to the UN Humanitarian Appeal before the war, Canada also provided an additional \$42 million, bringing its total contribution to \$230 million.^{326d}

Australia

Australia pledged \$46 million at the Madrid conference, of which \$31 million was committed to the IRFFI trust funds. Before Madrid, Australia had pledged \$55 million to meet Iraq's immediate humanitarian needs. Accord-

ing to the AusAid website (www.ausaid.gov.au), Australia has budgeted another \$31 million for 2006, bringing the total to \$132 million.

Australia's reconstruction assistance focuses on the agricultural sector to promote food security, market-based pricing, higher yields, better agricultural support services, and agricultural research. Australia has provided technical assistance to the Ministry of Agriculture, trained many officials from the ministry, and provided police training, election support, aid to internally displaced persons, and governance support.^{326c}

Italy

Italy pledged \$240 million in Madrid for 2003-2007, of which \$80 million have been allocated, including \$12 million to the IRFFI UN trust fund. Italy has been active in the health care sector, contributing to the Italian Red Cross, basic infrastructure development, and local governance in areas in the south where Italian troops are stationed. Italy also provides a wide variety of training courses for Iraqis, electoral assistance, and cultural and archeological activities. Italian officials estimate that they have spent up to 30% of their funds on security.

Spain

Spain pledged \$220 million at Madrid for 2004-2007, in addition to the \$80 million it had provided for humanitarian assistance in early 2003. Of this, \$42.4 million has been

TOTAL IRRFI DONOR CONTRIBUTIONS AND WORLD BANK IRAQ TRUST FUND ALLOCATIONS

DONOR	COMMITMENTS		DEPOSITS	
	WORLD BANK	UNITED NATIONS	WORLD BANK	UNITED NATIONS
Australia	\$16,100,000	\$13,457,000	\$16,100,000	\$13,457,000
Australia (Dept of Immigration)	-	3,292,000	-	3,292,000
Austria	-	3,292,000	-	3,292,000
Belgium	-	1,321,000	-	1,321,000
Canada	22,300,000	46,400,000	22,300,000	46,400,000
Denmark	-	10,046,000	-	7,693,000
Finland	2,600,000	6,234,000	2,600,000	6,234,000
Greece	-	3,630,000	-	3,630,000
Iceland	1,000,000	500,000	1,000,000	500,000
India	5,000,000	5,000,000	5,000,000	5,000,000
Ireland	-	1,226,000	-	1,226,000
Italy	-	29,782,000	-	29,782,000
Japan	130,000,000	360,951,000	130,000,000	360,951,000
Kuwait	5,000,000	5,000,000	5,000,000	5,000,000
Luxembourg	-	200,000	-	200,000
Luxembourg (EURO)	-	2,119,000	-	200,000
Netherlands	6,200,000	6,697,000	6,200,000	6,697,000
New Zealand	-	3,365,000	-	3,365,000
Norway	6,700,000	7,009,000	6,700,000	7,009,000
Qatar	5,000,000	5,000,000	2,500,000	5,000,000
Republic of Korea	4,000,000	11,000,000	4,000,000	11,000,000
Spain	20,000,000	20,000,000	20,000,000	20,000,000
Spain	-	2,380,000	-	2,380,000
Sweden	5,800,000	10,622,000	5,800,000	10,622,000
Turkey	1,000,000	200,000	1,000,000	200,000
United Kingdom	71,400,000	55,542,000	71,400,000	55,542,000
United States	5,000,000	5,000,000	5,000,000	5,000,000
European Commission (RRM)	-	25,142,000	-	23,573,000
European Commission (Human Rights)	-	7,307,000	-	6,937,000
European Commission	149,800,000	283,724,000	149,800,000	266,615,000
Total non-U.S. Donor Assistance	\$456,900,000	\$935,438,000	\$454,400,000	\$912,118,000

Source: www.irffi.org
Table 2-22

deposited in the IRFFI trust funds, \$20 million to the World Bank, \$22.4 million for the United Nations, and \$5 million with the IFC's Small Business Financing Facility. Spain's bilateral activities have supported production of the new Iraqi dinar, training of security forces, medical equipment, and rule-of-law training.

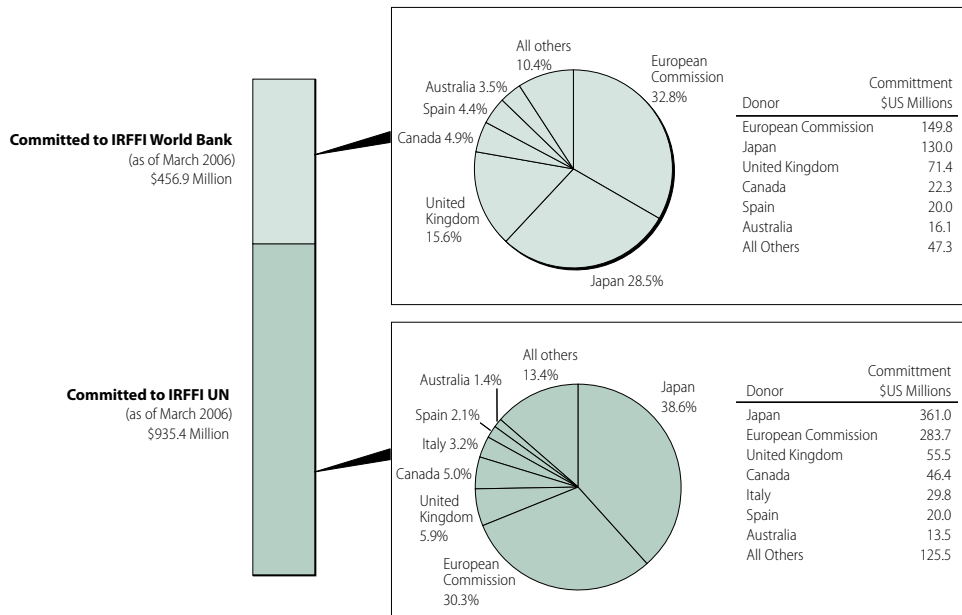
The European Commission

The European Commission (EC) has pledged assistance on an annual basis, \$240 million at Madrid and two subsequent tranches of \$240 million. Before the war, the EC provided \$120 million of humanitarian assistance through the

European Community Humanitarian Office (ECHO), then \$19.8 million more to support the January 2005 elections, for a total \$849.8 million.^{326e}

The EC was one of the early promoters of establishing a multi-donor instrument for channeling the international support to the reconstruction process in Iraq. It has channeled the bulk of its assistance (\$434 million thus far) through the IRRFI trust funds. The main focus has been on rehabilitating basic services in water and sanitation, health, electricity, education, and income generation.¹

Figure 2-42
INTERNATIONAL DONOR CONTRIBUTIONS TO IRFFI
 As of March 2006
 Source: www.irffi.org



The 2005 EC Assistance Program is firmly anchored in the overall medium-term strategy for Iraq outlined in the Commission’s Communication of June 9, 2004 (*The European Union and Iraq—a framework for engagement*).² In 2006, the EC assistance program will be guided by the principle of Iraqi ownership and Iraqi partnership. The Assistance Program also aims to respond to the framework and policy priorities conveyed in Iraq’s National Development Strategy (NDS) presented at the Dead Sea donors conference, and to complement activities of other major donors. Figure 2-42 shows a breakout of donor commitments.

World Bank

The World Bank trust fund has received \$454 million from 17 donors. Ten projects totaling \$385 million have been approved, and one has been completed. Eight of the ten projects are being implemented by Iraqi ministries and municipalities. World Bank supervision of projects relies on Iraqi staff and consultants,

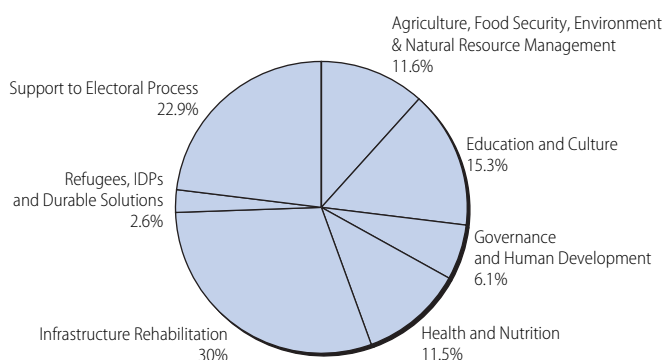
supported by World Bank staff working out of Jordan and Washington who regularly video-conference with Iraqi ministries. The World Bank provides Iraqi government staff with extensive training in procurement, financial management, and project management. World Bank projects have focused on building capacity, supplying textbooks, and rehabilitating infrastructure (schools, health units, irrigation systems, and water supply and sanitation). The objective is to help Iraq build better institutional frameworks, policies, and systems to improve the efficiency and effectiveness of both national expenditures and international aid.

In addition to the trust fund, the World Bank has approved \$100 million in concessional IDA loans for a Third Emergency Education Project and is working closely with the government to prepare an additional \$400 million in IDA-financed projects to support improvements in transportation, electricity, and water supply and sanitation. Iraq became eligible for IDA loans in December 2004, when it cleared its arrearages with the World Bank. Iraq’s eligibility for loans from the International Bank for Reconstruction and Development depends on its creditworthiness, which includes political stability and security, economic recovery, and implementation of debt relief.

United Nations

The UN trust fund has \$906 million in deposits from 24 donors. It supports 16 UN implementing agencies. The trust fund has approved \$759 million for 83 projects, all of which have been approved by the Iraqi Strategic Review Board.

Figure 2-43
UNDG IRAQ TRUST FUND
 Approved and Funded Projects by UN Cluster as of 3/31/06
 Source: www.irffi.org



A total \$573 million has been obligated for these projects, and \$451 million has been expended. UN staff who manage the Iraq programs are located offshore in Amman, Nicosia, and Kuwait; senior officials travel regularly to Baghdad. Programs are implemented by a network of more than 1,000 national staff who were trained by UN employees before the war. UN contracting is done on the Internet for efficiency and transparency.

In a departure from past practice when projects were implemented by individual UN agencies, the UN has organized the program in clusters. The relevant UN agencies work together under a cluster lead agency. Most UN funding has gone to UNDP and UN Office for Project Services (UNOPS); major sectors are election support/governance, infrastructure rehabilitation, education, health, and agriculture/food security.

Figure 2-43 shows the UN Development Group (UNDG) Iraq Trust Fund by UN cluster.^{326f}

International Monetary Fund

At the Madrid donors conference, the IMF pledged to make available to Iraq more than \$2.55 billion in loans. On September 29, 2004, the IMF Board approved an Emergency Post-Conflict Assistance (EPCA) package to provide Iraq \$436 million in balance-of-payments support. The main goals were to maintain macroeconomic stability, lay the groundwork for the development of a reform program that could be undertaken in years to come, and begin the process of restoring Iraq's fiscal and external debt sustainability.

On December 23, 2005, the IMF Board approved a historic Stand-by Arrangement (SBA) for Iraq that

provides approximately \$685 million in balance-of-payments support, of which a first tranche of \$114 million has been made available. The 15-month SBA provides a comprehensive framework of policies intended to ensure continued economic stability. The IMF has also been providing technical assistance to Iraq, including training in these macroeconomic policy areas:

- public expenditure management
- fiscal federalism
- tax policy
- tax and customs administration
- monetary operations
- banking supervision
- payments system reform
- statistics

Some of this training has been done jointly with the World Bank.

Islamic Development Bank

At the Dead Sea donors meeting in Jordan, the Islamic Development bank agreed to make \$300 million in concessional financing available to Iraq.

Support from Iraq's Neighbors

Iraq's neighbors pledged generously at Madrid, but little of the promised funds have yet been expended despite regular demarches by U.S. and other coalition officials. Kuwait is reportedly active in small-scale humanitarian programs in the south but has not moved much of its \$565 million pledge. Similarly, Saudi Arabia and the United Arab Emirates are holding off on expenditures. Further, Saudi Arabia and Kuwait believe they have been supportive in

other ways, as suppliers of fuel, and Jordan has supported police training and provides a major supply route into Iraq. Turkey has not reported disbursements of the \$50 million pledge at Madrid, but the Turkish private sector is very active in reconstruction in the Kurdish areas.^{326h}

Iraqi Funds

The Iraqi government has funded reconstruction activities since the transfer of governance authority. In addition to donor funds and the Iraqi oil revenues dedicated to reconstruction activities during the CPA administration, the Iraqi government draws on three sources of funding:

- the Iraqi National Budget
- commercial borrowing
- international donors

THE IRAQI NATIONAL BUDGET

Iraq has significant capacity to contribute to its reconstruction. The government's capital budget for 2004, 2005, and 2006 totals \$14.762 billion. For a year by year breakdown see figure 2-44.

The Iraqi government has been slow to release these funds, according to DoS, for two reasons. First, line ministries have limited capacity to implement reconstruction projects. Second, the Iraqi Ministry of Finance closely controls spending because of concern about the volatility of oil revenues.

COMMERCIAL BORROWING

International borrowing is another potential source of funds for the Iraqi government. Iraq has made considerable progress settling Saddam-era debt, a likely precondition to further borrowing. Iraq's creditors fall into two general categories—Paris Club members and non-Paris Club members:

- In November 2004, Iraq and the Paris Club came to an agreement to forgive 80% of Iraq's debt. Nearly all of the members of the Paris Club have concluded the required bilateral agreements under the agreement, which covered more than \$40 billion. By April 2006, Iraq had settled \$18.4 billion in commercial claims, out of an estimated total of \$22 billion.
- Non-Paris club creditors, including neighboring Arab states, hold an estimated \$60 billion in Iraqi debt; Iraq must settle with these creditors on terms comparable to the Paris Club agreement. Iraq has signed only five bilateral deals with non-Paris Club creditors.

Borrowing on international capital markets will not be a practical option for Iraq for some years to come. Even after settling the Paris Club debt and the non-Paris Club debt on similar terms, Iraq will still have a large debt burden of 20% of the roughly \$120-125 billion in Saddam-era debt.

LOANS FROM INTERNATIONAL DONORS

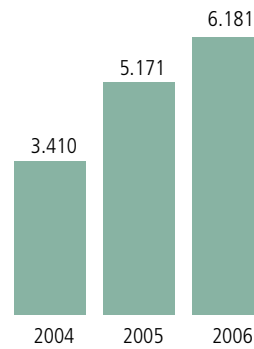
For Iraq, the best source of lending is the assistance offered by donors at the Madrid Donors Conference:



- Japan: \$3.5 billion in concessional³²⁷ loans
- Saudi Arabia: \$1.0 billion in trade credits and loans
- World Bank: \$3-5.0 billion in loans (\$500 million concessional)

If all of these loans were activated, an additional \$2 billion would be available for reconstruction beyond the \$33 billion recorded at Madrid. The Madrid totals were calculated at the low end of the World Bank pledge.

Figure 2-44
CAPITAL BUDGET ALLOCATIONS
\$ Billions





SIGIR Oversight

SIGIR AUDITS
SIGIR INSPECTIONS
SIGIR INVESTIGATIONS
SIGIR HOTLINE
SIGIR LESSONS LEARNED INITIATIVE
SIGIR WEB SITE
ANTICORRUPTION INITIATIVE

SECTION

3



SIGIR AUDITS

During this quarter, SIGIR continued to apply a balanced approach to provide insight, foresight, and oversight through audit and non-audit activities assisting executing organizations in Iraq and those who support these organizations from outside Iraq.

- SIGIR's *insight* efforts advise leadership on governance issues, focusing on creating an environment of accountability, rule of law, and public trust in Iraq.
- SIGIR's *foresight* efforts continue to emphasize end-state issues, such as transition, sustainment, and capacity building.
- SIGIR's *oversight* efforts ensure maximum return on the U.S. taxpayer investment and promotes transparency and accountability of the U.S. administration of Iraqi resources.

In March 2006, SIGIR reached its authorized number of 26 auditors in Baghdad; an additional 15 auditors work at the headquarters office in Arlington, Virginia. The audit team comprises auditors, evaluators, management and program analysts, contract specialists, and program acquisition specialists. SIGIR also has the capability by contract or by special authority to add expertise as needed.

From February 1, 2006, to April 30, 2006, SIGIR completed 15 final reports, bringing the total number of SIGIR audits since inception to 55. This quarter, SIGIR audits addressed a wide range of issues—from reviews of organizational cash controls to a review of one of the largest contracts in Iraq to an evaluation of progress on Iraqi infrastructure security capabilities.

SIGIR also has 1 draft report issued and 12 ongoing audits, with 5 more in the planning stages. SIGIR performs audit work under generally accepted government auditing standards prescribed by the U.S. Comptroller General.

For more details on SIGIR audits:

- For the titles and release dates of the 15 SIGIR audits this quarter, see Table 3-1.
- For the executive summaries, excerpts of management comments, and SIGIR's response to these comments, see Section 3 of this Report.
- For information on all SIGIR audit work completed as of April 30, 2006, and for the full text of all final audit reports, see the SIGIR Web site: www.sigir.mil.

SIGIR Audit continues to find the U.S. government leadership in Iraq challenged by prior decisions on the execution of selected projects. The audits conducted this quarter show that although the challenges of the past are present, current leadership is moving forward to achieve positive results for the U.S. government and the Iraqi people. Management has acted positively and quickly to make the improvements recommended by our audits.

Several of the audits SIGIR conducted this quarter were requested by the Ambassador and subordinate Commands of the Multi-National Force-Iraq. Most of the shortcomings uncovered this quarter arise from past contract and project management, and SIGIR has seen significant improvement in overall U.S. management.

SIGIR FINAL AUDIT PRODUCTS, SINCE JANUARY 30, 2006

REPORT NUMBER	REPORT TITLE	DATE ISSUED
06-001	Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System	April 2006
06-002	Prompt Payment Act: Analysis of Expenditures Made from the Iraq Relief and Reconstruction Fund	February 2006
06-003	Review of Data Entry and General Controls in the Collecting and Reporting of the Iraq Relief and Reconstruction Fund	April 2006
06-004	Changes in Iraq Relief and Reconstruction Fund Program Activities—October through December 2005	April 2006
06-005	Follow-up on Recommendations Made in SIGIR Audit Reports Related to Management and Control of the Development Fund for Iraq	April 2006
06-006	Multi-National Security Transition Command-Iraq: Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government	April 2006
06-007	U.S. Agency for International Development: Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government	April 2006
06-008	Development Fund for Iraq—Cash Accountability Review: Joint Area Support Group-Central	April 2006
06-009	Review of Task Force Shield Programs	April 2006
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	April 2006
06-011	Management of the Primary Healthcare Centers Construction Projects	April 2006
06-012	Development Fund for Iraq Cash Accountability Review: Joint Area Support Group-Central/Falluja	April 2006
06-013	Briefing to the International Advisory and Monitoring Board for Iraq: Management Controls Over the Development Fund for Iraq	April 2006
06-015	Iraqi Armed Forces Seized Assets Fund: Review of Contracts and Financial Documents	April 2006
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	April 2006

TABLE 3-1

Final Audit Products

Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System

SIGIR-06-001, APRIL 2006

Introduction. In June 2005, SIGIR initiated this audit to determine whether the information systems used by U.S. government organizations resulted in the effective management of Iraq Relief and Reconstruction Fund (IRRF) programs. This audit report was delayed to consider significant actions to improve management, which took place in September 2005.

At that time, the Director, Iraq Reconstruction Management Office (IRMO), required that a unified IRRF reporting system be developed, and he directed all agencies spending IRRF dollars to load and update project data in the system. IRMO used the preliminary findings of this SIGIR audit as input in the development of the requirements that the IRMO Director issued in a September 20, 2005 Action Memorandum.

This audit is one of a series of reports addressing the information technology (IT) and management information systems that support IRRF programs, examining the ability of these systems to produce reliable and

accurate information. This report discusses the development, management, and evolution of the Iraq Reconstruction Management System (IRMS).

Objective. The objective of this audit was to determine whether the information systems used by U.S. government organizations support the effective management of IRRF programs. Specifically, this audit focused on the development and evolution of the information management system intended to support all organizations for reporting IRRF project and funding information.

Findings. Although progress is being made, there were many delays (during the 20-month period ending September 2005) in developing and making fully operational a management information system to report on IRRF projects and funds. In developing the initial IRRF-management information system (PCO Solution), the Project and Contracting Office (PCO) did not follow some parts of the established leading practices or approved guidance used in the federal government for managing the design and development of an IT system. Because PCO did not assert sound management controls over this project, it did not provide adequate assurance that the PCO Solution would operate effectively and efficiently and comply with applicable laws and regulations. Further, neither PCO nor IRMO senior management took a proactive role in ensuring that all government entities that receive IRRF monies used the PCO Solution for input of their project and fund information. As a result, this system took longer than necessary to develop, did not meet

the full intent of the congressional mandate, and hampered the work of others who relied on the PCO data set for the management and reporting of IRRF activities as required by Section 2207 of Public Law (P.L.) 108-106.¹

One of the most important factors in selecting the design and software application of the PCO Solution was a requirement for a joint-use, U.S.-Iraqi government component that could be transferred to the Iraqi government (i.e. Ministry of Planning) as a fully operational, life-cycle project management solution. This component was referred to as the Iraq Infrastructure Management System (IIMS). However, the SIGIR audit observed these problems:

- A detailed joint-use training and transition plan for the IIMS requirements existed only in fragmented form and was not formalized.
- Multiple software applications used will require licensing transfers from the U.S. government to the recipient Iraqi ministry.
- A number of export-controlled software components used in IIMS will require special handling or removal before transfer to the Iraqi government.

IRMO used preliminary findings from this audit to develop actions to correct problems with the PCO Solution. For example, in September 2005, the IRMO Director requested several actions, which included but were not limited to:

- directing the development of a unified IRRF management information system—IRMS

- requiring all agencies currently spending IRRF dollars to load and keep current data in the system
- developing a common data dictionary
- developing a timeline for a transition strategy plan for IRMS turnover to the Iraqi government
- using IRMS information to build the basis for creating the congressionally mandated *Section 2207 Report*
- discontinuing the manual process in IRMO's information management system

Although some progress has been made, delays continue in achieving the goals of the system and providing accurate data for reporting. As of December 30, 2005, data had not been fully loaded into IRMS for all organizations to report on IRRF dollars and reconstruction projects. Several organizations were still reviewing, verifying, and refining data.

Conclusion. Investments in IT can have a dramatic impact on an organization's performance. A well-managed IT investment that is carefully selected and focused on meeting mission needs can move an organization forward, dramatically improving operations and reducing costs. Likewise, poor investments—those that are inadequately justified or whose costs, risks, and benefits are poorly managed—can hinder and even restrict an organization's performance.

Progress has been made to meet the automated support requirements, as outlined by the IRMO Director, and to comply with the original congressional mandate. Specifically, the U.S. government organizations are working

together to develop the IRMS: a data dictionary has been developed, and each organization has signed a Memorandum of Understanding in which they agree to discuss common issues such as data usage and security.

While time-consuming, the meticulous verification of the data is critical to ensure the completeness and accuracy of IRMS. IRMO and the Gulf Region Division-Project and Contracting Office (GRD-PCO)² in conjunction with the Information Technology Working Group (ITWG), are working to resolve these problems. But many of the IRMO Director's due dates were missed, as reported in the status update on IRMS initiatives. Most significant, the original December 2005 date for using the unified system as the basis for the *Section 2207 Report* has now been revised to March 2006.

Recommendations. It is important for IRMO, in coordination with the GRD-PCO and the agencies using IRRF, to continue to provide active leadership to ensure that all organizations work together to correct the problems identified with the IT system. A complete and accurate IRRF database—accessible by the U.S. government activities and their respective management via an automated solution—is the key to the success of the IRRF program. This effort must be maintained to ensure that a viable, unified, and sustainable IT management system is developed to provide an accurate and reliable picture of IRRF programs and funds for Congress, U.S. government organizations, and transition to the Iraqi government.

SIGIR recommended that the IRMO Director work with the Commanding General, GRD-PCO, and ITWG to continue the development of IRMS by ensuring that all requirements identified in the IRMO Action Memorandum of September 20, 2005, have been addressed and actions implemented.

SIGIR further recommended that the IRMO Director develop:

- a detailed plan to mitigate the presence (to the extent required at time of transfer) of all export control software and substitute, where appropriate, alternative solutions to retain overall solution integrity and functionality at time of transfer
- a software maintenance and licensing transfer plan to ensure that the value of the software and infrastructure investment is protected by maintaining appropriate levels of annual maintenance support, and licensing agreements, and by executing sound equipment maintenance practices. Further, as part of this plan, a formal turnover folder should be created containing all of the necessary documents to officially transfer this software from U.S. government to the Iraqi government.

Management Comments. *A combined response to the draft of this report was received from the U.S. Ambassador of Iraq and IRMO. The U.S. Ambassador to Iraq concurred in general with the findings of the audit and the recommendation relative to the transfer of the IRMS system to the Iraqi government, and he stated that corrective actions have been taken.*

An IRMS Migration Working Group has been authorized to look at the policies relating to transferring IRMS to Iraqi authorities. The comments received are fully responsive. GRD-PCO also provided technical comments which were considered in preparation of the final report.

Prompt Payment Act: Analysis of Expenditures Made from the Iraq Relief and Reconstruction Fund

SIGIR-06-002, FEBRUARY 3, 2006

Introduction. This audit report discusses the management and payment of interest penalties incurred resulting from provisions of the Prompt Payment Act by U.S. government organizations responsible for managing IRRF.

Objective. The objective of this audit was to determine whether expenditures by U.S. government organizations responsible for managing IRRF complied with the Prompt Payment Act and other applicable policies and regulations.

Findings. During FY 2005, the U.S. Army made approximately \$1.4 million in interest penalty payments against IRRF disbursements of nearly \$5.275 billion, made by Department of Defense (DoD) organizations because of late payments of contractor invoices. This interest exceeded an Army management goal, which stipulated that no more than \$85 in interest penalty payments be made for every million dollars disbursed; in this case, that would have been \$448,381. However, the \$1.4 million in interest penalties paid amounted to about \$259 in interest penalties per million disbursed, which exceeded the Army goal by 304%.

As a result, interest penalties paid to contractors from the IRRF appropriation reduced, dollar for dollar, the availability of funds appropriated for the reconstruction of Iraq and for the benefit of the Iraqi people. DoD has \$7 billion of apportioned IRRF dollars left for disbursement. If the Army achieves the current management goal of no more than \$85 in interest penalty payments for every million dollars disbursed, the Army could avoid making interest penalty payments of more than \$1.2 million and make better use of those funds to support pressing relief and reconstruction needs.

Recommendation. SIGIR recommended that the Assistant Secretary of the Army (Financial Management and Comptroller) identify and monitor interest penalty payments from IRRF dollars to ensure that Army organizations managing IRRF consistently meet established Army goals.

Management Comments. *The Office of the Assistant Secretary of the Army (Financial Management and Comptroller) concurred with the finding and recommendation. Actions are underway to implement the recommendation, and the comments received are fully responsive.*

Follow-up. Management actions taken as a result of our report resulted in an all-time low in prompt payment fees during March 2006.

Review of Data Entry and General Controls in the Collecting and Reporting of the Iraq Relief and Reconstruction Fund

SIGIR-06-003, 2006

Introduction. In November 2005, SIGIR initiated this audit to determine whether policies, procedures, and internal controls established by U.S. government organizations ensure valid and reliable data for managing more than 13,000 IRRF projects. These projects have a total value of \$18.4 billion.

To improve overall management of IRRF projects and funds and to improve the reporting to Congress and the other senior U.S. decision makers, PCO began developing an IT management reporting system in mid-2004. By mid-2005, the IT system was only partially operational and was not being used by all of the agencies receiving IRRF dollars. In September 2005, the U.S. Army Corps of Engineers (USACE), GRD, and PCO officials briefed the IRMO Director on a recommended solution requiring consolidation of information from multiple data sources into a single database. The proposed integrated U.S. government IT solution was named IRMS. GRD-PCO³ is responsible for maintaining the operational and security aspects of IRMS.

Ensuring the security and integrity of the data in the computer systems that support critical operations and decision making has never been more important because of concerns about attacks from individuals and groups with malicious intent, including terrorists. These concerns are well founded for a number of reasons, including the dramatic increase

in reported computer security incidents, the ease of obtaining and using hacking tools, and the steady advance in the sophistication and effectiveness of attack technology.

Further, internal control procedures specific to data entry provide the initial level of confidence that helps ensure completeness, accuracy, and validity of all transactions during processing. It is the basis for establishing the integrity of the data contained in the IRMS.

This audit is one of a series of reports addressing the IT and management information systems being used to support the IRRF programs and the ability of these systems to produce reliable and accurate information.

Objective. The objective of this audit was to determine whether policies, procedures, and internal controls established by U.S. government organizations ensure valid and reliable data for effective management of Iraq reconstruction projects. Specifically, this report addresses internal control procedures used to assure integrity of data entering the IRMS and the general controls relating to the IRMS system itself. The review did not address controls over individual applications within IRMS.

Findings. The development of policies and procedures to validate the data being entered into IRMS has been ad hoc at best. Management officials of the GRD-PCO Communications and Information Technology function⁴ (GRD-PCO G-6) stated that they rely on the organizations owning the data to provide the quality assurance controls on the security and accuracy of the data that they submit to IRMS. However, our discussions with officials at the

U.S. Agency for International Development (USAID) and Multi-National Security Transition Command-Iraq (MNSTC-I) and our review of other audit reports identified a lack of documented internal control procedures to validate the data entered into the systems providing input to IRMS.

In assessing general controls over IRMS, SIGIR used the U.S. Government Accountability Office (GAO), Federal Information System Controls Audit Manual. SIGIR reviewed GRD-PCO practices that were either under construction or implemented. Several of the supporting documents, as well as processes that were not documented, appear to be a good start in developing a quality security management program. Some of the control elements were partially implemented, including access controls, data backup, and data retention. SIGIR also identified specific vulnerabilities and the lack of official GRD-PCO G-6 policies and procedures in these general control areas:

- security program planning and management
- access controls
- application software development and change controls
- system software
- segregation of duties
- service continuity

Conclusion. The reliability of the reports generated by IRMS is diminished without assurance that the initial data entering the system are complete, accurate, and valid. Internal control procedures specific to data entry are

critical in providing the initial level of confidence that helps ensure completeness, accuracy, and validity of all transactions during processing. It is the basis for establishing the integrity of the data contained in the IT system. In addition, well-designed and properly implemented IT general controls are essential to protect GRD-PCO's computer resources and operational environment from the risks of inappropriate disclosure and modification of sensitive information, misuse or damage of computer resources, and disruption of critical operations.

For IRMS general controls, GRD-PCO has taken many important steps to implement an information security program. However, key elements of such a program have not been fully implemented. Weaknesses in information security controls have placed IRMS financial and management information at risk. Implementing an effective information security program could help ensure that known weaknesses affecting the IRMS computing resources are promptly mitigated and that general controls effectively protect its computing environment. Until such improvements are made, there is diminished assurance that adequate security and integrity of the data in IRMS supports program management oversight and decision making.

It is important for IRMO, in coordination with GRD-PCO and the agencies using IRRF, to continue to provide active leadership to ensure that all organizations work together to correct the problems identified with IRMS.

Recommendations. SIGIR recommended that the IRMO Director develop and issue a policy requiring all organizations entering data into IRMS to have documented internal control procedures that require validation of all data entering the system.

SIGIR also recommended that the GRD-PCO Commanding General direct the GRD-PCO G-6 Director of Information Technology to:

- Review all operating procedures of the security management program to ascertain if they contain current and accurate information and are still applicable to the operation. The GRD-PCO G-6 IT Director should formally sign and date the operating procedures that are still valid. When formalized, the procedures should be distributed and discussed with the IT staff responsible for implementing the procedure, referenced to the IT Security Plan (if applicable), and kept on site at various locations for reference.
- Document and formalize a security plan for IRMS. The basis for a GRD-PCO IT security plan is contained in the GRD-PCO G-6 draft document, "System Security Authorization Agreement" (SSAA), September 6, 2005. Conduct a review of the draft SSAA to update existing information and to ensure that it contains all required elements, as prescribed by OMB Circular A-130, including such topics as application rules and contingency planning. The GRD-PCO G-6 IT Director should approve the updated security plan and make multiple

- copies of the security plan available, storing some at off-site locations.
- Ensure that the access control policy posted on the network server room door is adhered to. All unauthorized personnel should be escorted while in the network server room. In addition, for control purposes, GRD-PCO G-6 should establish a visitor log to document all personnel escorted into the network server room.
 - Develop adequate application software development policies and procedures to establish a formal configuration control process for IRMS. At a minimum, this policy should address the authority of the Configuration Control Board, the requirements authorization and approval process, and the configuration management tracking processes. Policies and procedures should also clearly identify the duties and responsibilities of those identified in the design, development, review, and approval of the system modifications.
 - Develop adequate policies and procedures for testing application software to clearly define, at a minimum: the testing methodology to be used, the development of specifications and requirements to be tested, required documentation to be recorded and retained, and the levels of testing and associated procedural differences with each level.
 - Develop adequate system software control policies and procedures to clearly define, at a minimum: procedures for identifying, selecting, installing, and modifying system software; required documentation to be recorded and retained; and the levels of testing and associated procedural differences with each level.
 - Develop policies and procedures to clearly delineate separation of duties and responsibilities, including those performed by application programmers; system programmers; and data center, security, and quality-assurance staff.
 - Develop a contingency plan for restoring critical applications, which includes arrangements for alternative processing facilities in case the usual facilities are significantly damaged or cannot be accessed. These plans must be clearly documented, communicated to affected staff, and updated to reflect current operations. Multiple copies of the contingency plan should be available, with additional copies stored at off-site locations to make sure that they are not destroyed by the same events that made the primary data processing facilities unavailable. In addition, the plan should be tested on an ongoing basis to determine whether it will function as intended in an emergency situation. A copy of the contingency plan should be kept in the installation's Security Plan.
- Management Comments.** *A combined response was received from the U.S. Ambassador of Iraq and IRMO. Actions are underway to implement the recommendation to document and implement policy and procedures, with the Information Management Unit of IRMO*

taking the lead. The comments received are fully responsive.

The Commanding General, GRD, concurred with the recommendations. Actions have been implemented or are underway to implement all recommendations, and the comments received are fully responsive.

Changes in Iraq Relief and Reconstruction Fund Program Activities—October through December 2005

SIGIR-06-004, APRIL 2006

In January 2006, SIGIR reported on the challenges faced by the Department of State (DoS) in directing and supervising IRRF program activities. That report focused on changes that occurred in the original U.S. reconstruction plans from November 2003 to September 30, 2005. This report updates the earlier SIGIR report to include project changes that occurred between October 1, 2005 and December 31, 2005.

Introduction. In November 2003, Congress appropriated \$18.4 billion for relief and reconstruction activities in Iraq and allocated the funds to specific sectors of Iraqi infrastructure and governance based on lists of project plans developed during the summer of 2003. In January 2006, SIGIR reported that reconstruction plans had changed significantly as evidenced by the large-scale movement of funds between sectors. For example, as of September 30, 2005, approximately \$3.46 billion had moved between sectors, and another \$2.1 billion had moved within sectors as a result of:

- dramatically increased spending for security needs
- strategy changes as the Coalition Provisional Authority (CPA) and DoS responded to the changing environment in Iraq
- needed increases in spending for sustainment
- the need to fund IRRF administrative expenses that were not considered in original planning
- plans made without a clear understanding of actual situational conditions

As a result, SIGIR reported that many of the original plans will not be fully achieved in some sectors. The largest changes occurred in the Security and Law Enforcement sector and the Justice, Public Safety Infrastructure, and Civil Society sector indicating the higher priority accorded these sectors. The two service sectors, Electric and Water Resources and Sanitation, provided the bulk of these funds. This report updates the changes in DoS IRRF program plans that occurred from October 1, 2005, to December 31, 2005.

Objectives. The objectives of this audit were (1) to determine the changes, if any, in the DoS Iraq relief and reconstruction plans from October 1, 2005, to December 31, 2005, and (2) to identify reasons, if any, for those changes.

Findings. Significant adjustments to IRRF program plans continued through the last quarter with \$353.3 million in program changes. Cumulatively, \$195.3 million moved between sectors, and another \$158 million moved within sectors. Non-construction

programs in the Justice, Public Safety Infrastructure, and Civil Society sector; and the Education, Refugees, and Human Rights sector received the largest increases in funding—\$154.3 million of the \$195.3 million that was reallocated between sectors. The service sectors (Transportation and Telecommunications, Health Care, Electric, and Water Resources and Sanitation) were the source for most of the reallocated funds.

These were some of the results of the adjustments:

- Six transmission projects in the Electric sector were cancelled.
- Two expanded health care centers and eight public health care centers in the Health Care sector were cancelled.
- Aircraft navigational aid and visual aid contracts and the national radar system contract were cancelled in the Transportation and Telecommunications sector.
- Three large water treatment projects in the Potable Water subsector were reduced from design-build contracts to design-only contracts because of limited funding.
- The last remaining project in the Irrigation and Drainage subsector was reduced to engineering design only.
- The scope of the Umm Qasr to Basr water channel renovation project was reduced to repairs of the original channel.

The January 2006 DoS *Section 2207 Report* generally cites emerging needs as the basis for the program changes that occurred during the quarter. For example, the report identifies:

- the need to train Iraqi officials in key ministries in the modern techniques of civil service policies, requirements based budget processes, information technology standards, and logistics management systems as the basis for the new Ministerial Capacity Development program
- other new programs intended to expand local government, community, and election support; and address issues such as the criminal justice system, corrections, public prosecutors, intellectual property rights and property rights legislation; and boost the capacity of the Iraqi ministries

These changes would indicate a continuation of the prior strategy shift toward non-construction programs intended to establish security, increase employment and diversification in the private sector, and strengthen local and provincial government, and away from construction projects.

Recommendations. SIGIR made no recommendations in this report.

Follow-up on Recommendations Made in SIGIR Audit Reports Related to Management and Control of the Development Fund for Iraq

SIGIR-06-005, APRIL 2006

Introduction. This report follows up on recommendations made in a series of SIGIR reports addressing the use of the Development Fund for Iraq (DFI) for relief and reconstruction activities. These recommendations were made to the U.S. Ambassador to Iraq, Joint

Area Support Group-Central (JASG-C), and Joint Contracting Command-Iraq/Afghanistan (JCC-I/A). Overall, these reports determined that improvements could be made in overall control and accountability for contracts, grants, and cash transactions using the DFI, and SIGIR made recommendations for such improvements. This report follows up on those recommendations to determine if appropriate corrective actions were taken to address the deficiencies.

Objective. The objective of this review was to determine whether the U.S. Ambassador to Iraq, JASG-C, and JCC-I/A have developed and implemented action plans to correct the deficiencies identified by SIGIR in these reports:

- Control of Cash Provided to South-Central Iraq (SIGIR-05-006, April 30, 2005)
- Administration of Contracts Funded by the Development Fund for Iraq (SIGIR-05-008, April 30, 2005)
- Management of Rapid Regional Response Program Grants in South-Central Iraq (SIGIR-05-015, October 25, 2005)
- Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy (SIGIR-05-016, October 26, 2005)
- Management of the Contracts, Grant, and Micro-purchases Used To Rehabilitate the Karbala Library (SIGIR-05-020, October 26, 2005)
- Management of Rapid Regional Response Program Contracts in South-Central Iraq (SIGIR-05-023, January 23, 2006)

Results. In the six SIGIR reports in our review that addressed the use of the DFI for contracts, grants, and cash transactions, SIGIR made 40 recommendations: 15 to the Commander, JASG-C; 19 to the Commanding General, JCC-I/A; and 6 to the U.S. Ambassador to Iraq.⁵ SIGIR's review identified these actions taken in response to the recommendations:

- **JASG-C:** The Commander, JASG-C, implemented appropriate actions to close eight recommendations from the above reports and has actions underway to address the remaining seven recommendations. SIGIR recommended that JASG-C establish special action teams to review and reconcile DFI accounts and to ensure that all transactions are appropriately supported and documented. JASG-C has contracted for these services and estimates that the contractor will complete all tasks by April 30, 2006.⁶
- **JCC-I/A:** The Commanding General, JCC-I/A, implemented appropriate action to close 13 recommendations and is in the process of implementing a new review process that should address the remaining 6 recommendations. The new reviews, Procurement Management Reviews, will provide enhanced monitoring of contracts. JCC-I/A anticipates starting these reviews in the spring of 2006. JCC-I/A is also developing a database of DFI contracts and will be using the JASG-C contractor efforts to assist in completing this database.

- **U.S. Ambassador to Iraq:** The U.S. Ambassador implemented appropriate action to close two recommendations and is coordinating actions with JCC-I/A and JASG-C to resolve the issue in the four remaining recommendations.

SIGIR considered the actions taken or underway on the prior recommendations to be responsive and, as a result, makes no further recommendations. However, SIGIR does plan to follow up on the special action team's work at the completion of the contract.

Recommendations. SIGIR made no recommendations in this report.

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

SIGIR-06-006, APRIL 2006

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

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

MNSTC-I is a principal organization in the Iraq relief and reconstruction effort, with a mission to organize, train, equip, and mentor

Iraqi security forces. In that capacity, it has provided professional engineering and project management support for 1,634 IRRF-funded projects, with a projected completion cost of \$1.7 billion.

In a previous report,⁷ SIGIR found that the GRD-PCO management of the transfer of IRRF-funded assets to the Iraqi government did not involve notification to the Iraqi government at the ministerial level when assets were transferred at the local and provincial levels. In the same report, SIGIR also noted that a working group was formed in December 2005 to develop a policy to direct U.S. organizations in managing and reporting asset transfers to the Iraqi government at the ministerial level.

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

Objectives. The overall objective of this audit was to determine whether the U.S. government organizations responsible for managing IRRF projects have developed and approved policies and procedures for transferring the billions of dollars of assets—purchased, renovated, and constructed with IRRF funds—to the Iraqi government and its

citizens. This audit focused specifically on asset recognition and transfer policies and procedures used by MNSTC-I.

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

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

MNSTC-I has a well-established process for transferring capital assets to the Iraqi Ministry of Defense. Using this process, MNSTC-I should successfully meet the Iraqi budget

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

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

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

problems within the Ministry and a turbulent and unpredictable project approval process.

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

Management Comments. *MNSTC-I concurred with the finding and recommendations. Actions are underway to implement the recommendations, and the comments received are fully responsive.*

U.S. Agency for International Development: Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government

SIGIR-06-007, APRIL 2006

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

Introduction. To finance reconstruction in Iraq, Congress appropriated \$2.48 billion through P.L. 108-11 for the Iraq Relief and Reconstruction Fund 1 (IRRF 1), on April 16,

2003. On November 6, 2003, it appropriated an additional \$18.4 billion for IRRF through P.L. 108-106 to fund Iraq reconstruction requirements that the CPA had identified during the summer and fall of 2003.

USAID has provided management support for 99 IRRF-funded construction projects with an estimated completion cost of approximately \$2.3 billion. USAID has completed 87 of these projects through February 23, 2006, and the remaining 12 are expected to be finished by October 2006. These projects include more than 1,600 facilities and sub-projects located throughout Iraq.

In a previous report,⁸ SIGIR found that GRD-PCO management of the transfer of IRRF-funded assets to the Iraqi government did not involve notification to the Iraqi government at the ministerial level when assets were transferred at the local and provincial levels. In the same report, SIGIR also noted a working group was formed in December 2005 to develop a policy to direct U.S. organizations in the managing and reporting asset transfers to the Iraqi government at the ministerial level.

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

transferred to Iraqi control by June 2006 so that adequate sustainment funds are provided in the budget.

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

Limitation of Assessment. As part of SIGIR's efforts to perform this review in accordance with government audit standards, we must report that during the course of this review SIGIR was denied access to USAID policies and procedures that were material to the audit objective announced in its memorandum of October 31, 2005. This limitation affected SIGIR's ability to fully address the adequacy of USAID's policies and procedures for transferring assets to the Iraqi government and its citizens.

Findings. Recognizing the need for formal policies and procedures for asset recognition and transfer, USAID is working in coordination with IRMO and others to resolve the issue. Current USAID policies and procedures do not fully address the information needs of the Iraqi ministries responsible for planning the integration and sustainment of completed projects. USAID has acknowledged the issue and is participating in three working groups to develop a common policy and process for

facilitating the legal, financial, and logistical transfer of assets to the Iraqi government.

Management Actions. During the course of this audit, USAID acknowledged the need to further address the asset recognition and transfer issue. USAID participates in three multi-agency working groups, the Information Technology Working Group, the Asset Recognition and Transfer Working Group, and the Sustainability Working Group. All of the working groups include representatives from the principal U. S. government agencies charged with the relief and reconstruction effort in Iraq, including USAID, Iraq Reconstruction Management Office, Multi-National Security Transition Command-Iraq, Multi-National Force-Iraq, and the U.S. Army Corps of Engineers, Gulf Region Division-Project and Contracting Office. The Information Technology Working Group was formed to consolidate all U.S. government funded and managed relief and reconstruction project asset information across all infrastructure sectors and organizations throughout Iraq into one database. The Asset Recognition and Transfer Working Group was established to develop a common policy and process for the represented agencies to facilitate the legal, financial and logistical transfer of assets to the Government of Iraq. The Sustainability Working Group was formed to develop and implement a plan for the sustainment of IRRF Projects.

Recommendations. SIGIR recommended that USAID, in coordination with IRMO, complete the development of a common policy and process facilitating the transfer of completed project assets to the Iraqi government.

That process should, at a minimum, provide formal notification of the project asset transfer to the Iraqi Ministry of Planning, Ministry of Finance, and the appropriate operating ministry central headquarters (Electricity, Water, Oil, Health, Education, Transportation, Roads, Communications, Justice, Interior, and Defense). Notification should also include, at a minimum, relevant data, such as operation start date, asset cost, estimated short-term and long-term sustainability costs, terms of warranties, and the location of manuals and other instructions for maintenance and systems.

Management Comments. *USAID did not concur with SIGIR's recommendation that it complete the development of a common policy and process for transferring completed projects to the Iraqi government. USAID reports it has adapted its current policies for asset turnover and believes those policies will be sufficient. Further, USAID did not provide SIGIR with a copy of those policies. Although SIGIR was not provided the adapted policies, SIGIR did evaluate the practice currently being followed and determined this process did not meet the U.S. Embassy's position that the Ministry of Finance and Ministry of Planning needed to be notified of assets being transferred.*

**Development Fund for Iraq—
Cash Accountability Review:
Joint Area Support Group-Central**
SIGIR-06-008, APRIL 2006

Introduction. This audit report is one of a series addressing controls by U.S. government officials over cash in Iraq. This audit report

discusses the accountability for DFI cash controlled by the JASG-C Comptroller, who also serves as the DFI Account Manager.

The DFI fund was established to meet:

- the humanitarian needs of the Iraqi people
- the economic reconstruction and repair of Iraq's infrastructure
- the continued disarmament of Iraq
- the costs of Iraqi civilian administration
- other purposes benefiting the people of Iraq

Objective. The overall audit objective was to provide assurance that funds on hand agreed with government records. SIGIR specifically looked at whether DoD policies and procedures for controlling cash and cash expenditures were being followed and whether the procedures were adequate given existing conditions.

Findings. On January 31, 2006, SIGIR conducted an unannounced cash count, providing assurance that the \$28.5 million funds on hand agreed with government records. The JASG-C Comptroller/DFI Account Manager was accountable for DFI cash assets on hand and complied with the DoD requirements for safeguarding cash, with some exceptions. SIGIR found that the processes employed by the JASG-C Comptroller/DFI Account Manager's office were acceptable for completing, controlling, and maintaining accurate records for cash on hand (Palace Vault), issuing cash to paying agents in the Central Region, and clearing paying agents' cash account balances.

However, SIGIR noted these exceptions during the review:

- There is no file system to store and readily retrieve the paying agent's documents.
- The process for properly identifying the current accountable Disbursing Officer for backup access to the vaulted DFI funds did not follow applicable DoD Financial Management Regulations.
- The mechanical condition of the vault does not allow for the periodic changing of the lock combination prescribed by DoD requirements.

Management Actions. The JASG-C Commander has taken actions to correct two of the reported deficiencies. Using contracted resources, the JASG-C Comptroller's Office has started scanning the payment agent's payment packages to a database. The expected completion date is May 30, 2006. The database will allow proper filing of the payment packages, and faster retrieval if a payment question is raised. In addition, after SIGIR informed the JASG-C Deputy Comptroller of the deficiency relating to signatures on the combination and key envelope, the envelope was updated with the current Disbursing Officer's signature. SIGIR commends the JASG-C Commander and JASG-C Comptroller for these prompt and thorough actions to correct these deficiencies.

Recommendations. SIGIR recommended that the Commander, JASG-C, require these actions of the JASG-C Comptroller/DFI Account Manager:

- Develop a file system to store and more readily retrieve specific payment packages.
- Whenever a new Disbursing Officer takes custody of the cash assets, ensure that

current signatures are affixed to the sealed envelope containing the safe combination and duplicate key.

- Develop a contingency plan for secure and reliable access to the vault and its contents to lower the risk of unauthorized access or in the event of mechanical failure of the combination lock.

Management Comments. *The JASG-C concurred with the finding and recommendations. Actions have been taken and are underway to implement the recommendations. The comments received are fully responsive.*

Review of Task Force Shield Programs

SIGIR-06-009, APRIL 2006

Introduction. Task Force Shield was established in September 2003 with the mission of building Iraq's capacity to protect its oil and electrical infrastructure. This infrastructure includes approximately 340 key installations, 7,000 kilometers of oil pipeline, and 14,000 kilometers of electricity transmission line. To protect the infrastructure, Task Force Shield was to oversee the training and operation of an Iraqi Oil Protection Force (OPF) of 14,400 guards for the Iraqi Ministry of Oil, as well as the training and equipping of 6,000 Iraqi Electrical Power Security Service (EPSS) guards for the Iraqi Ministry of Electricity. SIGIR determined that about \$147 million from the DFI and IRRF were spent on these efforts from August 2003 to September 2005. Records for these programs are maintained by IRMO, JCC-I/A, and other U.S. agencies.

Objectives. This report addressed the U.S.-led effort, implemented by Task Force Shield, from September 2003 through April 2005, to build the capacity of the Iraqi government to protect its oil and electrical infrastructure. Specifically, this report addressed the extent to which:

- U.S. agencies in charge of reconstruction activities provided a clear management structure for Task Force Shield
- Task Force Shield trained and equipped a competent Oil Protection Force
- Task Force Shield trained and equipped a competent Electrical Power Security Service

Limitation of Assessment. As part of SIGIR's efforts to perform this review in accordance with government audit standards, SIGIR reported the lack of available program, financial, and contract records and U.S. officials in Baghdad who had first-hand knowledge of the Task Force Shield program. Further, SIGIR did not receive access to selected information SIGIR requested from the MNF-I subordinate commands that was material to the audit objectives announced in a SIGIR memorandum on January 27, 2006. This limitation affected SIGIR's ability to respond to the request made during a Senate hearing on February 8, 2006, from members of the U.S. Senate Committee on Foreign Relations to report on the capacity of the Iraqi government to protect its infrastructure.

Findings. Task Force Shield management of the OPF and EPSS programs ultimately proved

to be unsuccessful. Although OPF showed some initial success, EPSS barely got started before it was cancelled. SIGIR believed that U.S. agencies could not provide reasonable assurance that the \$147 million expended to train and equip the OPF and EPSS was used for its intended purposes.

- Most of the information SIGIR gathered generally indicated that the lack of a clear management structure for the U.S. agencies responsible for the protection of Iraq's security degraded the ability of Task Force Shield to effectively manage the OPF and EPSS programs.
- SIGIR found limited records documenting program cost, how the money was used, or the location of the millions of dollars of equipment purchased with Task Force Shield funds. The lack of records and equipment accountability raised significant concerns about possible fraud, waste, and abuse of Task Force Shield programs by U.S. and Iraqi officials.
- SIGIR found about \$7 million in unexpended IRRF funding that is potentially eligible to be de-committed or de-obligated and used for other purposes.

Indications of Potential Fraud. During this audit, SIGIR found indications of potential fraud and referred these matters to the SIGIR Assistant Inspector General for Investigations.

Management Actions. During the course of this audit, SIGIR notified IRMO that it believed approximately \$7 million currently obligated for Task Force Shield contracts could

be de-committed or de-obligated and used for other purposes. IRMO agreed and \$3.1 million of these funds were de-committed or de-obligated, as of April 22, 2006. SIGIR also notified JCC-I/A of the lack of contract documents for the EPSS contract, and that the EPSS Training Academy at Taji was never appropriately transferred to the U.S. military. JCC-I/A agreed and took steps to reconstruct the EPSS contract file and to also transfer the Academy to the appropriate authority. These actions were still in process at the conclusion of SIGIR's review.

Recommendations. SIGIR recommended these steps:

1. The IRMO Director should require IRMO management to take these actions:
 - In cooperation with JCC-I/A, determine the current status of equipment procured for the OPF and the EPSS programs, including equipment transferred to the Ministry of Oil and the Ministry of Electricity.
 - In cooperation with JCC-I/A, conduct a thorough examination of the performance of the contractor in relation to the construction of the EPSS Training Academy at Taji. Determine whether the government received what the statement of work called for, and if not, what financial adjustment should the contractor make to the government.
 - In cooperation with JCC-I/A, ensure that the EPSS Training Academy at Taji is formally transferred from the Task Force Shield EPSS contracting officer representative to either MNSTC-I or the Multi-National Corps-Iraq.
2. Determine whether unexpended IRRF funds currently committed or obligated to Task Force Shield contracts can be de-committed, de-obligated, and reallocated for other purposes.
2. The JCC-I/A Commanding General should require JCC-I/A management to take these actions:
 - In cooperation with IRMO, determine the current status of equipment procured for the OPF and the EPSS programs, including equipment transferred to the Ministry of Oil and the Ministry of Electricity.
 - In cooperation with IRMO, conduct a thorough examination of the performance of the contractor in relation to the construction of the EPSS Training Academy at Taji. Determine whether the government received what the statement of work called for, and if not, whether the contractor should make a financial adjustment to the government.
 - In cooperation with IRMO, ensure that the EPSS Training Academy at Taji is formally transferred from the Task Force Shield EPSS contracting officer representative to either MNSTC-I or the Multi-National Corps-Iraq.
 - Determine whether unexpended IRRF funds currently committed or obligated to Task Force Shield contracts can be de-committed, de-obligated, and reallocated for other purposes.

Management Comments. *IRMO and JCC-I/A officials concurred with the report recommendations. IRMO and the U.S. Army Corps of Engineers also provided technical comments for this report. SIGIR received these comments and changed the report where appropriate.*

Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund
SIGIR-06-010, APRIL 2006

Introduction. In response to a U.S. Army Audit Agency (USAAA) recommendation, MNSTC-I requested that SIGIR conduct an extended review of the MNSTC-I internal review and reconciliation of the Iraqi Armed Forces (IAF) Seized Assets Fund and associated financial disbursing documents to determine whether there were any issues warranting further investigation. SIGIR subsequently obtained custody of MNSTC-I internal review workpapers and IAF Seized Assets Fund financial disbursing documents.

Objectives. The audit objectives were to determine whether (1) sufficient documentation existed to complete the MNSTC-I reconciliation of the IAF Seized Assets Fund, and (2) any acts by responsible internal and external certifying officials, pay agents, vendors, and contractors could be identified that warranted further investigation.

Findings. SIGIR's review of the IAF Seized Assets Fund contract and financial documentation provided to SIGIR confirmed MNSTC-I's internal review conclusion that the records were too incomplete and unreliable to be

audited and that a valid reconciliation could not be achieved. Overall, there was little apparent oversight during the time period covered by the documents reviewed. As a result, SIGIR found official records that MNSTC-I did not provide to the contracting office. As such, JCC-I/A made contracting actions without the benefit of this pertinent contract information. SIGIR also reported separately on our review of the status of documentation maintained by JCC-I/A.

Indications of Potential Fraud. During this review, SIGIR also noted indications of potential fraud and referred those matters to the SIGIR Assistant Inspector General for Investigations for action. Related investigations are continuing.

Management Actions. During the review, SIGIR noted that MNSTC-I had initiated training for its paying officers and developed standard operating procedures and other guidance that, if implemented and enforced, could address many of the problems discussed in this report. However, SIGIR did not address the effectiveness of these changes within the scope of this review.

Recommendation. SIGIR recommended the MNSTC-I Commanding General establish a plan and process and hand over originals and copies of contract documents and files in so far as possible, in cooperation with the JCC-I/A Commanding General, to meet the requirements for complete and accurate record keeping.

Management Comments. *MNSTC-I and JCC-I/A officials concurred with the findings*

and recommendation. Actions are underway to implement the recommendation, and the comments received are fully responsive.

Management of the Primary Healthcare Centers Construction Projects

SIGIR-06-011, APRIL 2006

This audit is one of a series of SIGIR reports that will focus on specific IRRF reconstruction projects. This report discusses management of the Primary Health Care Centers (PHC) construction project in response to a request by the U.S. Army Corps of Engineers Gulf Region Division (GRD) and the U.S. Ambassador. This report is a follow on to correspondence on this subject provided by the Special Inspector General for Iraq Reconstruction (SIGIR) in December 2005.

Introduction. On March 25, 2004, Parsons Delaware, Inc., was awarded a cost-plus contract, W914NS-04-D-0006. Task orders 4, 11, and 12 contracted for the construction of 150 PHCs throughout Iraq. The total definitized cost of the construction was \$103,538,411. In addition, the task orders provided for the purchase and installation of medical and dental equipment for each center. The total definitized cost of the equipment was \$69,115,742. The contract also had an administrative task order, task order 7, to cover indirect costs of projects under the contract. The total definitized cost of task order 7 was \$110,000,000. (SIGIR estimated that the amount of definitized cost of task order 7 associated with the PHC projects is 64 percent or \$70,400,000.) This report addresses the combined definitized cost on this contract

of about \$243,000,000 associated with the 150 PHCs.

Objectives. The objectives of the audit were to determine if the contractor complied with the terms of the contract or task orders and whether the government representatives complied with general legislative and regulatory guidance on contract administration and financial management. SIGIR also evaluated the effectiveness of the monitoring and controls in place by administrative contract officers.

Limitation of Assessment. As part of SIGIR's efforts to perform this review in accordance with government audit standards, it must report that during the course of this review, SIGIR's access to both, (1) available program management records and (2) key U.S. officials in Baghdad with first-hand knowledge of the project status was restricted by GRD. As a result, this limitation affected SIGIR's ability to independently complete objective 1, which was to determine if the contractor was in compliance with the terms of the contract or task orders. However, SIGIR used the information available and readily provided to us by U.S. Government agency officials which clearly showed the overall extent of the contractor's failure to deliver to the terms of the contract. Further, the contractor was cooperative in meeting with SIGIR, discussing contract status, and timely providing requested information.

Findings. As of March 6, 2006, approximately \$186 million (about 77% of the definitized cost) was spent on the PHC project,

over a two-year period, with little progress made. These project outcomes resulted:

- 8 of the 150 planned centers were descope.
- 1 was placed under another contract vehicle.
- 135 were only partially constructed (with 121 subsequently “terminated for convenience”).
- Only 6 were accepted as completed by USACE GRD.

In September 2005, the U.S. government descope 8 of the 150 planned PHCs because of lack of progress and to cover gaps in project funding caused by the Iraqi Ministry of Health’s failure to meet its program funding commitment. Another PHC continued through direct contracting. Of the remaining 141 PHCs, 135 are partially complete throughout Iraq. On March 3, 2006, the U.S. government executed a “termination for convenience,” descope 121 of the 135 PHCs. As a result, the current U.S. government requirement is for Parsons Global Services, Inc., (Parsons Global) to deliver 20 PHCs, including the 6 already completed, by April 3, 2006. The estimated additional cost to complete the 121 PHCs is approximately \$36 million. However, an IRMO senior official stated that there is not sufficient IRRF funding available on this contract to complete all of the centers.

Contractor performance and U.S. Government management actions were both factors in the failure to complete the PHC project as planned. According to GRD, the contractor lacked qualified engineering staff to supervise

its design work, failed to check the capacity of its subcontractors to perform the required work, failed to properly supervise the work of its subcontractors, and failed to enforce quality assurance/quality control activities. On the government side SIGIR identified a lack of complete responsiveness to contractor requests for equitable adjustments and excusable delays based on unplanned site conditions, design or scope changes, or delays based on site access restrictions or security; high U.S. Government personnel turnover and organizational turbulence; a failure to follow required procedures for making contract changes; poor cost controls; poor cost to complete reporting; a failure to properly execute its administrative responsibilities; and a failure to establish an adequate quality assurance program.

GRD provided SIGIR a lengthy description of the contractor problems it faced during the course of this contract. SIGIR does not dispute that there were signs of failure on the part of the contractor. Further, as already noted, poor contractor performance delayed completion of the project and escalated costs. However, this report focuses on the government’s contract administration because SIGIR believes that the Federal Acquisition Regulations, if properly followed, identify the responsibilities of each party in a contract and provide sufficient contract controls to ensure that the government receives the goods or services it seeks at a fair and equitable price.

Management Actions. U.S. government officials have taken steps to address some of the issues that SIGIR identified.

- On July 18, 2005, JCC-I/A issued a “letter of concern” to Parsons Global “regarding certain shortfalls and non-compliance issues with quality, safety, schedule, and performance criteria that must be immediately addressed and rectified.” The letter referred to issues raised as a result of a PCO site visit to PHCs in the Baghdad area.
- In the Fall of 2005, JCC-I/A assigned an overall interim unsatisfactory performance evaluation to the contractor because of unmet milestones and schedule slippages, and elusive administrative task order costs.
- Lacking confidence in the Parsons Global weekly cost performance reports, the contracting officer requested the monthly cost performance reports as prescribed by Contract section 2.3.5. On October 23, 2005, the government and Parsons Global agreed on a format for the new reports. Subsequently, Parsons Global has produced monthly cost performance reports in the new format.
- On October 24, 2005, the contracting officer briefed PCO and Parsons Global that required procedures for “constructive changes” to the project would be enforced. The contractor officer required that future constructive changes must be properly definitized. He also pushed the formal process to bring the outstanding request for equitable adjustment (REA) to resolution. On December 21, 2005, negotiations to reconcile Parsons Global, \$39 million REA began. As of February 24, 2006, 50 of 58 items had been resolved for \$22 million. An agreement was signed, and the task orders were funded. The eight remaining items are still being negotiated.
- On December 21, 2005, Parsons Global and the U.S. government began negotiation of the Parsons Global submission of excusable delays. An agreement was reached, and schedules were adjusted in February 2006.
- As SIGIR previously reported,⁹ GRD-PCO and IRMO took steps late in 2005 to improve the quality of cost-to-complete reporting. The estimates reported in the December 31, 2005 Project Assessment Report for the PHC project appear more realistic than those previously reported. Representatives of IRMO and GRD-PCO stated that cost-to-complete reports are now used more effectively as a project management tool.
- On February 4, 2006, GRD-PCO convened a teleconference with both U.S. government officials and representatives of Parsons Global to determine a workable solution for how many PHCs should be completed by Parsons Global, and how many PHCs should be descope. The conference led to the plan for Parsons Global to complete 20 centers by April 3, 2006, and to descope the other 121 centers. According to GRD, it is exploring options to complete the remaining 121 PHCs.

Conclusion. Overall management of the primary healthcare centers construction projects could have been better executed from

**TWO CONSTRUCTION SITES PROVIDED BY THE IRAQI
MINISTRY OF HEALTH FOR PUBLIC HEALTH CARE CLINICS**



Site 1: before remediation by Parsons



Site 1: after remediation by Parsons



Site 2: before remediation by Parsons



Site 2: after remediation by Parsons

March 25, 2004, to early July 2005. In July 2005, U.S. government management recognized that the PHC construction program was in trouble and began a series of actions that led to a reduction in the number of centers to be delivered from 150 to 20. Unfortunately, as a result, 121 centers remain partially complete. However, there is also a strong commitment among the Iraqi and U.S. government managers to complete the 121 partially completed centers. Both governments are developing a plan and attempting to identify the required funds to finalize these centers for the benefit of the Iraqi citizens. SIGIR made recommendations to assist in ensuring a successful completion of this desired goal. SIGIR also identified lessons learned for the improvement in managing large complex projects in the future.

Recommendations.

1. The IRMO Director should require IRMO management to take these actions:
 - Develop a Project Delivery Team to meet periodically and facilitate contract completion, in cooperation with JCC-I/A, GRD-PCO, and Parsons.
 - Develop a plan for pursuing the funding necessary to complete the project.
 - Develop a strong program management team, in partnership with the Iraqi Ministry of Health, to ensure completion of the 121 remaining centers.
2. The JCC-I/A Commanding General should require JCC-I/A management to take these actions:

- For any future contracts awarded for completing the construction of the remaining centers, require that the contracting officer ensure that staff who have been delegated responsibility are properly trained.
3. The GRD Commanding General should require GRD-PCO sector management to take these actions:
 - Require that GRD personnel, who are responsible for traveling to the construction sites to record the information for the daily QA reports, are properly trained to perform this function.
 - Ensure that proper reporting mechanisms are established, maintained, and monitored for any delegation of program management to government or non-government staff.
 - Ensure that cost-to-complete and schedule performance reports are periodically validated by government managers and are reconciled to the quality assurance reports provided by independent staff.

Additional Observations. During the course of the review of the management of this construction contract, SIGIR noted areas where lessons learned may improve other contract oversight. SIGIR provided these specific suggestions:

- Maintain a log of contracting officers and dates of service in the contract file.
- Provide for a length of tour for government personnel that is sufficient to manage large and complex contracts.

- Seek bilateral agreements with the contractor as the norm and document exceptions with justifications including known and accepted risk. Senior leadership should review and approve these agreements.
- Conduct on-site inspections of proposed construction sites before selection and before definitization of task orders to minimize unknown risks of cost and schedule overruns.
- Ensure that contract performance reports include budgeted cost of work performed so that cost and schedule variances can be properly calculated.

Management Comments. *SIGIR received written comments on this report from GRD, JCC-I/A, and IRMO. JCC-I/A and GRD concurred with our recommendations. GRD, however, stated that the recommendations did not offer significant assistance to the organization and reconstruction effort. While SIGIR's recommendations address the need for proper training and better reporting, which are perennial problems in contract management, SIGIR believes they bear repeating given the magnitude of the problems encountered in managing this contract. GRD provided additional information on contractor problems and the actions it took and, SIGIR added this information to the report. IRMO did not directly respond to the SIGIR recommendations; instead, it stated that, with regard to the recommendations on developing project delivery teams and a strong program management team, that those matters are the responsibility of PCO. SIGIR's intent was*

to have the key offices involved in the project work together to mutually resolve problems in constructing the PHCs, regardless of who leads the effort. IRMO's response underscores that at present, no one office has taken responsibility for this project. IRMO did not address the SIGIR recommendation to develop a plan for pursuing the funding necessary to complete the project.

In its written response to this report, GRD correctly noted that this audit was undertaken at the request of GRD-PCO and that the audit was coordinated with the U.S. Ambassador to Iraq and the Commander, MNF-I. SIGIR revised the report to reflect the origin of the audit. GRD also provided a detailed description of the problems encountered by both it and the contractor during the course of the contract, which are reprinted in their entirety in the Management Comments section of this report. According to GRD's description, the contractor encountered myriad problems, and from the beginning of the project, failed to meet various contract requirements due to numerous significant management and technical shortcomings. SIGIR agreed that there were early signs that the contractor would not or could not meet contract requirements and that these problems delayed project completion and escalated costs. JCC-I/A expressed these concerns to the contractor on several occasions in June and July 2005. However, it is the government's responsibility to oversee the contract and, given that the government was aware of problems with the project for quite some time, SIGIR believes that effective government contract oversight was not provided.

Development Fund for Iraq Cash Accountability Review: Joint Area Support Group-Central/Falluja

SIGIR-06-012, APRIL 2006

Introduction. This audit report is one of a series addressing controls over cash in Iraq. This audit report discusses the accountability for the DFI cash controlled by the JASG-C Comptroller, who also serves as the DFI Account Manager.

The DFI fund was established to meet:

- the humanitarian needs of the Iraqi people
- the economic reconstruction and repair of Iraq's infrastructure
- the continued disarmament of Iraq
- the costs of Iraqi civilian administration
- other purposes benefiting the people of Iraq

This particular audit addresses DFI cash held by the Division Level Agent (DLA) in Falluja, Iraq. DLA is responsible for issuing cash payments to designated entities (individuals and/or businesses) and for clearing their accounts with the JASG-C Disbursing Officer. The JASG-C Disbursing Officer maintains an accounting ledger of cash accountability that includes evidence of cash issued and receipts returned. Due to the availability of Electronic Funds Transfer, the DLA for Falluja, Iraq, no longer needs to maintain cash on site.

Objective. The overall audit objective was to provide assurance that DFI funds turned in by the Falluja DLA agreed with government records. It specifically looked at whether DoD policies and procedures for cash accountability and disposition were being complied with.

Findings. On March 30, 2006, SIGIR conducted an unannounced cash count, providing assurance that the \$7.2 million turned in by the Falluja DLA agreed with government records. The Falluja DLA was accountable for DFI cash assets and complied with the DoD requirements for the disposition of cash to the JASG-C Disbursing Officer. SIGIR found that the processes employed by the DLA and the JASG-C Disbursing Officer for completing, controlling, and maintaining accurate records for the cash (DFI/Falluja) and the clearing of cash account balances were acceptable.

Recommendations. SIGIR made no recommendations in this report.

Briefing to the International Advisory and Monitoring Board for Iraq: Management Controls Over the Development Fund for Iraq

SIGIR-06-013, APRIL 2006

The Inspector General Act of 1978, as amended, requires SIGIR to determine by follow-up and report semiannually on actions planned or taken to implement the recommendations made in SIGIR audit reports. This briefing, presented on April 5, 2006, provided the status of corrective actions taken in response to a series of audits conducted by SIGIR addressing the use of the DFI for Iraq relief and reconstruction activities. These recommendations were made to the U.S. Ambassador to Iraq, the JASG-C, and the JCC-I/A. Overall, these audit reports found a lack of control and accountability for contracts, grants, and cash transactions using the DFI and made recommendations for improvement.

Background. From May 2004 to September 2005, SIGIR conducted eight audits of contracts, grants, and small purchases using DFI. These were the overall findings:

- CPA had developed adequate policies and procedures to provide adequate controls over DFI.
- Compliance was the issue.
- Oversight of adherence to policy and procedures was not performed.

Of those audits:

- 6 identified significant material control weaknesses in controlling and accounting for Iraqi cash assets
- 40 recommendations were made for improving oversight and management of DFI funds

Results. SIGIR found that all recommendations were being implemented satisfactorily or are in the process of being implemented. Specifically, of the 40 recommendations, 23 were closed, and 17 had corrective actions underway or planned.

Recommendations. SIGIR made no recommendations in this follow-up report. SIGIR plans to review final implementation efforts in May 2006.

Iraqi Armed Forces Seized Assets Fund: Review of Contracts and Financial Documents

SIGIR-06-015, APRIL 2006

Introduction. In response to a USAAA recommendation, MNSTC-I requested that SIGIR conduct a further review of MNSTC-I's

reconciliation of the Iraqi Armed Forces (IAF) Seized Assets Fund and associated financial disbursing documents to determine whether any issues warranted further investigation. SIGIR subsequently obtained custody of MNSTC-I's internal review workpapers and IAF Seized Assets Fund financial disbursing documents. JCC-I/A also maintains a centralized contract database, and SIGIR used information in this database to verify MNSTC-I's records.

Objective. The objective of this review was to determine whether the JCC-I/A centralized contract database contained complete records of Seized Assets Fund transactions.

Findings. JCC-I/A does not have complete records of Seized Assets Fund transactions. SIGIR identified numerous documents in MNSTC-I's records that were not in JCC-I/A's database, and vice versa. Discrepancies included missing contracts, contract numbers, and supporting invoices. SIGIR analysis of the combined records found payments exceeding documentation limits, potential overpayments, and potential de-obligations. We also reported separately on our review of the status of documentation maintained by MNSTC-I for the reconciliation of IAF seized assets.

Indications of Potential Fraud. During this review, SIGIR also noted indications of potential fraud and referred those matters to the SIGIR Assistant Inspector General for Investigations for action. Related investigations are continuing.

Management Actions. During the review, SIGIR noted that MNSTC-I had initiated

training for its paying officers and developed standard operating procedures and other guidance that, if implemented and enforced, could address many of the problems discussed in this report. However, SIGIR did not address the effectiveness of these changes within the scope of this review.

Recommendations. SIGIR recommended that the JCC-I/A Commanding General, in cooperation with the MNSTC-I Commanding General, take these actions:

- Establish a plan and process and hand over original and copies of contract documents and files to best meet the requirements for complete and accurate records for both organizations.
- Review related contracting and payment actions in light of newly turned-over documents and files to determine the extent that previously completed payment, contract close outs, and other related actions should be reconsidered.
- Take action to recover any overpayments or payments to wrong contractors.
- Take action to de-obligate any remaining funds that remain available for better use.

Management Comments. *JCC-I/A and MNSTC-I officials concurred with the finding and recommendations. Actions are underway to implement the recommendations, and the comments received are fully responsive.*

Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006

SIGIR-06-016, APRIL 4, 2006

This interim audit report is provided to alert management to concerns SIGIR noted on the accountability for and utilization of the \$70 million of medical equipment procured by Parsons Global for the PHC construction project. SIGIR is reporting these concerns in an interim report to provide management timely information and the opportunity to take corrective actions. This can reduce the risk of accountability shortfalls and ineffective use of the procured medical equipment because certain events may occur before our final report is issued.

Objectives. Our overall audit objectives are to determine whether medical equipment acquired by Parsons Global is properly accounted for and to identify the impact of descoping the PHCs contract on the medical equipment.

Background. The contract required Parsons to procure 151 medical equipment sets to equip 150 healthcare centers that Parsons was to build, and to equip one medical Teaching Academy (which was to be constructed by other than Parsons). The cost of this equipment was approximately \$70 million. However, the construction part of the contract was descoped by 9 PHCs in September 2005, and then further descoped by an additional 121

PHCs on March 6, 2006, leaving only 20 centers to be completed by Parsons. In addition, the Teaching Academy was never constructed. Unfortunately, due to the timing of the descoping of the construction, the number of medical equipment sets Parsons was to procure was not descoped and Parsons has already procured and plans to deliver all 151 medical equipment sets to the U.S. government by the end of April 2006. This will leave the U.S. government with a total of 131 medical equipment sets more than required to equip the 20 PHCs currently completed or expected to be completed within the next 30 days.

Planning for Equipment Acceptance, Storage, and Use. There is no formal written plan as to what specifically will be done with the 131 excess medical equipment sets to be delivered by Parsons Global in April 2006. In discussions with JCC-I/A, GRD-PCO, and IRMO representatives responsible for equipment acceptance, storage, and usage, SIGIR received contradictory information as to where the excess medical equipment would be delivered and stored and how the equipment would be turned over to the U.S. government. SIGIR also found differences in the number of equipment sets that Parsons Global planned to deliver and what GRD-PCO expected would be delivered to specific storage locations.

During the audit, SIGIR revealed many of these discrepancies and received verbal confirmation that the equipment acceptance and storage issues were being worked with all concerned. Further, SIGIR was told that measures would be fully coordinated and implemented

to ensure accountability and effective utilization. Personnel with each of the U.S. government activities involved (IRMO, JCC-I/A, and GRD-PCO) are doing their best within their respective lanes of responsibility/authority to address the issues. However, without an overall coordinated plan on how the medical equipment will be accepted, stored, secured and used, there is no assurance that individual plans will succeed in providing effective and efficient accountability and use of the medical equipment sets. As the direct liaison to the Iraqi government, IRMO should take the lead in developing and coordinating a formal plan for the overall storage and use of the medical equipment sets.

Recommendations. SIGIR did not make recommendations in this interim report. No response to this interim report was required, but SIGIR will follow up on the concerns raised in this report and management actions in response to these concerns as the audit continues.

Draft Reports Issued

SIGIR had one draft audit as of the reporting date.

Survey of the Status of Funding for Iraq Programs Allocated to the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, as of December 31, 2005

SIGIR-06-018

This is a joint survey by the DoS OIG and SIGIR of funding for Iraqi-related activities

by the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL). This survey was performed in support of the DoS OIG's continuing responsibility to assist management through independent reviews of DoS operations. The primary objectives were to: (1) identify funding received and expended by INL that was earmarked for Iraq, and (2) evaluate INL accounting procedures for those funds. The survey scope covered funding received, obligated, and expended from October 1, 2002, through December 31, 2005.

Ongoing Audits

Review of Administrative Task Orders (ATOs)

SIGIR-2005-19

The objectives of this audit are to determine:

- To what extent did ATOs accomplish their intended purpose—to capture the design-build contractors' fixed administrative costs for the total indefinite delivery order? (Contract audits will also determine whether those information systems were adequately reliable and sufficiently coordinated among those organizations to ensure accurate, complete, and timely reporting to senior government officials and Congress on the use of IRRF funds.)
- To what extent did the de-scoping of projects impact the necessity for certain administrative costs included in the ATO?
- To what extent did increased or decreased periods of contract/task order performance

impact the value of ATO cost, and to what extent did ATOs vary from one design-build contractor to another?

Survey of the Program, Contract, and Financial Management Systems and Reporting for the Iraq Relief and Reconstruction Fund (IRRF)

SIGIR-2005-24

The objectives of this survey are to obtain sufficient information on the program, contract, and financial management processes, systems, and transaction-level data maintained to understand the management information available. SIGIR will also obtain information on the official reporting requirements from each of the U.S. government agencies that administer IRRF.

SIGIR will use the results of this survey to develop specific audit plans to evaluate the effectiveness of controls and the accuracy and timeliness of reconciliations of the budget authorities, fund allocations, disbursements, and contract actions that comprise the majority of IRRF monies. Each audit will be announced with specific objectives.

Analysis of Risk in Contracting Methods Used for Iraq Reconstruction Projects

SIGIR-2005-25

The overall objective of this audit is to obtain sufficient information on the procurement processes, contract management, and financial management relating to design-build and direct contracting to perform a comparative analysis of the alternative contracting methods

and to identify the risks associated with these methods. Further, we intend to identify lessons learned on the uses of these contract methods in Iraq.

Reconstruction Transition to Iraq Government Management

SIGIR-6003

SIGIR will ask these questions in this review:

- Do U.S. reconstruction management offices in Iraq have strategic plans in place for transitioning their respective parts of the reconstruction program?
- Are there sufficient resources to operate and maintain new U.S.-provided plants and equipment?
- Have Iraqi officials sufficiently planned and budgeted for the essential maintenance of the new U.S.-provided infrastructure?
- How will the pace of reconstruction and project completion affect transition?

Review of the Use of Definitization of Contracts Supporting the Reconstruction in Iraq

SIGIR-6005

This audit will determine whether contracts funded by the IRRF (including letter contracts and task orders) are being definitized on time and whether the definitization process complied with applicable regulations, policies, and procedures.

Review of Close-out Processes and Procedures for IRRF Contracts

SIGIR-6006

This audit will determine whether contracts funded by IRRF (including task orders, grants, and cooperative agreements) are being closed out on time and whether they comply with the Federal Acquisition Regulation (FAR) 4.804 1(a) and other applicable regulations, policies, and procedures.

Review of the Advanced First Responders Network

SIGIR-6008

This audit will determine if responsible personnel efficiently and effectively managed the Advanced First Responders Network (AFRN) project, which was created to provide Iraqi police, fire, and emergency medical units with a core national public safety communication, command, and control system. More specifically, SIGIR plans to answer these questions:

- Does the AFRN provide effective emergency communications for the Iraqi police, fire, and medical departments?
- Did U.S. government officials properly definitize the AFRN task orders and ensure that equipment purchases and contractor services were within the scope of the contract?
- Were assets purchased for the AFRN properly accounted for, controlled, supported, and transferred to the Iraqi Ministry of Interior?
- Are U.S. government plans and funding in place to sustain the AFRN pending the

Iraqi government's assumption of those responsibilities, and did U.S. officials provide the responsible Iraqi ministry with sufficient information on operations and maintenance support requirements?

Review of Infrastructure Protection

SIGIR-6009

This audit will determine the extent to which U.S. efforts to increase the capacity of the Iraqi government to protect its critical oil and electricity infrastructure are measurable and are meeting U.S. and Iraqi requirements. More specifically, SIGIR plans to answer these questions:

- To what extent can the government of Iraq perform independently to protect its oil and electricity infrastructure?
- What support is the United States providing to the Iraqi government to improve its capability to protect its oil and electricity infrastructure?
- What does available data indicate about attacks on Iraqi infrastructure, including the types of infrastructure attacked, the level of attacks, and the trend in attacks?

Review of U.S. Government Organizations' Roles and Responsibilities for Iraq Relief and Reconstruction Activities

SIGIR-6012

This audit will determine the roles and responsibilities for each principal U.S. government organization that has programmatic, operational, and/or financial stewardship of relief and reconstruction activities in Iraq. Specifi-

cally, SIGIR will answer these questions:

- Which U.S. government organizations have been authorized to perform a role in Iraq relief and reconstruction activities?
- What are the authorized roles and responsibilities of each organization and their relationship to other organizations?
- How do these organizations coordinate policies, procedures, and activities with each other?
- Of the U.S. government organizations that do not have principal roles and responsibilities, which have provided staff to Iraq relief and reconstruction activities?
- What amount and type of funding was provided to each organization and for what purpose?
- What performance reporting does each organization produce, to whom, and how often?
- What event triggers the cessation or transfer of each organization's mission relating to Iraq relief and reconstruction activities?

Audit of the Equipment and Supplies Purchased for the Primary Healthcare Centers Associated with Parsons Delaware, Contract Number W914NS-D-0006

W914NS-D-0006

SIGIR-6013

This audit will determine whether medical equipment and supplies associated with PHCs, Parsons Delaware, Contract Number W914NS-04-D-0006, are properly accounted for, and identify the impact of the descoping of construction of the PHCs. As of February 26, 2006,

the USACE Financial Management System shows that \$62.3 million has been obligated, of which \$53.5 million has been expended for medical equipment and supplies to equip the originally planned PHCs under this contract. The audit will also answer these questions:

- Where are the medical equipment and supplies currently located, and which organizations maintain physical control of the assets?
- How and when will the U.S. government transfer the equipment?
- What are the “lessons learned” from the management and execution of the non-construction process and practice related to this contract?

Survey of the U.S. Embassy-Iraq Anticorruption Program

SIGIR-6011

SIGIR and DoS OIG are initiating a survey of the subject program. The survey will concentrate primarily on the following questions:

- Who are the U.S. government agencies participating in the anticorruption program in Iraq, and do they have a coordinated strategic plan with identified goals?
- Have program outcomes and metrics been established to measure progress and success?
- Have organizational roles and responsibilities been clearly identified and resources provided to meet the program goals?

Review of the Basrah Pediatric Facility (Hospital) Project

SIGIR-6016

This review will evaluate the effectiveness of the government project management and the contracting team in the performance of this project. SIGIR will also assess the management control over this project by USAID, IRMO, and others as appropriate. Specifically, SIGIR will answer the following questions:

- Does USAID have effective policies, procedures, and management controls in place to achieve expected project outcomes?
- Does USAID have adequate financial controls in place to effectively monitor the project and to collect and report on cost to complete?
- Does the management reporting process in place by USAID and IRMO ensure effective transparency of project cost, schedule and performance?

Planned Audits

SIGIR will conduct performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs and operations as necessary. These audits will be accomplished through individual audit projects of specific issues, as well as an audit series that will evaluate several components of related topics. Each of these audits will be announced before the start of any audit field work. For the full text of the Audit Plan, see the SIGIR Web site: www.sigir.mil.



SIGIR INSPECTIONS

This quarter, SIGIR inspection teams continued to conduct inspections and assessments of reconstruction projects throughout Iraq to determine and report on the adequacy of work planned and accomplished. SIGIR has now completed 42 project assessments and 97 limited on-site inspections.

The growing visibility of SIGIR is having a positive impact throughout Iraq. Contractors and subcontractors are well aware that their project sites are subject to on-site inspections by SIGIR teams with limited advance notice, and this promotes efficiencies.

Many of the projects that SIGIR assessed this quarter were of high quality and showed good controls and quality assurance programs. Some SIGIR assessments show that certain contractor performance continues to be a problem. At several project sites, contractor-required quality control and government quality assurance programs were inadequate. Deficient concrete construction continues to be a major concern at a number of projects.

These are the projects that SIGIR assessed this quarter and an overview of the results.

Project Assessments: Findings at a Glance

Five Primary Health Care Centers (\$2.7 million)

- These projects will not meet the objectives.
- These projects had inadequate contractor quality control.
- These projects had inadequate government quality assurance.

- These projects had concrete deficiencies that may potentially result in safety issues.

Fire Station New Construction (\$1.3 million)

- This project should meet its objective.
- There are unresolved concrete quality and structural issues.
- The project had an adequate contractor quality control program and government quality assurance.

Aviation Base Building (\$2.25 million)

- This project met its objectives, and the building is in use.
- The government quality control was inadequate.
- The project had poor-quality electrical, plumbing, and finishing work.

Ninewa Village Roads (\$0.92 million)

- This project should meet its objective.
- The design was not sufficient.
- Contractor quality control was inadequate.
- Government quality assurance was adequate.

Zakho Military Academy (\$5.8 million), Erbil City Transformers (\$3.4 million), Primary School Dahuk (\$0.4 million), New 2nd Brigade Base (\$114.0 million), and Air Traffic Control Tower (\$10.3 million)

- All five projects should meet their objectives.
- Contractor quality control was adequate.
- Government quality assurance was adequate.

- Design was sufficient for all projects.
- Quality was within contract requirements.

Limited On-site Inspections

17 New Border Posts

- The quality of concrete is a concern.
- SIGIR found a lack of retaining walls.
- Of the 17 projects, 7 lacked perimeter security.

5 MNSTC-I Border Forts

- No documentation is available regarding the contracts, statements of work, or designs.
- All five were of poor quality renovation and showed no signs of recent maintenance.

3 Educational Facilities

- SIGIR found poor quality in certain areas.
- SIGIR found substandard material.
- The renovation was not comprehensive.

6 Medical Facilities

- SIGIR found no significant issues.

21 Public Safety Projects

- SIGIR found many electrical, plumbing, and finishing quality deficiencies.

3 Transportation Projects

- SIGIR found no significant issues.

Approach to Assessment

During this quarter, SIGIR teams assessed 13 project sites. To accomplish these assessments, the teams gathered contractual specifications,

traveled to the project sites, examined on-site efforts and accomplishments, and reviewed their results with reconstruction managers. Each assessment team consisted of an engineer and auditor.

While the assessment teams were conducting project assessments and summarizing the results of limited ground project surveys, other SIGIR personnel were conducting preliminary assessments of 42 additional construction projects. SIGIR shares this information with project management staff to select projects for more in-depth assessments.

During the second quarter of 2005, SIGIR established a satellite imagery operation to conduct analyses on projects that are remote or inaccessible because of security concerns. This operation also assists the project assessment teams with preliminary research of site progress. This quarter, SIGIR continued to expand its satellite imagery operation, conducting 58 imagery assessments of sites throughout Iraq. The SIGIR Satellite Imagery Group conducted these 58 imagery assessments with assistance from the National Geospatial-Intelligence Agency (NGA) and the National Ground Intelligence Center (NGIC).

Planning

SIGIR selected from each of the major sectors a cross-section of projects to assess, survey, and analyze, including:

- projects involving water, electricity, oil, facilities and transportation
- projects involving large and small contract amounts

- projects of different general contractors
- projects in different sections of the country
- projects in programs of each of the major U.S. agencies
- projects that were fully completed and partly completed
- construction and non-construction projects

On-site Project Assessment Program Approach

Since it was created in June 2005, SIGIR Inspections has completed 42 project assessments. During this quarter, SIGIR inspected and completed assessments of 13 project sites. These were the general objectives of the project assessments:

- Were project results consistent with the original objectives?
- Were project components adequately designed before construction or installation?
- Did construction or rehabilitation adequately meet the standards of the design?
- Were the contractor's quality control plan and the U.S. government's quality assurance program adequately carried out?
- Were project sustainability and operational effectiveness adequately addressed?

Table 3-2 lists project assessments completed this quarter. Table 3-3 lists project assessments completed in previous quarters. Figure 3-1 shows the approximate location of each project in Iraq.

SIGIR Project Assessments

Primary Healthcare Centers

Near Kirkuk, Iraq

SIGIR-PA-06-42—06-46

The October 2005 SIGIR Quarterly Report to Congress highlighted a project assessment (SIGIR-PA-2005-016) of a single primary healthcare center (PHC) in Hillah. That assessment showed significant construction and quality assurance problems. At the time of the visit, corrective action had not been proposed or approved. The contractor stated that it was developing procedures to increase quality control for concrete. The contractor, PCO, and USACE were working to develop corrective actions. Although only one clinic was assessed at that time, the Prime Contractor was responsible for 142 clinics nationwide.

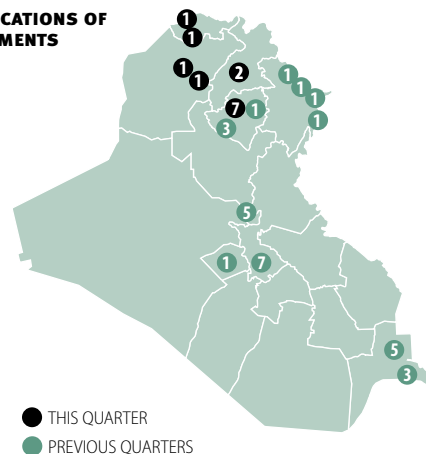
Based on the results of SIGIR-PA-2005-016, SIGIR assessed five more clinics in February 2006 to determine the extent of construction and quality control issues. The SIGIR team visited five PHC construction sites in February 2006. The reported cost for these five projects was \$2.7 million. The original objective was to provide public health sector facilities and employment to the Iraqi people and more specifically, to construct PHCs in northern Iraq to increase health care to the Iraqi population.

THIRTEEN PROJECTS ASSESSED IN THIS QUARTER (DOLLARS IN THOUSANDS)

PCO ID	PROJECT NAME	GOVERNORATE	BUDGETED TOTAL COST	EXECUTING AGENCY	CONTRACTOR	GRD REGION
12637	Mosul Airport—Air Traffic Control Tower Rehab	Ninewa	\$10,329	GRD	Foreign	North
17846	Ninewa Village Roads Segment 3	Ninewa	\$920	GRD	Foreign	North
6176	Ainkawa Fire Station	Erbil	\$1,392	GRD	Parsons Global Services, Inc.	North
5623	Erbil City Transformers	Erbil	\$3,372	GRD	Washington International, Inc.	North
18922	Sheile Primary School	Dahuk	\$401	GRD	Foreign	North
19144	Zakho—Military Academy	Dahuk	\$5,591	GRD	Foreign	North
11937	Public Health Care Clinic Type A at Shiqaq Hai Musalla	Tameem	\$608	GRD	Parsons Delaware, Inc.	North
11936	Public Health Care Clinic Type A at Hai Alhajjaj	Tameem	\$608	GRD	Parsons Delaware, Inc.	North
11940	Public Health Care Clinic Type A at Hai Alasra Wa Al Mafqoodeen	Tameem	\$648	GRD	Parsons Delaware, Inc.	North
11939	Public Health Care Clinic Type A at Hai Al Wasiy	Tameem	\$648	GRD	Parsons Delaware, Inc.	North
11938	Public Health Care Clinic Type B at Hai Tis'een	Tameem	\$734	GRD	Parsons Delaware, Inc.	North
23160	New Second Brigade Base	Tameem	\$114,000	AFCEE	Environmental Chemical Corporation	North
20645	Aviation Base Building	Tameem	\$13,200	AFCEE	Environmental Chemical Corporation	North

TABLE 3-2

Figure 3-1
APPROXIMATE LOCATIONS OF PROJECT ASSESSMENTS



THE 29 PROJECTS ASSESSED IN PREVIOUS QUARTERS (DOLLARS IN THOUSANDS)

PCO ID	PROJECT NAME	GOVERNORATE	BUDGETED TOTAL COST	EXECUTING AGENCY	CONTRACTOR	GRD REGION
19158	Hillah SWAT Facility	Babylon	\$2,219	GRD	Foreign	South
18427	Seif Sa'ad Police Station	Babylon	\$153	GRD	Foreign	South
12883	Border Post--As Sul #37-- Bnawasuta-Issawa	Sulaymaniyah	\$272	GRD	Parsons Delaware	North
12787	Border Post--As Sul #29-- Kuralau Bnaw-Azmik	Sulaymaniyah	\$275	GRD	Parsons Delaware	North
12840	Border Post--As Sul #20--Marwa	Sulaymaniyah	\$272	GRD	Parsons Delaware	North
12855	Border Post--As Sul #23-- Bargurd-Safrah	Sulaymaniyah	\$272	GRD	Parsons Delaware	North
18638	Military Base Um Qasr--Ammo Supply Point	Basrah	\$253	GRD	Foreign	South
21196	Operation Center and Security	Basrah	\$1,175	GRD	Foreign	South
21304	Port of Umm Qasr Security Upgrades	Basrah	\$3,747	GRD	Foreign	South
19071	Project Phoenix--Restore Qudas Gas Turbines	Baghdad	\$11,391	PCO	FluorAmec	Central
Life Support Contract	Al Hillah Police Academy--CN W914NS- 04-C-9046	Babylon	\$9,135	JCC-I/A	Foreign	South
4 DFI Contracts	Karbala Library	Karbala	\$1,294	CPA (South Central)	Global Business Group	South
3532	Al Wahda Water Treatment Plant	Baghdad	\$4,712	PCO	FluorAmec	Central
3529	Al Wathba Water Treatment Pant	Baghdad	\$8,698	PCO	FluorAmec	Central
18462	Al Nahrwan Water Supply Project	Baghdad	\$348	GRD	Foreign	Central
18079	Al Sumelat Water Network	Baghdad	\$764	PCO	SIMA International	Central
1654	Al Hakamia Substation	Basrah	\$5,934	PCO	Perini Corporation	Central
1657	Hamdan Substation	Basrah	\$5,001	PCO	Perini Corporation	Central
1655	Al Kaffat Substation	Basrah	\$5,934	PCO	Perini Corporation	Central
1656	Al Seraji Substation	Basrah	\$5,709	PCO	Perini Corporation	Central



PCO ID	PROJECT NAME	GOVERNORATE	BUDGETED TOTAL COST	EXECUTING AGENCY	CONTRACTOR	GRD REGION
1659	Shut Al Arab Substation	Basrah	\$5,298	PCO	Perini Corporation	Central
18183	Al Fathah Pipe Crossing	Tameem	\$29,715	PCO	Parson PJIV	North
18185	Kirkuk Canal Crossing	Tameem	\$2,088	PCO	Parson PJIV	North
19604	Al Fathah River Crossing Tie-ins	Tameem	\$8,156	PCO	Parson PJIV	North
19250	Al Balda Police Station	Babylon	\$135	GRD	Foreign	South
13607	Al Hillah Maternity and Children's Hospital	Babylon	\$7,414	PCO	Parsons Global Services	South
11812	Al Imam Primary Care Center	Babylon	\$533	PCO	Parsons Delaware	South
21950	Babil Railway Station	Babylon	\$274	PCO	Foreign	South
DFI	Horizontal Drilling	Tameem	\$75,500	GRD-PCO	KBR	North

TABLE 3-3

What We Found

SIGIR concluded that project results were not consistent with original objectives in view of these facts:

- The five PHCs SIGIR assessed were far from complete and were poorly constructed.
- Construction deficiencies raised questions about the safety of occupancy of the structures.
- SIGIR was informed that the contract for PHC construction was to be terminated,

and that only 20 of the original 150 PHCs were to be completed under the contract.¹¹

- The five PHCs that SIGIR assessed were not to be included in the 20 PHCs to be completed under the modified contract.

The construction did not meet the international standards required by the contract. SIGIR documented several areas of inferior quality construction during the on-site inspections. Inadequate quality control and quality assurance on the part of the contractor and

the U.S. government, respectively, resulted in not properly identifying and correcting construction deficiencies. At the time of the SIGIR inspections, the projects consisted of concrete columns, beams, ceiling slabs, x-ray room walls, and stairwells. Reinforced concrete did not appear to be constructed to contract specifications and needed to be evaluated to determine whether corrective actions were required. Corrective action pro-



Reinforced load-bearing column out of plumb

cedures have not been submitted or completed, even though the quality assurance representative for the U.S. Army Corps of Engineers (USACE) documented concrete deficiencies.

SIGIR identified concrete segregation, voids, rebar exposure on the surface of the load-bearing reinforced concrete ceiling beams, and columns with chipped concrete. A reinforced load-bearing column was noticeably out of plumb. Also, SIGIR identified many defects in workmanship of the non-load-bearing walls, such as gaps in the walls and improper and uneven brick placement. Instead of correcting each defect, the walls were plastered over with gypsum. In one instance, a concrete stairwell was in place; however, the workmanship of the concrete was poor. The surface was uneven, small pieces of the stairs were chipped off, and concrete segregation was visible on the side and underneath the stairwell. Furthermore, a lintel—a load-bearing support above windows and doors—was not properly installed.

In addition to the construction deficiencies observed, the contractor quality control plan and the government quality assurance plan were not adequate. The contract specified requirements for a contractor quality control plan and procedures, which the contractor submitted. However, the quality control daily reports were generic. They lacked any site-specific or task-specific details or details of the subcontractors' job qualifications, and test plans did not contain a subcontractor organizational chart.

The daily quality control reports were inadequate and did not disclose concrete issues that



Concrete segregation on underside of reinforced concrete stairwell

Segregation of load-bearing reinforced concrete ceiling beam





Example of concrete block work for non-load-bearing walls

Improperly installed lintel



could require corrective actions. Additionally, the contractor did not have quality control deficiency logs for four of the five PHCs, and the one deficiency log that was available did not provide sufficient information to ensure that the potential construction deficiencies that were detected were evaluated and properly corrected quickly. Further, the quality assurance program was inadequate. USACE did not provide adequate oversight. These are some examples of the inadequate oversight:

- insufficient daily quality assurance reports to document the identification and correction of concrete issues
- lack of independence
- insufficient review of contractor invoices before payment

In response to our draft report, USACE noted that the objectives, conclusions, and recommendations were inconsistent. And, while disagreeing with statements made in the draft report and opining that SIGIR had not adequately considered the security situation in Iraq, the USACE allowed that the report contained valid points, but that recommendations should be directed only to the five PHCs reviewed by SIGIR. The USACE did not concur with the recommendations because they addressed the entire PHC program.

SIGIR will work with USACE representatives to resolve areas of dispute. However, in view of the termination of the task orders for the construction of 141 PHCs (with only 20 to be completed), SIGIR continues to believe that



New headquarters building

recommendations that address the entire PHC program are appropriate.

Zakho Military Academy

SIGIR-PA-06-039

The Zakho Military Academy project included building renovation work, as well as the construction of new buildings and other facilities with a contract cost of \$5.8 million. When assessed, the project was reported as 96% complete. Specifically, the project consisted of the renovation of the existing training building, two dining facilities, and the Academy's swimming pool. The project also included construction of a headquarters building, a barracks, a water treatment plant and distribution system, a wastewater treatment plant and collection system, a three-kilometer extension of the perimeter security wall, a track and soccer field, an obstacle course, a concrete parade field with stadium lighting, and the development of a water well.

What We Found

The assessment team found that the construction and renovation project results were consistent with the original task order objectives. All project components were adequately designed prior to construction. The plans and specifications provided an accurate depiction and adaptation of the design to existing site conditions.

The government quality assurance program was effective in monitoring the contractor's quality control program. The USACE project engineer and the quality assurance representative ensured that all deficiencies cited during quality assurance inspections were corrected. The quality assurance representative also maintained daily quality assurance reports that contained project specific information to document construction progress and highlight deficiencies.

The assessment team found that the construction and equipment installation workmanship was of high quality. A major factor

contributing to the success of the project was that the USACE project engineer and quality assurance representative lived and worked at the military academy and were fully engaged in daily construction activities to ensure quality and compliance with the task order requirements.

Sustainability

In addition, sustainability was adequately addressed in the task order requirements, particularly for the water and wastewater treatment plants. They were designed as “packaged plants” for simplicity in operation and maintenance. The design also required manufacturer’s training on the plants’ components, as well as a spare parts list, and operations and maintenance manuals.

Air Traffic Control Tower and Navigational Aids—Mosul, Iraq

SIGIR-PA-06-034

The project scope included the construction of an Air Traffic Control (ATC) Tower facility, including an 8-level, 25-meter-high tower structure and an adjoining 2-story administration building at the Mosul Airport. The navigational and visual aids part of the project included construction and the installation of equipment such as the Doppler VHF Omni Directional Radio Range with Distance Measuring Equipment, Glide Slope/Precision Approach Path Indicator, and a High Intensity Approach Lighting System at each end of the runway. Also, the other major part of the project scope was an upgrade of the electrical distribution system. The objective of the upgrade was to provide reliable electrical power for



Swimming pool with new barracks in the background at Zahko Military Academy



Packaged wastewater treatment plant at Zahko Military Academy

the ATC facility, navigational aids, and airfield lighting systems by building in redundancy with the electrical power grid at the airport, and by installing emergency backup electrical generators.

What We Found

The PCO database reported the project as 46% complete at the time of the assessment. The SIGIR assessment team found that this \$10.3 million project is being constructed in a manner that is consistent with the contract objectives and in accordance with the plans and specifications. The team concluded that the project components were adequately designed, and construction and installation of the ATC Tower and navigational and visual aids should meet the standards of the design.

A significant positive factor contributing to the high-quality workmanship on the project included the contractor's concrete operations. The amount of concrete needed to construct the facility necessitated the utilization of materials, equipment, and processes that could produce consistent mix proportions when batching concrete. The contractor erected its own batch plant, drilled and developed a well for a ready supply of water for concrete, and set up a concrete materials testing lab. The contractor's process controls at the batch plant and their active testing program resulted in the production of high-quality structural concrete for the ATC Tower facility.

The high-quality workmanship can also be attributed to the government's quality assur-

ance program. The USACE quality assurance representatives were on site every day in managing the project, spending a significant amount of their time at project sites, interacting with the contractor, and observing construction activities. Although much of the project work was taking place on or near the active runway and taxiway, the quality assurance representatives closely coordinated with airport operations personnel to ensure the contract work could proceed with minimal impact to air operations.

Sustainability

The assessment team also found that sustainability was adequately addressed in the task order requirements. The task order required warranties on installed equipment and operations for a 12-month period, as well as operations and maintenance manuals, spare parts list, and classroom and hands-on training.

Ninewa Village Roads, Ninewa, Iraq

SIGIR-PA-2006-035

A SIGIR assessment team conducted a site inspection of a village roads project approximately 25 kilometers (km) east of the city of Mosul. The specific objective was to convert 16 km of dirt roads to six meter (m) wide, two-lane paved roads from the village of Nimrud to the village of Balawat and from the village of Balawat to the village of Al Hamdaniya. This \$920,000 project required construction of a 10 centimeter (cm) asphalt concrete road surface



Mosul ATC Tower at the time of SIGIR assessment



Concrete batch plant to mix concrete



Asphalt concrete pavement near village of Balawat

layer over a 30 cm thick aggregate base. The project also required constructing 1.75 m soil shoulders, and the construction of reinforced concrete pipe culverts and the extension of existing box culverts.

At the time of the SIGIR assessment, the project was reported to be 67% complete. When completed, the project should meet and be consistent with the original contract objectives, if current construction methods are continued. The completed project should result in a paved two-lane asphalt concrete road connecting the villages of Al Hamdaniya, Balawat, and Nimrud.

What We Found

Although construction appeared to meet the standards, the SIGIR team found problems with the design drawings. The design included only basic cut-and-fill roadway cross-sections, typical details on reinforced concrete pipe culverts, curbs, and retaining walls, but no details on box culverts. Further, there were no drawings showing the plan views of the road-



Extension of existing box culvert

way or culvert locations. In addition, although the contract required compliance with the Iraq Standard Specifications for Roads and Bridges, the USACE Resident Engineer Office did not have a copy.

These problems notwithstanding, all work observed appeared to be consistent with the intent of the project. A major reason the project stayed “on target” was that the USACE resident engineer and the quality assurance representative were experienced with road construction and effectively monitored and supervised the construction efforts of the contractor.



Honeycombing and exposed rebar in concrete—photo provided by U.S. Army Corps of Engineers



Honeycombing after surface coating



Close-up of honeycomb area

Fire Station Construction, Ainkawa, Iraq
 SIGIR-PA-2006-036

The project objective was the design and construction of a fire station in Ainkawa, Iraq in order to provide emergency fire protection services needed in an underserved area within the Erbil governorate. The fire station is a 1,020

square meter, four level building constructed with structural reinforced concrete (columns, beams, slabs, and shear walls) and block walls finished with a painted cement-sand exterior coating. The fire station was designed to house three fire trucks, as well as two sport utility vehicles. The design also included a training room, berthing areas for 20 firefighters, a kitchen and dining room for 30 people, office space, bathrooms, and storage space.

What We Found

At the time of the SIGIR assessment, the project was reported as 49% complete. Almost all of the structural concrete columns, beams, shear walls, floor and roof slabs were constructed and most of the exterior and interior concrete block walls had been completed.

This \$1.3 million project has three unresolved issues associated with the design and construction that required management attention. Two of the three pertain to the concrete construction. The structural concrete had problems with honeycombing¹² and exposed rebar in columns and shear walls, particularly in locations on the first level. As a result, there are concerns regarding the structural integrity of the building. The contractor conducted



Exterior view of the Ainkawa Fire Station

ultrasound testing of the structural elements (columns, beams, and shear walls) in attempting to determine their strength, which was then analyzed by the contractor's structural engineering consultant. Although the government requested the contractor to certify that the structural elements had achieved full design strength, no certification of the contractor's testing and analysis had been submitted.

The other concrete issue is related to the corrective action taken by the contractor to repair the honeycomb areas. The contractor repaired these areas utilizing a rich cement-sand patch, instead of using a recommended epoxy grout patching material to repair the voids. It remains a durability issue that must be resolved by USACE and the contractor.

The third unresolved issue pertains to the responsibility for driveway, sidewalk, and perimeter wall construction. According to the language of the task order and the 30% design submission, the contractor was responsible for constructing driveways, sidewalks, and perimeter walls. However, based on the assessment team's review of the 90% design and discussions with the contractor, these items have been removed from the Scope of Work (SOW). The driveways, sidewalks, and perimeter walls are integral to a complete and usable facility. If they are not the contractor's responsibility to construct, the Iraq Ministry of Interior needs to be informed so the Ministry will have enough lead time to plan and construct them.

As a result of these three unsettled issues, the assessment team could not conclude

whether the fire station, when completed, will meet the original project objectives.

Erbil City Transformers, Erbil, Iraq

SIGIR-PA-06-037

The Erbil City Transformer project was one of 14 ongoing or completed electrical distribution system improvement projects within the Erbil governorate. The scope of the Erbil City Transformer project included the upgrade of the existing electrical distribution system by installing and connecting 144 three-phase, 11kV-400V/230V transformers on existing or new H-poles in various areas within the Erbil



Transformer and low voltage electrical distribution panel



Preparing fuse cutouts on H-pole prior to setting



11kV-400V/230V transformers at contractor's storage facility

governorate, as well as providing new electrical distribution service to, and from, the new transformers. The project construction involved the placement of 428 new galvanized steel poles, stringing and connecting low and medium voltage overhead aluminum conductors and cable, and the installation of platform mounted 11kV-400V/230V transformers and low voltage distribution panels on the H-poles.

What We Found

This project has a cost of more than \$3.4 million. At the time of our assessment, the project was reported as 55%

complete. The assessment team found that the project results will very likely be consistent with the original objectives, because the design and construction practices conformed to the requirements. During the site visit, our team observed good construction practices and effective project management.

The government quality assurance program was effective in monitoring the contractor's quality control program and construction activities. In addition, the USACE resident engineer and quality assurance representative ensured that all deficiencies cited during quality assurance inspections were corrected. Further, quality assurance reports contained project specific information to document construction progress and highlight deficiencies and were supplemented with detailed photographs that reinforced the narrative information provided in the reports.

If current construction practices are continued, the existing electrical distribution system in Erbil will be significantly improved because of the upgrades and added service provided by this project.

Sustainability

Sustainability was adequately addressed in the task order requirements. The task order required a 12-month warranty on all equipment and operations and required the contractor to provide all as-built drawings, preventive maintenance plans and operations, and maintenance manuals for installed equipment, which included the 11kV–400V/230V transformers. These will be provided to the Erbil

Governorate Ministry of Industry and Energy upon completion of the project.

Primary School, Dahuk, Iraq

SIGIR-PS-2006-038

SIGIR assessed the construction of a 12-classroom primary school in Dahuk, Iraq.

The SIGIR assessment team determined that the completed project will be consistent with contract plans and specifications. The design of the school was based on an existing UN design for primary schools used during the Oil-for-Food program. The school, when completed, is expected to accommodate approximately 800 students from first to sixth grades. The teaching staff is expected to range from 35 to 38 teachers.

The project included construction of the main school building and an auxiliary building containing bathrooms for students and a room for concessionaire operation. The project also included a paved basketball court, a play area, a garden area, and a generator building.

What We Found

At the time of the SIGIR assessment, the project was reported to be 80% complete and was budgeted at \$401,000 for construction cost. The main school building containing the classrooms, assembly room, office space, and the auxiliary building were substantially complete. Interior finishes such as doors, windows, and terrazzo tile flooring were installed. Interior walls and the ceilings in each room were gypsum-plastered and painted. Electrical outlets, light fixtures, and ceiling fans were installed

in each classroom and workroom. Roof-top water storage tanks and interior plumbing for the bathrooms and exterior hand wash areas were also complete. Remaining work included completion of the generator building, exterior site work to construct the garden and play areas, and the construction of the basketball court.

Based on the assessment, SIGIR determined that the quality of the workmanship on the school construction was good. The USACE project engineer and quality assurance representative effectively managed the project. They were frequently on site during construction and provided sufficient oversight to ensure that adequate quality control was maintained.

The school will be commissioned and delivered to the Iraqi Ministry of Education after the final inspection and all punch list items are resolved. Sustainability issues are not signifi-

cant because of limited maintenance requirements. No equipment requirements existed in the contract beyond basic lighting and ceiling fans. Equipment such as desks, tables, chairs, and a backup generator are the responsibility of the Ministry of Education.

New 2nd Brigade Base in Kirkuk, Iraq

SIGIR-PA-06-041

The assessment team visited this new \$115 million Iraqi military base. The completed project was consistent with original objectives. At the time of the SIGIR assessment, the facilities were in use for the intended objectives. This project consisted of almost entirely new construction of perimeter security, roadways, small arms ranges, barracks, dining facilities, water systems, wastewater systems, and electrical generation.



Entrance to the primary school in Dahuk

What We Found

The contract required submission and approval of design drawings and specifications for the construction. Based on review of contractor and the Air Force Center for Environmental Excellence (AFCEE) project files, the design was sufficient to complete the project to Iraqi standards. In addition, the contractor obtained



Soccer field with barracks in background



Interior of one of the four dining facilities

design and support services from the Iraqi Ministry of Housing and Construction.

The contract included the turnover of the operation and maintenance manuals, as-built drawings, local procurement of parts and equipment, technical training of personnel, a one-year warranty for all equipment and operations, and provided spare repair parts for one year. A review of the 2nd Brigade facility showed that it was operating in accordance with the SOW's specific objective for a functional facility.

At the time of the assessment the earthwork appeared complete. Asphalt roads, concrete sidewalks and parking areas, gravel pads, parade grounds, and soccer fields appeared to meet the contractual requirements and were in use. Underground utilities were adequately installed and operational. The small arms ranges appeared to be well drained and constructed with baffles so that if they were used correctly, bullets could not go over the backstop berms. Construction work was complete on the motor pool and the street lighting system. The motor pool was fully stocked with equipment and was in use for the intended purpose. Construction on the four dining facilities was complete and some of the facilities were in use. The selection and fabrication of the wastewater treatment system was complete and the system was in use. The treatment system used physical, biological, and chemical processes to purify the water before discharge. The plant appeared to be well constructed and easy to operate.



Six-bay operational automobile maintenance facility



Wastewater treatment plant

Sustainability

The contract addressed sustainability and should result in a sustainable Iraqi Army facility.

Aviation Base Building in Kirkuk, Iraq
SIGIR-PA-06-040

The objective of the aviation base building project was to construct a hangar, fuel tanks, and an operations building at an air base to support and train Iraqi Air Force personnel. The SIGIR team determined that the completed new construction project was consistent with original task order objectives. The aviation building and operations center facilities were in use for their intended purposes at the time of the assessment.

What We Found

The project consisted of new construction and the contract and task order required submission and approval of design drawings and

specifications for the new construction. Based on the review of contractor and the AFCEE project files, the design was sufficient to complete these projects to Iraqi standards.

The contract’s SOW required the contractor to prepare a site-specific quality program plan for AFCEE review and approval. The contractor submitted a construction quality control plan to the U.S. government. The contractor did provide daily quality control reports, test results, and invoices that provided adequate detail to the U.S. government.

The U.S. government’s quality assurance program was not adequate. It appeared that there was limited, if any, oversight by either USACE or AFCEE for the aviation hangar and barracks/operations center building. According to the U.S. Air Force personnel attached to the end users of this project, the 3rd Squadron of the Iraqi Air Force, the quality assurance was, at best, “questionable” and, at worst, non-existent. As a result, significant deficiencies

were not identified and corrected before sign-off and turnover to the Iraqi Air Force—most notably an electrical fire in the aviation hangar.

At the time of the SIGIR assessment, construction was complete on the hangar, and there was a pending list of deficiencies to be repaired under warranty. SIGIR found problems, such as leaks at the windows and discrepancies with the plumbing, electrical system, and general workmanship. The contract did contain requirements for final inspections and warranties, which should resolve the construction deficiencies identified.

Sustainability

The contract satisfactorily addressed sustainability, and the completed project should result in an aviation and operations facility that is both operational and sustainable. The contract included the turnover of the operation and maintenance manuals, as-built drawings, local procurement of parts and equipment, technical training of personnel, a one-year warranty for all equipment and operations, and providing spare repair parts for one year. The contractor worked with the Iraqi Ministry of Housing and Construction for design and support.



Interior of aviation hangar with Iraqi aircraft



Exterior view of aviation hangar

Limited On-site Inspection Program

The limited on-site inspection program is the second component in SIGIR's program for inspecting construction at specific sites. This program is an important part of SIGIR's efforts to ensure the broadest possible coverage of all construction sites in Iraq.

The limited on-site inspection program involves conducting more general on-site inspections of project construction sites, noting deficiencies, assessing overall progress, and taking photographs. The information is subsequently analyzed for contract compliance, shared with program management, and used to identify locations for more detailed engineering assessments.

Since the program began in September 2005, SIGIR has conducted limited on-site

inspections at 97 projects. This section summarizes and analyzes 55 of the projects for which limited on-site inspections were completed in the quarter that ended December 31, 2005. SIGIR is currently analyzing the remaining 42 projects and plans to present them in the July 2006 Quarterly Report.

The 55 projects analyzed and reported this quarter include 22 border posts, 3 educational facilities, 6 medical facilities, 21 public safety projects, and 3 transportation projects in northeast Iraq and throughout southern Iraq. Table 3-4 lists the individual projects being reported this quarter. Table 3-5 lists the 42 projects that will be analyzed and reported next quarter. Figure 3-2 shows the approximate locations of all 97 projects assessed.

PROJECT SURVEYED, ANALYZED, AND REPORTED THIS QUARTER

PCO PROJECT NUMBER	PROJECT NAME	GOVERNORATE
11943	Clinic in Thi-Qar at Sukkar	Thi-Qar
19220	Police Station Checkpoint–Islah Shebayish D 409	Thi-Qar
19218	Police Station Checkpoint–Suk Ash Shuyuck D408	Thi-Qar
19219	Police Station Checkpoint–Tallil Lahem D407	Thi-Qar
19990	Police Station–Suk Al Shiyoock D144	Thi-Qar
10630	School #1800425, al Shatrah School	Thi-Qar
10613	School #1800809, Intifadha	Thi-Qar
10588	School #1800869, Al-Salam School	Thi-Qar
17867	Thi-Qar Village Roads, Segment 3 Hahin Al Dukhi (7.1 km)	Thi-Qar
11941	Clinic in Thi Qar Al Zahra	Thi-Qar
10072	South Site Fire Station New Nasiriyah	Thi-Qar
10318	Maternity & Pediatric Hospital (Al - Nasiraya)	Thi-Qar
12781	Border Post–As Sulaymaniyah #03	Sulaymaniyah
20560	Border Post–As Sulaymaniyah #53	Sulaymaniyah
12787	Border Post–As Sulaymaniyah #29	Sulaymaniyah
20567	Border Post–As Sulaymaniyah #57	Sulaymaniyah
20568	Border Post–As Sulaymaniyah #65	Sulaymaniyah
20565	Border Post–As Sulaymaniyah #45	Sulaymaniyah
12840	Border Post–As Sulaymaniyah #20	Sulaymaniyah
12141	Border Post–Basrah #14 Al Mutawwi'ah	Basrah
12144	Border Post–Basrah #12 Kut Al Bandar	Basrah
12801	Border Post–As Sulaymaniyah #10	Sulaymaniyah
12145	Border Post–Basrah #11 Khut Abu Ikab Reno	Basrah
12842	Border Post–As Sulaymaniyah #21	Sulaymaniyah
12161	Border Post–Basrah #04 - Kut Ubayd	Basrah
20569	Border Post–As Sulaymaniyah #64 - Sele	Sulaymaniyah
12802	Border Post–As Sulaymaniyah #11	Sulaymaniyah
1270	Al Diwaniyah Maternity & Children's Hospital (Qadissiya)	Qadissiyah
17783	Basrah Village Roads Segment 2 Talha (3.5 km)	Basrah
12800	Border Post–As Sulaymaniyah #9	Sulaymaniyah
12856	Border Post–As Sulaymaniyah #24	Sulaymaniyah
12142	Border Post–Basrah #13 - Anajin E Divan	Basrah
12149	Border Post–Basrah #10 - Ras Al Bishah	Basrah
11897	Clinic in Najaf–Hai Kinda	Najaf
19217	Police Station–Checkpoint–Tampa-Jackson–D405	Thi-Qar
20347	Police Station–TSU Barracks Phase I-D414	Thi-Qar
18243	Police Station–Al Huwayr–Al Madinah–B044	Basrah
20333	Police Station–Al Nassiriyah–Anti-crime IPA–D156	Thi-Qar

PCO PROJECT NUMBER	PROJECT NAME	GOVERNORATE
19222	Police Station–Checkpoint–Nasir–D411	Thi-Qar
18346	Police Station–Diwaniya–Traffic Police–Q066	Qadissiyah
19114	Police Station–Al Nassiriyah–Police Intelligence–D145	Thi-Qar
19221	Police Station–Checkpoint–Nassiriyah Prison–D410	Thi-Qar
12137	Border Post–Basrah #17–Al Haddidayah	Basrah
18241	Police Station–Al Mdeina–B029	Basrah
19480	Police Station–Al Quibla–B043	Basrah
18263	Police Station–AZ Zubayr–B038	Basrah
21251	Basrah Railway Station Rehabilitation	Basrah
11866	Clinic in Basrah–Hai Al Hussein	Basrah
19223	Police Station–Checkpoint–Fajr–D412	Thi-Qar
18248	Police Station–Al Qurnah–Police Station–B024	Basrah
12138	Border Post–Basrah #16–Kushk	Basrah
18268	Police Station–Al Faw–B033	Basrah
18223	Police Station–Abu-Al-Khasib–B032	Basrah
18273	Police Station–Safwan–B040	Basrah
20562	Border Post–As Sulaymaniyah #39–Awakurti	Sulaymaniyah

TABLE 3-4

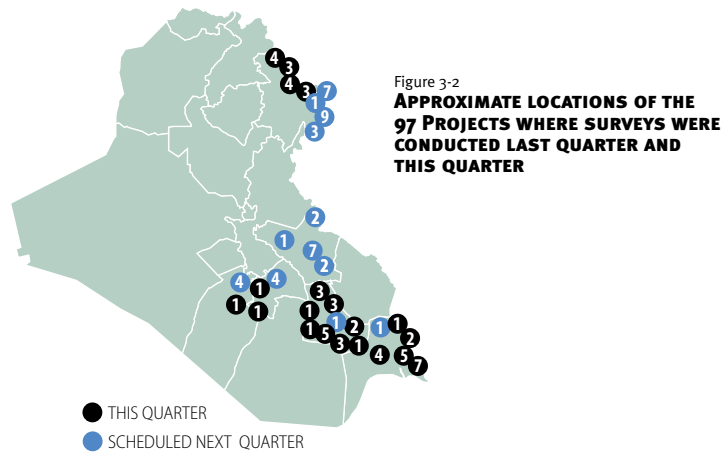
PROJECT SURVEYED THIS QUARTER AND PROJECTS TO BE ANALYZED AND REPORTED NEXT QUARTER

PCO PROJECT NUMBER	PROJECT NAME	GOVERNORATE
12827	Border Post–Sulaymaniyah #16	Sulaymaniyah
12836	Border Post–Sulaymaniyah #19	Sulaymaniyah
20570	Border Post–Sulaymaniyah #40	Sulaymaniyah
20571	Border Post–Sulaymaniyah #49	Sulaymaniyah
12831	Border Post–Sulaymaniyah #17	Sulaymaniyah
20573	Border Post–Sulaymaniyah #62	Sulaymaniyah
12835	Border Post–Sulaymaniyah #18	Sulaymaniyah
20575	Border Post–Sulaymaniyah #41	Sulaymaniyah
18362	Police Station–Al Kut HQ	Wassit
21263	Thi-Qar Railway Station Rehabilitation (Nassriya)	Thi-Qar
19187	Police Station–Al Kut Traffic Police HQ	Wassit
19189	Police Station–Al Kut	Wassit
19181	Police Station–Checkpoint HQ Khanzarah	Wassit
19179	Police Station–Al Kut Emergency Swat	Wassit
12786	Border Post–Sulaymaniyah #06	Sulaymaniyah
20558	Border Post–Sulaymaniyah #48	Sulaymaniyah
12809	Border Post–Sulaymaniyah #32	Sulaymaniyah
12834	Border Post–Sulaymaniyah #34	Sulaymaniyah
12884	Border Post–Sulaymaniyah #26	Sulaymaniyah
19111	Police Station–Al Uropa W020	Wassit
19227	Police Station–Al Hayy HQ W015	Wassit
19779	Police Station–Qadisiyah HQ Q117	Qadissiya
20576	Border Post–Sulaymaniyah #54	Sulaymaniyah
12807	Border Post–Sulaymaniyah #12	Sulaymaniyah
20572	Border Post–Sulaymaniyah #59	Sulaymaniyah
20577	Border Post–Sulaymaniyah #61	Sulaymaniyah
16124	Najaf Teaching Hospital Phase I Parsons	Najaf
11913	Construct Clinic in Najaf–Al Uroba	Najaf
18334	Police Station–Jamhuri Q075	Qadissiya
20324	Police Station–Babail Special Missions Units Q128	Qadissiya
19117	Police Station–Attika Jail Q125	Qadissiya
19873	Najaf Teaching Hospital–GRS Portion Phase II	Najaf
10309	Maternity and Pediatric Hospital (Al-Najaf)	Najaf
12695	Border Post–Wassit #11	Wassit
19175	Police Station–Al Hayferiyah W005	Wassit

PCO PROJECT NUMBER	PROJECT NAME	GOVERNORATE
12826	Border Post–Wassit #06	Wassit
19230	Police Station–Bashier W047	Wassit
17789	Basrah Village Roads	Basrah
1861	Al Hasheme Substation	Wassit
12855	Border Post–Sulaymaniyah #23	Sulaymaniyah
12850	Border Post–Sulaymaniyah #22	Sulaymaniyah
20574	Border Post–Sulaymaniyah #43	Sulaymaniyah

TABLE 3-5

LIMITED ASSESSMENTS





Cut bank with no stabilization at border post

Ground Project Surveys

SIGIR-PA-06-048

From September 3, 2005 to December 5, 2005, SIGIR conducted 55 limited on-site inspections. These limited on-site inspections focused on the Facilities and Transportation sector and included border control, education, medical and public safety facilities, roads, and railways. The overall objectives of the limited on-site inspections were to provide summary information on overall project progress and identify deviations from contract requirements.

SIGIR quality control and quality assessment teams performed the limited on-site inspections. The teams produced and forwarded a brief summary report to a SIGIR engineer/auditor team for review. The review of those reports, as well as contracting documents, provided the basis for the conclusions



Exterior wall of border post



Bathroom fixtures at border post

presented in our summary report, SIGIR-PA-06-048.

Location coordinates. SIGIR obtained coordinates for each project during the limited on-site inspections. SIGIR compared the project locations submitted by GRD-PCO against the actual location, as determined during the site visit. Of the 55 GRD-PCO submitted location sites:

- 31 were within 300 m of the actual site location.
- 9 were between 300 and 1,000 m.
- 2 were between 1 and 3 km.
- 13 were greater than 13 km from the actual location.

GRD-PCO officials acknowledged errors in their grid coordinate database.

Border Posts. SIGIR conducted ground project surveys of 22 border forts located along the Iraq-Iran border. Seventeen of the border forts were constructed through a single contract and five through another contract.

Contract requirements for 17 of the 22 border forts were to include an exterior compound wall with vehicle gate, four elevated guard posts, one watch tower, perimeter lighting, one operations building with three offices, secured arms room, communications room, toilet/shower room, kitchen/dining area, electrical generator, water storage, and septic system. At the time of the ground survey, 17 were complete or near complete and functional. However, only 7 of the 17 border forts had perim-

eter security systems, gates, berms, or walls installed. Concrete quality was sometimes poor, and inconsistent surfaces in concrete and plaster finishing were common in the buildings and other structures. Numerous sites lacked retaining walls to prevent degradation of the embankments created by site leveling.

Based on discussions with local personnel at the border forts at the time of the site visits, SIGIR found that the day-to-day users—the border police—were unaware of a plan for maintenance and logistical support for the border posts, and received little if any training in maintaining the generator and septic systems. Logistical needs, such as fuel and water delivery, were lacking at some border posts. The generators lacked protection from drifting snow, and some outdoor electrical fixtures lacked proper insulation against rainwater.

SIGIR requested copies of contract documents for the remaining five border forts included in our surveys; however, the MNSTC-I was unable to identify or locate the contract(s) for these projects. As a result, SIGIR was unable to determine the project objectives, SOW, or design specifications.

All five of these border forts were of poor quality construction and showed no signs of any recent maintenance. Although small generators were located at the five border forts, fuel storage was not available. Electrical and water systems were consistently either inoperable or needed repair. These projects will be further evaluated by SIGIR Inspections next quarter.

Education Facilities. SIGIR conducted limited on-site inspections at three school projects in the governorate of Thi-Qar. The primary focus of the projects was to repair or replace sanitary and storm sewer works, plumbing, electrical and mechanical systems, and the facility structure and security.

The quality of workmanship at the three schools assessed appears low. Materials used appeared to be substandard, although the contract required industrial-type equipment. Renovation was superficial in some areas, as demonstrated by painting interior and exterior walls without first repairing the walls. At the time of the ground survey, the schools were still in need of significant work.

Medical Facilities. SIGIR conducted limited on-site inspections of six medical facilities located in the governorates of Basrah, Qadis-

siya, Najaf, and Thi-Qar (two maternity and pediatric hospitals and four clinics). The overall objective of the maternity and pediatric hospital projects was to provide new, repair, or replace prioritized building systems and to provide new authorized equipment. The overall objective of the clinic projects was to provide for the design and construction of a standard model health care center with two variations: the first, a clinic with teaching facilities and the second, a clinic with emergency and labor facilities.



Broken tiles in school classroom



Concrete courtyard



Cracks in school's outer wall



Renovated hallway at one hospital project



Containerized reverse osmosis unit with storage tanks

At the time of the SIGIR site visits, renovations were ongoing at both hospitals. Based on a review of the project surveys, SIGIR noted no significant deficiencies. Minor deficiencies include poor interior finish, staining on the ceiling and floors (indicating water leakage, either from pipes or from the roof), floors requiring repair, and power cables inappropriately passing through a window into the electrical room at one of the hospitals.

New construction was in progress at all four of the PHCs where limited on-site inspections were conducted. Structural concrete beams, columns, and slabs were either complete or in progress at all the projects. Based on a review of the project surveys, SIGIR noted no significant deficiencies.

Public Safety Facilities. SIGIR conducted limited on-site inspections of 21 public safety projects (20 police stations/checkpoints and 1 fire station). The projects were or will be completed under various contracts awarded to Iraqi contractors. The overall objective for the police station projects was to renovate the existing facilities or construct new facilities. The overall objective for the fire station was to construct a fire station that would accommodate 20 firefighters and 11 daytime administrative staff members.

The SOW for 13 police stations required new construction or renovation of building(s) and/or facilities located on an existing/new site in Iraq. The construction included a masonry security wall around the compound, berms, vehicle and personnel gates, guard towers,



Exterior front of a primary health care clinic



Construction of columns and footers

driveways and a parking area, sidewalks, plumbing, electrical and mechanical work, roof, ceiling, door, windows, walls, floors, and interior and exterior painting, as well as the purchase and installation of a diesel powered backup generator. SIGIR observed completed or ongoing renovation and/or new construction work at all the locations surveyed. Our assessment determined that the quality of electrical, plumbing, and finishing work at a majority of the projects surveyed was deficient.

The construction services work for seven police checkpoint projects included a checkpoint plot plan, checkpoint support station, covered parking stall for the commander, generator shed, sunshade islands and checkpoints, perimeter wall, break room, and checkpoint guard towers. SIGIR observed completed or ongoing renovation and/or new construction work at all the locations surveyed. In gen-

eral, the quality of construction of the police checkpoints was better than the police stations. However, our assessment did note deficiencies in the quality of electrical, plumbing, and finishing work at several of the police checkpoint facilities.

The SOW for the firehouse project included general building construction, structural, electrical, plumbing, heating and air conditioning, flooring, roofing, painting, administration and support areas, parking lots, pedestrian/vehicular circulation, and additional security to include perimeter controls, standoffs, and blast protection, as required.

The SIGIR team observed constructed structural concrete columns, beams, and elevated slabs on the ground, first, and second floor of the fire station. Several columns were wrapped with burlap, presumably for curing purposes. Review of photos showed no areas of



Electrical circuit breaker panel with burn mark



Police Station construction



Perimeter security wall with concertina wire and guard post



Deteriorating parapet around exterior roof drain



Exterior of checkpoint building



Exterior of road checkpoint



Fire station under construction

segregation, though SIGIR did not document the entire facility. Interior and exterior block walls were partially complete with external plastering in progress. Installation of window frames on the first floor rear of the building was ongoing. SIGIR noted no discrepancies.

Transportation Projects. SIGIR conducted limited on-site inspections of three transportation projects: two road construction projects in Basrah and Thi-Qar, and a railway station rehabilitation in Basrah.

The overall objective of the two road construction projects was to complete 19 km of paved rural village roads located throughout the governorate of Basrah and 7.1 km of paved rural village roads located throughout the governorate of Thi-Qar.

What We Found

At the Basrah road project locations, the survey team verified road construction was in progress at the time of the visit. Installation of the sub-base and asphalt surface appeared to be consistent with the design requirements. Additional road surface and shoulder work was still required at the time of the visit. SIGIR did not note any major discrepancies. The Thi-Qar road project was reported to be 100% complete, but this could not be verified by the survey team. SIGIR observed recent road grading in the vicinity of the project; however, new asphalt was not in place. This project will be further evaluated by an in-depth SIGIR Inspections team during the next quarter.

The Basrah Railway Station renovation project was in progress at the time of the limited on-site inspection. Placement of exterior patio brick over sand base was



Asphalt surface of Basrah road project



Graded surface of Thi-Qar road project



Installation of brickwork



Manholes and excavation work

partially complete. The survey team observed brick and cement manholes and trenches between the manholes. Minor electrical work had also begun. SIGIR noted that manholes were of poor quality, wiring on the exterior of the building lacked conduit, and in some places wiring hung freely and passes through windows. Tiles were also missing from the hanging ceiling.

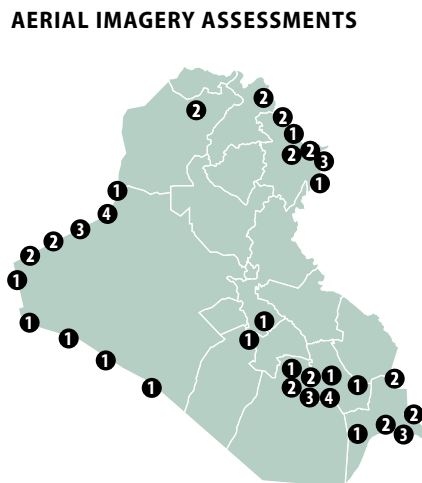
Aerial Project Survey Program

Based in Washington, D.C., the SIGIR Satellite Imagery Group conducts aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. SIGIR project assessment

teams in Iraq use this information and analysis to evaluate project sites that are inaccessible because of the security situation or are located in remote locations. The teams also use this information to verify project locations and provide follow-up information on previously evaluated reconstruction sites. SIGIR shares this information with U.S. government contracting officials in Iraq. Figure 3-3 shows the approximate locations of aerial imagery assessments for the first quarter of 2006.

SIGIR has a continuing partnership with two other federal agencies that specialize in aerial satellite imagery analysis, the NGA and the NGIC.

Figure 3-3
**APPROXIMATE LOCATIONS OF
 AERIAL IMAGERY ASSESSMENTS
 1ST QUARTER 2006**





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Images 1 and 2. Provided by NGA, the imagery shows progress of An Najaf Governorate road segment 2 between August 25, 2004 (left) and July 31, 2005 (right). The image on the left is before roadway construction, and the image on the right shows the completed asphalt road segment.



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Image 3. Example of imagery provided this quarter by NGIC helping to confirm locations of border forts in Iraq. Pictured above is a border fort in the southern region of Iraq near the Iraq-Iran border. A visual assessment of the imagery provided shows no visual indicators that the border fort does not meet contract specifications.



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Image 4. Example of imagery provided this quarter by NGIC. Pictured above is a completed border fort in the northern region of Iraq on the Iraq-Iran border. A visual assessment of the imagery shows no visual indicators that the border fort does not meet contract specifications.

This quarter, SIGIR asked NGA to provide imagery products of border forts and road construction projects throughout Iraq. NGA responded with imagery products and exploitation of 24 border forts and five segments of road construction projects to the SIGIR Satellite Imagery Group. An example of the imagery provided by NGA is shown in Images 1 and 2. The images are of the An Najaf Governorate road segment 2, pre- and post-construction.

NGA noted several issues conducting imagery searches for the road segments, particularly the difficulty of determining grid coordinates because the roads are not easily identifiable or distinguishable. Of the five road segments assessed, two were complete and the amount of paving appeared to meet contract provisions; two are in progress and the amount of paving should meet contract provisions when complete. One, road segment 3 in the Thi-Qar governorate, shows no signs of work started.

This quarter, NGA provided imagery analysis of 24 border forts along Iraq's border with Iran, Saudi Arabia, and Syria. The amount of construction at all but six appeared to meet the contract provisions, and three sites were located at significantly different locations than the grid coordinates provided (all were complete and the amount of construction appeared to meet contract provisions). Of the six projects

that were incomplete, one project is still underway. Three have one or more buildings outside of the perimeter wall/berm. One project does not have a perimeter wall/berm, and one project has only one observation tower; all other border forts have four towers.

SIGIR also requested this quarter that NGIC provide imagery products of border forts and various building projects located throughout Iraq. NGIC responded by providing 15 imagery products to the SIGIR Satellite Imagery Group for analysis and exploitation. Examples of imagery provided by NGIC are shown in Images 3 and 4.

SIGIR SATELLITE IMAGERY GROUP ANALYSIS

SIGIR also has its own imagery analysts, who use commercial satellite imagery libraries to gather imagery for analysis and exploitation and conduct comparison with other products contained in SIGIR Ground Survey reports.

This quarter, SIGIR satellite imagery analysts have produced 14 imagery products and written 11 project assessments. These project assessments were passed to the SIGIR Inspections group in Baghdad for further review and action/distribution. Notable findings for these assessments include:

- Six of the eleven sites assessed appeared to be in compliance with the contract provisions. (See imagery examples Images 5, 6, 7 and 8.)
- Two border fort sites did not have retaining walls, which would prevent soil erosion when it rains and protect against avalanches during the snowy winter season.
- One police station had a missing perimeter wall.
- Two police stations could not be fully assessed because contract files lacked sufficient information. There are no visual indicators to show that these project sites are not in compliance.
- Two police stations could not be differentiated because there was not sufficient information available.
- One border fort could not be identified because SIGIR Contractor Support reports provided incorrect geo-coordinates.

In both of these reports, SIGIR identified site contract nonconformities and limited contract information as significant issues, and has passed this information on to the responsible agencies.

In partnership with NGA and NGIC, SIGIR imagery analysts have completed 112 satellite imagery assessments to date; 58 assessments were completed this quarter. The SIGIR imagery section continues to help deployed SIGIR staff in Iraq to accomplish their challenging mission by providing them the best imagery available.

The remaining three imagery products obtained could not be analyzed.



Images 5 and 6. Comparison of imagery showing progress made at a public health clinic in southern Iraq between January 16, 2005 (left) and December 27, 2005 (right). The image on the left shows the initial ground preparation for construction. The image on the right shows the final leveling of soil around the clinic, which was noted as a deficiency in an earlier Ground Project Survey visit.



Images 7 and 8. Comparison of imagery showing progress made at another public health clinic in southern Iraq between March 22, 2005 (left) and November 11, 2005 (right). The imagery on the left shows the ground preparation before construction, and the image on the right shows the completed structure of the clinic. There were no visual indicators that the project was behind schedule or that it would not meet contract requirements.



SIGIR INVESTIGATIONS

During this quarter, SIGIR launched a number of initiatives that led to a series of extensive investigations into alleged fraud and corruption in the use and expenditure of U.S.-controlled funds for Iraq reconstruction. Specifically, a SIGIR undercover operation resulted in the arrest of an American translator accused of bribery in a kickback scheme.

With 72 matters currently under investigation and a heavy investigative presence in Baghdad, SIGIR continues to pursue investigative leads in Iraq and throughout the Middle East, Europe, and the United States. Cooperation from SIGIR Audits and from a number of U.S. government agencies in Iraq—including the Joint Contracting Command and U.S. Army Criminal Investigative Division—continues to generate quality cases involving alleged contract fraud and financial malfeasance. SIGIR's investigative activities are creating an appropriate deterrent to illegal behavior in Iraq.

Guilty Pleas

Contractor Philip Bloom and CPA Regional Comptroller Robert Stein recently pleaded guilty, culminating a significant SIGIR criminal investigation case involving a bribery, fraud, conspiracy, and a money-laundering scheme that defrauded the Coalition Provisional Authority-South Central Region (CPA-SC) in Hilla, Iraq, of millions of dollars.

This quarter the plea agreements

and accompanying criminal information were unsealed concerning Bloom and Stein. Bloom admitted that from December 2003 to December 2005, he and Stein—along with other public officials, including several U.S. Army officers—conspired to rig bids on federally funded contracts being awarded by the CPA-SC so that all of the contracts were awarded to Bloom.

The total value of the contracts awarded to Bloom exceeded \$8.6 million. Bloom admitted paying Stein and other public officials more than \$2 million in money and gifts; in return, they used their official positions to award contracts to Bloom and his companies. Bloom, Stein, and others facilitated numerous wire transfers of money that were the proceeds of the fraudulently awarded bids (and at least \$2 million in stolen money from the CPA) to conceal the source and origin of the funds.

Bloom faces up to 40 years in prison and a fine of \$750,000. Under the terms of his plea agreement, he must pay \$3.6 million in restitution and forfeit \$3.6 million in assets. Stein faces a maximum penalty of 30 years in prison



Philip Bloom



Robert Stein



Armored vest bribery investigation—an undercover special agent was offered money in exchange for the contract to produce 1,000 armored vests.

and a fine of \$250,000. Both men remain in custody, awaiting sentencing.

Sting Operation Yields Arrest

During this reporting period, one of several new SIGIR investigative initiatives resulted in an arrest. A U.S. civilian translator employed by a U.S. Army subcontractor working in Iraq was arrested by SIGIR investigators on a charge of offering a bribe. The defendant was arrested at Dulles International Airport while returning from Iraq. He was charged with offering to bribe a foreign official under the Foreign Corrupt Practices Act.

According to a criminal complaint filed in U.S. District Court in the District of Columbia, the defendant offered an Iraqi police official approximately \$60,000 in exchange for

assistance with the purchase of approximately 1,000 armored vests and a sophisticated map printer for approximately \$1 million. The complaint alleges that the defendant later made final arrangements for purchase of these items, offering a \$28,000–\$35,000 bribe to a SIGIR undercover special agent posing as a procurement officer for the multinational Civilian Police Assistance Training Team (CPATT) in Iraq.

SIGIR investigators conducted the undercover sting operation within the Embassy compound in Baghdad and coordinated the effort to lure the target back to the United States for arrest.

The maximum sentence for a charge of violating the Foreign Corrupt Practices Act is five years in prison plus a \$100,000 fine (or twice the gross gain, whichever is greater). This SIGIR case is being prosecuted jointly by the Fraud and Public Corruption Section of the U.S. Attorney’s Office for the District of Columbia and the Fraud Section of the Criminal Division, Department of Justice.

Debarments and Suspensions

SIGIR has formed many partnerships to detect and deter criminal activity in the Iraq reconstruction effort. In addition to the continued success of the Special Investigative Task Force for Iraq Reconstruction (SPITFIRE), SIGIR has partnered with the U.S. Army’s Procurement Fraud Branch to further protect the procurement system in the reconstruction effort. Currently, the Army Procurement Fraud Program has taken action to suspend and/or

Weaponry seized from thieves in the United States. SIGIR facilitated the return of this property to the Iraqi Minister of Interior.



A contracting officer due to leave Iraq within two days was found in possession of \$670,664, for which he had no record of origin or existence. These funds were seized for evaluation and subsequent return to the DFI.



debar ten individuals and three companies associated with contracts awarded for Iraq reconstruction or Army support contracts directly related to Iraq.

In addition, the Procurement Fraud Branch is working with SIGIR, the Department of Justice (DoJ), the U.S. Army Major Procurement Fraud Unit (MPFU-CID), and other agencies to prepare additional cases to prevent contractors engaged in fraudulent activities from receiving additional work on Iraq reconstruction and support contracts.

Since its designation as Executive Agent for CPA contracting support in June 2003, the U.S. Army has been actively ensuring the integrity of contractors performing Iraqi reconstruction and of related support contracts. The Army's Suspension and Debarment Program is committed to ensuring that these

contracts are awarded to and performed by honest, ethical contractors with the ability to successfully perform this important work.

Seizures, Forfeitures, and Cost Savings/Avoidance

As a result of successful criminal investigations and other actions, SIGIR has seized, to date, and recovered assets valued at \$13,011,304. In the January 2006 Report, SIGIR began detailing these seized and criminally forfeited assets, including vehicles, cash, jewelry, watches, real estate, an airplane, cameras, commemorative coins, weapons, presentation boxes, and associated military equipment.

SIGIR investigators are responsible for several investigations that revealed major financial/contractual discrepancies or irregularities. These investigations have resulted

in cost savings/cost avoidance in the use of \$4,828,464 of reconstruction funds. Cost savings can be defined as benefits realized by eliminating a planned expenditure, such as a budgeted or contractual expense. Cost avoidance realizes benefits of avoiding a relatively certain future expenditure, though the projected expenditure has not been budgeted or obligated.

Crime Trends

SIGIR continues to track crime trends in reported violations. Table 3-6 presents the 72 ongoing investigations by investigative category. The category “other” includes computer crimes, administrative inquiry, and assistance to other law enforcement agencies.

CASE ALLEGATIONS OPENED OR CONVERTED SINCE JANUARY 2006

INVESTIGATIVE CATEGORY	NUMBER OF VIOLATIONS
Theft/Larceny	17
Bribery/Kickbacks/Gratuities	15
False Claims/Improper Billing	9
Embezzlement	6
Contract Fraud/Contract Irregularities	14
Computer Crimes	1
Suspicious Death(s)	1
Proprietary Information	2
Waste and Abuse	2
Other	5
Total	72

TABLE 3-6

Other SIGIR Partners

SIGIR continues to work closely with other law enforcement agencies on corruption issues in Iraq. The Federal Bureau of Investigation (FBI) and Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) have fully integrated a number of important criminal investigations with the original members of SPITFIRE, including the U.S. Immigration and Customs Enforcement (ICE), Department of Homeland Security (DHS); U.S. Army Criminal Investigations Division (CID), Internal Revenue Service; and Office of the Inspector General, U.S. Department of State (DoD OIG).

SIGIR has partnered in Baghdad and elsewhere in Iraq with CID—the only other law enforcement agency on the ground in Iraq investigating fraudulent activities. Recent investigations by SIGIR have also required coordination with military and civilian counter-intelligence units both in Iraq and the United States. SIGIR has also rekindled its coordination to support DoD OIG operational effort from its new satellite office in Qatar.

Investigative Initiatives

SIGIR has several promising investigative initiatives underway. Most cannot be reported in public documents, but one outreach program, begun by SIGIR this reporting period, is the monitoring of currency transfer systems. Efforts are on track to provide guidance for identifying and reporting suspicious transactions.

SIGIR HOTLINE

The SIGIR Hotline facilitates reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction funded by the U.S. taxpayer. SIGIR Hotline transfers to the appropriate entity all cases that are not related to the IRRF or to programs and operations of the former Coalition Provisional Authority CPA. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

First Quarter Reporting

As of March 31, 2006, the SIGIR Hotline had initiated 470 Hotline cases, and 49 are currently open. A summary of these cases is provided in Table 3-7.

New Cases

During this reporting period, the SIGIR Hotline has received 21 new complaints, classified in these categories:

- 15 on fraud
- 3 on abuse
- 2 on mismanagement
- 1 on waste

The SIGIR Hotline receives most reports of alleged fraud, waste, abuse, mismanagement, and reprisal by electronic mail. The SIGIR's 21 new Hotline complaints were received by these means:

- 16 by electronic mail
- 2 by SIGIR Hotline phone calls
- 2 transfers from the DoD OIG Hotline
- 1 by conventional mail

Closed Cases

During this quarter, 16 Hotline cases were closed:

- 13 referred to other inspectors general

SUMMARY OF SIGIR HOTLINE CASES

OPEN CASES

Investigations	33
Inspections	9
Audit	7
Total Open	49

CLOSED CASES

	1 ST QTR 2006	CUMULATIVE*
Transferred	0	115
Inspections	0	77
Dismissed	2	72
Referred	13	58
Investigations	1	46
Assists	0	43
Audit	0	4
FOIA	0	4
OSC Review	0	2
Total Closed	16	421
Cumulative* Open & Closed		470

*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to March 31, 2006.

TABLE 3-7

- 2 dismissed for lack of sufficient information
- 1 complaint closed because SIGIR Investigations had an ongoing case based on similar allegations
- 2 sent to DoS OIG
- 1 sent to U.S. Air Force OIG
- 1 sent to MNSTC-I OIG
- 1 sent to GRD-PCO
- 1 sent to DCAA

Referred Complaints

After a thorough review, 13 complaints were referred to outside agencies for resolution:

- 4 sent to JCC-I/A OIG
- 3 sent to MNF-I OIG

SIGIR LESSONS LEARNED INITIATIVE

SIGIR's Lessons Learned Initiative focuses on three areas that continue to impact the Iraq reconstruction program:

- human capital management
- contracting and procurement
- program and project management

The purposes of this initiative are to use expert forums and research to identify the significant challenges facing the U.S. reconstruction mission in Iraq, to develop actionable recommendations that enhance ongoing efforts, and to inform future U.S. reconstruction and stabilization operations.

Human Capital Report

In February 2006, SIGIR released *Iraq Reconstruction: Lessons Learned in Human Capital Management*. The report is the product of SIGIR audits, other research, and the Lessons Learned Forum held in September 2005 at Johns Hopkins University's Washington, D.C. campus. The document identifies and discusses four key "pillars" in effectively managing human resources:

- policy alignment
- workforce planning
- recruitment
- continuity

The report is available at the Web site: www.sigir.mil.

Contracting and Procurement Report

In December 2005, SIGIR hosted two Lessons Learned forums to evaluate the procurement and contracting processes associated with Iraq reconstruction. The first panel—held at the George Washington School of Law in Washington, D.C.—gathered senior officials from key U.S. government agencies and distinguished members of the academic and independent research communities. SIGIR conducted a second panel of executives from a broad spectrum of industry service providers supporting the reconstruction mission in Iraq; this meeting was held at the Professional Services Council in Arlington, Virginia.

The SIGIR report, *Iraq Reconstruction: Lessons in Contracting and Procurement*, is scheduled for release in late spring 2006. The study examines the establishment and evolution of contracting policies, procedures, and systems to address challenges in:

- strategy and planning
- policies and processes
- human capital

Program and Project Management Report

The third Lessons Learned report focuses on program and project management of the U.S.-led reconstruction mission, based on a forum held on April 12, 2006, at the National Defense University. The panel included senior

U.S. government officials, academics, and industry executives. SIGIR researchers are completing the final phase of their research for this initiative.

The program and project management report will examine the evolution of the key agencies chartered to oversee the reconstruction effort, including the lessons learned from their collective experience during these time periods:

- *Pre-War, ORHA, and Early CPA* (Fall 2002 to September 2003)
- *CPA* (September 2003 to June 2004)
- *IRMO* (July 2004 to present)

The final report, *Iraq Reconstruction: Lessons in Program and Project Management*, is expected to be released during the summer of 2006.

SIGIR WEB SITE

In January 2006, SIGIR redesigned the Web site, www.sigir.mil, adding new sections and making it easier for users to access information. During this reporting period, these were the highlights of activity on the SIGIR Web Site:

- More than 250 users visited the SIGIR Web site per day, up from 150 last quarter.
- 89% of the users were from within the United States. The other 11% were from more than 30 different countries, mainly the Middle East (1.28%) and Western Europe (6.76%).
- The Arabic language section of the site received more than 750 visits.
- A significant percentage of visitors to the SIGIR Web site came from government agencies, most notably DoD and DoS.
- Users visited the SIGIR Reports section most often.
- The most frequently downloaded documents were the SIGIR January 2006 Report to Congress and the Lessons Learned Human Capital report.

ANTICORRUPTION INITIATIVE

During this reporting period, the U.S. Embassy-Baghdad established an Anticorruption Working Group (ACWG), which meets weekly to create a strategy and a plan to help combat corruption in Iraq. To identify a baseline of activity, the ACWG developed an inventory of the Embassy’s anticorruption initiatives.

Members of these organizations serve as representatives to the ACWG¹³:

- Economic Counselor, U.S. Embassy-Baghdad (Chair)
- Political Affairs Section, U.S. Embassy-Baghdad
- Political-Military Affairs Section, U.S. Embassy-Baghdad
- Public Affairs Section, U.S. Embassy-Baghdad
- Foreign Commercial Service (FCS), U.S. Embassy-Baghdad
- IRMO Liaison to Commission on Public Integrity (CPI)
- Department of Justice (DoJ)
- U.S. Agency for International Development (USAID)
- Office of Inspector General, U.S. Department of Defense (DoD) (OIG)

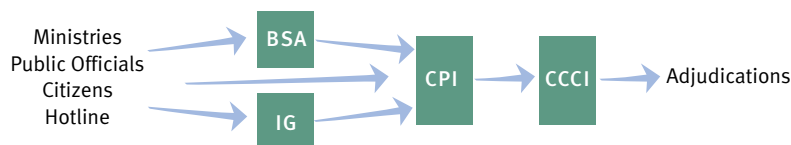
- International Narcotics and Law Enforcement Bureau (INL)
- U.S. Department of Treasury (Treasury)
- Strategic Effects, Multi-National Force-Iraq (MNF-I)
- Multi-National Security Transition Command-Iraq (MNSTC-I)

Figure 3-4 shows the flow of corruption cases to the Board of Supreme Audit (BSA), the Iraqi Ministry Inspectors General, and the CPI through the Central Criminal Court of Iraq (CCCI).

Iraq’s Anticorruption Programs Inventory

Table 3-8 identifies the U.S.-funded anticorruption programs, as of February 21, 2006. According to the ACWG members who put this inventory together, the timeframe for the funds and programs stated may only be planned or estimated.

Figure 3-4
**ANTICORRUPTION ACCOUNTABILITY ORGANIZATIONS
PROCESS FLOWCHART**



U.S.-FUNDED ANTICORRUPTION PROGRAMS

Programs	Funded	Description
Central Criminal Court of Iraq	\$0.00	Media Visit to CCCI
	12,000	Exchange Project Promoting Rule of Law
CCCI Total	\$12,000	
Commission on Public Integrity	\$0.00	Press Office Training, Spokesman Training, Briefing Senior Advisors on Media Techniques
	0.00	PAS Had PA Advisor in Commission for 6 Months
	12,000	Exchange Project—Accountability in Government and Business
	4,600,000	CPI Investigators Training—Independent Unit of Iraq
	2,140,000	Education Outreach—Education Material
	1,500,000	Security and Investigation
	3,000,000	Security and Investigative Equipment (Weapons/Ammo/Tactical Equipment)
CPI Total	\$11,252,000	
Board of Supreme Audit	\$0.00	CPA Advisor to BSA and Audit Course
BSA Total	\$0.00	
Iraqi Ministry Inspectors General	\$309,000,000	Ministry of Defense Inspector General
	160,000	Government Ethics
	180,000	Internal Audit
	0.00	Contracting Procurement Ministry Policy
	260,000	International GAAP
	0.00	Press Conference Awareness
IG Total	\$309,600,000	
Civil Society Organizations	\$36,000	Civil Society Training and Exchange Program Human Rights Advocacy and Awareness
CSO Total	\$36,000	
Other	\$0.00	Media Monitoring
	228,000	Various Exchange Programs—Promoting Rule of Law, Judicial Reform, and Journalism
	0.00	MOI Ethics and Leadership Center
	0.00	IAF Ethics and Leadership Center
	43,000,000	Iraq Civil Society and Media Program
	140,000	Financial Management
	280,000	E-government and IT Management
	0.00	World Bank Legal Framework
Other Total	\$43,648,000	
TOTAL PROGRAM FUNDS	\$364,548,000	

Source: Strategic Effects Liaison Officer, MNF-I

Table 3-8

USAID Anticorruption Program

USAID created the Iraq Civil Society Program (ICSP) on anticorruption. Based on briefing charts created in February 2006, USAID has an anticorruption strategy and has taken steps that have produced these results:

- 105 anticorruption workshops
- 2,500 members
- 655 technical assistance sessions
- 116 documented actions
- 1 million Iraqis reached (est.)
- 101 grants (\$1 million)

USAID's strategy is to raise the awareness of anticorruption initiatives throughout the country, using these methods:

- television/radio spots
- workshops
- conferences and forums
- print media, posters
- billboards with hotline numbers
- mobile theaters
- surveys/studies

USAID strategy identifies these future initiatives:

- Expand and intensify anticorruption awareness-raising campaigns—especially television and radio spots.
- Establish partnering relationships.
- Expand television and radio campaigns.
- Collaborate with Iraqi and international organizations: National Ministries, Transparency International.

Iraq, Jordan Sign UN-backed Audit Agreement

On April 5, 2005, Iraq signed a United Nations (UN)-sponsored agreement with the Audit Board of Jordan in a “much-needed step” to modernize the fight against corruption, according to the UN Development Programme (UNDP). The UNDP described the agreement as a “landmark” scheme and said it would improve Iraq's audit bureau in its efforts to combat allegations of corruption and financial mismanagement. The \$4.8 million project is brokered and financed by UNDP-Iraq through international funding and will take 18 months to be completed, the statement said.

For more information about this initiative, see the UNDP Web site: <http://www.uniraq.org>.

President's Council on Integrity and Efficiency

On February 10, 2006, the President's Council on Integrity and Efficiency received a briefing addressing the development of an Iraqi national academy of integrity for the inspectors general, CPI, and BSA as leading the war on “a culture of corruption....”

SIGIR/DoS OIG Joint Survey of the Embassy Anticorruption Initiative

The ACWG established U.S. priorities for anticorruption efforts, and a joint U.S. Iraq anticorruption working group has also been established, but the effectiveness of these programs and of international efforts requires fur-

ther examination. Thus, SIGIR and DoS OIG have announced a joint survey of the U.S. anti-corruption initiative to help the U.S. Embassy-Bagdad establish the necessary metrics, benchmarks, and leading practices. The objective of the survey is to provide comparative sources to measure progress of the Embassy Anticorruption

tion Strategy and to attempt to establish a listing of activities undertaken by others to assist the Iraqis in their anticorruption efforts. The strategy here is to identify where synergy can be positive and to identify gaps and overlaps of ongoing or planned programs and activities.





Other Agency Oversight

OTHER AGENCY AUDITS

OTHER AGENCY INVESTIGATIONS

SECTION

4



The Special Inspector General for Iraq Reconstruction (SIGIR) formed the Iraq Accountability Working Group (IAWG) to provide coordination of audit efforts in Iraq. The forward-deployed audit staffs of the various federal agencies with audit presence in Iraq use the IAWG to coordinate audits, share Iraq relief and reconstruction data, minimize audit disruption to clients, and avoid duplicative efforts.

SIGIR also formed the Iraq Inspectors General Council (IIGC)¹ in March 2004 to provide a forum for discussion of oversight in Iraq and to enhance the collaboration and cooperation among the inspectors general of the agencies that oversee the Iraq Relief and Reconstruction Fund (IRRF). Representatives of member organizations meet quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

The most recent meeting was held on February 15, 2006. The organizations in attendance included:

- U.S. Agency for International Development Office of Inspector General (USAID OIG)
 - Government Accountability Office (GAO)
 - Defense Contract Audit Agency (DCAA)
 - Department of Army Office of the Inspector General (Army OIG)
 - U.S. Army Audit Agency (USAAA)
 - U.S. Army Corps of Engineers (USACE)
- Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by these agencies:
- DoD OIG
 - DoS OIG
 - USAID OIG
 - GAO
 - DCAA
 - USAAA
 - Department of the Treasury (Treasury)
 - Department of Commerce (DoC)
 - Defense Criminal Investigative Service (DCIS)
 - Federal Bureau of Investigation (FBI)
- Department of Defense Office of Inspector General (DoD OIG)
 - Department of State Office of Inspector General (DoS OIG)

OTHER AGENCY AUDITS

This section summarizes oversight report activity of other U.S. agencies during this reporting period (see Table 4-1).

For a complete list of audits and reviews on Iraq reconstruction by all entities, see Appendix F.

Department of Defense Office of Inspector General

This quarter, DoD OIG performed limited audit activities related to Iraq relief and reconstruction. DoD OIG has established a field office in Qatar to provide oversight, audit, inspection, and investigative support to ongoing DoD operations in southwest Asia. The office is being staffed with eight personnel from DoD OIG. As of March 31, 2006, DoD

RECENT OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF MARCH 31, 2006

	AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
1	DoS OIG	AUD/IQO-06-17	February 2006	Application of Agreed-upon Procedures Relating to DECO, Inc., Task Order No. SALMEC-04-F-0996
2	DoS OIG	AUD/CG/06-20	March 2006	Independent Accountant's Report on the Application of Agreed-Upon Procedures on Indirect Cost Rates Proposed by Scholastic, Inc.
3	DoS OIG	AUD/IQO-06-16	February 2006	Application of Agreed-upon Procedures of Department of State Procurement Competitions To Support Armored Vehicles in Iraq
4	USAID OIG	E-267-06-002-P	February 16, 2006	Audit of USAID/Iraq's Non-expendable Property
5	GAO	GAO-06-428T	February 8, 2006	Rebuilding Iraq: Stabilization Reconstruction, and Financing Challenges
6	USAAA	A-2006-0046-ALA	January 31, 2006	Audit of Fund Accountability for Iraq Relief and Reconstruction Fund 2 (IRRF 2)
7	USAAA	A-2006-0090-ALE	March 31, 2006	Follow-up II of Commander's Emergency Response Program (CERP) and Quick Response Fund (QRF)
8	USAAA	A-2006-0047-ALL	January 11, 2006	Base Closure Process in the Iraq Area of Operations
9	USAAA	A-2006-0081-ALL	March 17, 2006	Unliquidated Obligations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
10	Treasury	OIG-06-029	March 23, 2006	Review of Treasury Activities for Iraq Reconstruction

TABLE 4-1

OIG has six employees in Qatar. In addition, one DoD OIG evaluator is assigned to assist the Ministry of Defense Inspector General in Iraq full time.

COMPLETED AUDITS AND REVIEWS

DoD OIG did not report any completed audits for this quarter.

ONGOING AUDITS AND REVIEWS

Ten audits and reviews are ongoing, four of which started this quarter.

Audit of Equipment Status of Deployed Forces within U.S. Central Command

(PROJECT NO. D2006-D000LA-0092.00)

The project was announced on November 17, 2005. The objectives of this audit are to determine whether units deployed to Iraq have been equipped to meet mission requirements. Specifically, auditors will evaluate whether units were provided the required items of equipment and whether equipment modifications satisfied mission requirements. The team will review the management control program as it relates to the overall objective. The audit team departed on March 19, 2006, for temporary duty to southwest Asia to conduct field work. They will deploy to several countries in the U.S. Central Command area of responsibility, including Iraq and Afghanistan, to evaluate the status of equipment of deployed forces.

Antideficiency Act Investigation of the Operation and Maintenance Appropriation Account 2142020 and 2152020

(PROJECT NO. D2005FD-0300)

The investigation was requested by the Army Inspector General on a potential Antideficiency Act (ADA) violation that occurred when Army personnel funded a prison in Camp Bucca, Iraq. The objective is to determine whether an ADA violation occurred. All witness interviews have been completed and interviews of potential subjects have been started.

Review of the U.S. Government's Relationship with the Iraqi National Congress

(PROJECT NO. D2005-DINTEL-0122)

The objective is to respond to a request from the House Appropriations Committee. Specific objectives are classified. DoD OIG is preparing a draft report to be published in April 2006.

Detainee Abuse Oversight Review

(PROJECT NO. IPO2004-C005)

This is a review of all closed DoD criminal and non-criminal investigations into all allegations of detainee abuse. The objective is to evaluate the investigative sufficiency of the investigations initiated into allegations of detainee abuse, including death cases. The formal draft was distributed on March 1, 2006, with comments due after 30 days. DoD OIG expects to publish the final report in May 2006.

Review of Detainee/Prisoner Abuse Investigations and Reviews

(PROJECT NO. D2004-DINT01-0174)

DoD OIG continues to provide oversight of the investigations and reviews conducted into detainee abuse allegations and detention operations in Iraq. The auditors have completed an assessment of the 13 senior-level reports on detainee abuse. The agency has coordinated a discussion draft and received comments. DoD OIG is preparing a draft report to be published in April 2006.

DoD OIG Support to the Iraqi Ministry of Defense OIG

(PROJECT NO. D2006-DIPoE3-0038.000)

This project provides expert advice, mentoring, assistance, and training to the Iraqi Ministry of Defense Inspector General and his staff regarding IG duties, operations, and activities. Integral to the project is the DoD OIG's assistance to the Ministry of Defense Inspector General and the development of the processes to cooperate and collaborate with other Iraqi IG offices, as well as the U.S. Embassy Anticorruption Working Group and the Iraq Reconstruction Management Office.

Information Operations in Southwest Asia

(PROJECT NO. D2006-D000LA-0139)

The project was announced on February 7, 2006; this audit is a congressional request. The overall objective is to evaluate Information Operations activities of U.S. Central Com-

mand and U.S. Special Operations Command. Specifically, DoD OIG will review the use of private contractors, including the Lincoln Group, in conducting information operations activities.

Follow-up to Department of State/ Department of Defense Interagency Assessment of Iraq Police Training

(DoS REPORT NO. ISP-IQO-05-72/
DoD REPORT NO. IE-2005-002)

This follow-up evaluation will assess progress toward implementation of the 30 recommendations in the original July 15, 2005 interagency report. DoD is responsible for 21 recommendations, DoS for 7, and 2 are shared responsibility between DoD and DoS. The responses from the DoD offices of primary responsibility were due on March 31, 2006.

Auditor Training for Iraq Ministry of Defense IG Auditors

(PROJECT NO. D2005-DIPOAI-0236)

The Assistant Inspector General for Audit Policy and Oversight is developing training that can be given to the Ministry of Defense IG auditors.

Department of State Office of Inspector General

Since the SIGIR January 30, 2006 Report, DoS OIG has completed three audits. Two projects are still ongoing. As of March 31, 2006, DoS OIG has no auditors in Iraq.

COMPLETED AUDITS**Application of Agreed-Upon Procedures
Relating to DECO, Inc. Task Order No.****SALMEC-04-F-0996**

(AUD/IQO-06-17, FEBRUARY 2006)

The DoS Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), requested that DoS OIG perform certain agreed-upon procedures with the objectives of determining (1) whether DECO's loaded hourly rates on task order no. SALMEC-04-F-0996 duplicated what the Bureau of Overseas Buildings Operations (OBO) paid as direct travel reimbursement for the period August 2, 2004, to May 31, 2005, and (2) whether DECO's policies for including costs in the hourly rate complied with the Federal Acquisition Regulations (FAR) Part 31. Under the terms of the task order, DECO was to provide security monitoring services at construction sites in Baghdad, Iraq.

DoS OIG found that DECO's loaded hourly rates did not duplicate what OBO paid as direct travel reimbursement. However, DECO's policies for including costs in the hourly rate did not always comply with FAR, Part 31. As a result, DoS OIG questioned costs of \$13,458. Of that amount, DoS OIG classified \$12,808 as unallowable and \$650 as unsupported because of either lack or inadequacy of documentation. DoS OIG recommended that A/LM/AQM require DECO to reimburse DoS for unallowable costs and to provide additional documentation for the unsupported costs.

**Independent Accountant's Report on the
Application of Agreed-Upon Procedures
on Indirect Cost Rates Proposed by
Scholastic, Inc.**

(AUD/CG/06-20, MARCH 2006)

In response to a request from the DoS Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), the DoS OIG contracted with L.F. Harris & Associates, an independent public accounting firm, to perform certain agreed-upon procedures on Scholastic's indirect cost rates for the fiscal years ended May 31, 2004, and May 31, 2005. The objective of the engagement was to determine whether the rates and cost principles complied with OMB Circular A-122, Cost Principles for Non-Profit Organizations. The cooperative agreement with Scholastic provided for the distribution of books and teacher training in Iraq and other countries of the Middle East.

Harris reported that Scholastic's general ledger system did not capture direct and indirect expenses in a manner that effectively identified appropriate indirect cost pools as required by OMB Circular A-122. However, Scholastic maintained comprehensive and detailed support for its program expenses, which enabled Harris to compute the corporation's indirect cost rates for its fiscal years ended May 31, 2005, and 2004. The independent accountant recommended that A/LM/AQM require Scholastic to develop an Indirect Cost Allocation Plan in conformance with OMB Circular A-122 and FAR Part 31.2 and to maintain a Job Cost Accounting System.

Application of Agreed-Upon Procedures of Department of State Procurement Competitions to Support Armored Vehicles in Iraq (AUD/IQO-06-16, FEBRUARY 2006)

To coordinate the acquisition planning, procurement, and assignment of vehicles to posts, DoS established an Armored Vehicles Program. DoS OIG engaged Regis & Associates, PC, to perform agreed-upon procedures of the procurement process for armoring services, specialized armored vehicles, and ballistic glass, focusing on DoS Iraq operations. The agreed-upon procedures were to determine whether acquisition plans were prepared and whether the procurements, which totaled nearly \$43.4 million, were adequately competed and performed in accordance with the provisions of the FAR and Department of State Acquisition Regulation (DoSAR). For two of the three procurement actions reviewed—armoring services and ballistic glass—no acquisition plans were found in the solicitation records. DoSAR requires that any domestic requirement exceeding \$5 million be supported by a formal, written acquisition plan. Two of the solicitations reviewed exceeded \$5 million, and therefore DoS OIG recommended that DoS require written advanced acquisition plans.

With regard to the vehicle armoring services, DoS executed the justifications for less than full and open competition in accordance with the provisions of the FAR and DoSAR. With regard to the procurements for ballistic glass, DoS identified adequate competition. Although

the current armoring contracts are almost two years beyond their expiration date, DoS efforts to sponsor prospective bidders that require facility security clearances have justified the delays. This proactive approach should increase competition. Except as noted, DoS performed each acquisition review in accordance with the provisions of FAR and DoSAR. DoS OIG suggested that A/LM/AQM review existing contracts to identify any requirements expected to lengthen the procurement process and begin the new solicitation process earlier to accommodate those requirements. A/LM/AQM agreed and is to conduct a random sampling of acquisition plans for procurements exceeding \$5 million to assess their impact.

ONGOING AUDITS

Agreed-Upon Procedures Related to Selected DynCorp Invoices

DoS OIG is performing agreed-upon procedures related to selected DynCorp invoices. The objectives of this attestation are to determine whether the Bureau of International Narcotics and Law Enforcement Affairs (INL) has a process to effectively review and approve invoices from DynCorp for the support of the Jordan-Iraq Police Training Center (JIPTC); to identify best practices for reviewing and approving invoices that other organizations use, which INL could adopt to improve operations; and to determine whether invoices provided by DynCorp in FY 2005 for the support of JIPTC

are adequately supported. Fieldwork is almost complete and a final report is expected in June.

Survey of INL Funding

DoS OIG and SIGIR are performing a joint survey to determine funding for Iraqi-related activities by DoS INL. The primary objectives are to: (1) identify funding received and expended by INL that was earmarked for Iraq, and (2) evaluate INL accounting procedures for those funds. The survey scope covers funding received, obligated, and expended from October 1, 2002, through December 31, 2005. A final report is expected in May 2006.

U.S. Agency for International Development

Since the SIGIR January 30, 2006 Report, USAID OIG completed one audit and started four audits to determine if USAID/Iraq's local governance activities are achieving their intended outputs. One audit started last quarter is still ongoing. USAID OIG has seven auditors in Iraq as of March 31, 2006.

COMPLETED AUDITS

In addition to the USAID OIG audits discussed below, DCAA completed 4 financial audits for the USAID OIG of costs incurred under various contracts that the USAID OIG issued to USAID/Iraq with a USAID OIG transmittal letter. These audits covered \$54.1 million in USAID funds. These audits contained questioned costs of \$1.3 million. At the end of the

reporting period, 13 DCAA audits were in process, performed at the request of USAID OIG.

Audit of USAID/Iraq's Non-Expendable Property

(E-267-06-002-P, ISSUED FEBRUARY 16, 2006)

The objective of this audit was to determine if USAID/Iraq managed its nonexpendable property in accordance with agency guidelines. 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. The audit could not verify that a projected \$21.3 million was correctly valued in the database, nor the existence of a projected \$2.9 million in nonexpendable property included in the database. Furthermore, mission vehicles valued at \$2.3 million were not properly safeguarded. The report contains recommendations to improve USAID/Iraq's management of its nonexpendable property.

ONGOING AUDITS

Audit of USAID/Iraq's Local Governance Activities

The objective of the audit is to determine whether USAID/Iraq's local governance is achieving the intended outputs.

Audit of USAID's Transition Initiatives in Iraq

The objective of the audit is to determine whether USAID transition initiatives in Iraq achieve the intended outputs.

Audit of USAID/Iraq’s Security Controls Over Their Financial Management and General Support Systems

The objective of the audit is to determine whether USAID/Iraq implements minimum security controls to protect the confidentiality, integrity, and availability of its financial management and general support systems as required by the National Institute of Standards and Technology.

Audit of USAID/Iraq’s Agriculture Reconstruction and Development Program

The objective of the audit is to determine whether USAID/Iraq’s agriculture activities are achieving their intended outputs and whether USAID/Iraq is accurately measuring the impact of its agriculture activities on the daily lives of Iraqis.

Audit of USAID/Iraq’s Civil Society Activities

The objective of the audit is to determine whether USAID/Iraq’s civil society activities are achieving the intended outputs.

Government Accountability Office

Since the SIGIR January 30, 2006 Report, GAO has issued one report and has 19 ongoing audits on Iraq reconstruction, 6 of which are new audits.

COMPLETED REPORTS

Rebuilding Iraq: Stabilization, Reconstruction, and Financing Challenges (GAO-06-428T, ISSUED FEBRUARY 8, 2006)

The United States, along with coalition partners and various international organizations, has undertaken a challenging and costly effort to stabilize and rebuild Iraq following multiple wars and decades of neglect by the former regime. This enormous effort is taking place in an unstable security environment, concurrent with Iraqi efforts to transition to its first permanent government. The U.S. goal is to help the Iraqi government develop a democratic, stable, and prosperous country, at peace with itself and its neighbors—a partner in the war against terrorism, enjoying the benefits of a free society and a market economy.

In this testimony, GAO discusses two challenges: (1) that the United States faces in its rebuilding and stabilization efforts and (2) that the Iraqi government faces in financing future requirements.

This statement is based on four reports that GAO has issued to Congress since July 2005 and recent trips to Iraq. Since July 2005, GAO has issued reports on (1) the status of funding and reconstruction efforts in Iraq, focusing on the progress achieved and challenges faced in rebuilding Iraq’s infrastructure; (2) U.S. reconstruction efforts in the water and sanitation sector; (3) U.S. assistance for the January 2005 Iraqi elections; and (4) U.S. efforts to stabilize the security situation in Iraq (this is a classified report).

ONGOING CONGRESSIONALLY MANDATED GAO ENGAGEMENTS

United Nations Oil for Food: Oversight and Accountability (320320, INITIATED JANUARY 2005)

United Nations (UN) Security Council Resolution 986 established the Oil-for-Food (OFF) program in 1996 to allow Iraq to use oil revenues to purchase certain goods after sanctions were imposed in 1990 after Iraq's invasion of Kuwait. The overall objectives of the humanitarian assistance program were to prevent Iraq from having weapons of mass destruction while allowing Iraq to use its oil revenues to import food, medicine, and other needed supplies.

The GAO, other congressional investigators, the Defense Intelligence Agency Iraq Survey Group, and others have reported that Iraq gained billions in illicit revenues through smuggling and corruption. Allegations have also surfaced about misconduct by UN and contractor personnel involved in the program. In October 2004, Congress mandated that the GAO review the program [Public Law (P.L.) 108-375]. These are the key questions being answered in this engagement:

- What were the management and oversight roles of the various entities involved in the OFF program?
- How did these entities carry out their management and oversight responsibilities?
- Were there weaknesses in the structure and internal controls of the program that enabled the former Iraqi regime to gain illicit revenues?

DoD Policies on Deployment of Civilians (350733, INITIATED AUGUST 2005)

DoD's involvement in contingency operations has increased significantly in recent years. With the ongoing military operations in Iraq and Afghanistan, DoD is increasingly reliant on civilian personnel to provide essential support to accomplish the mission. DoD reportedly has deployed thousands of federal civilian employees in support of military operations in Iraq. This engagement aims to answer these key questions:

- To what extent do DoD and its components comply with the law and policies on deployment of civilian personnel to Iraq and Afghanistan?
- What are the lessons learned by DoD from the deployment of civilian personnel to Iraq and Afghanistan?
- How do the mission, roles, and compensation for deployed civilian personnel compare with those for military personnel?

Contract Award Procedures for Iraq Reconstruction Contracts (INITIATED MARCH 2006)

This engagement aims to answer this question:

- What actions have DoD, DoS, and USAID taken to ensure that contracts and task orders for Iraq reconstruction were competitively awarded from FY 2004 to the present?

DoD's Health Care Policies and Benefits for Civilians Deployed to Afghanistan and Iraq

(350829, INITIATED MARCH 2006)

With the ongoing military operations in Afghanistan and Iraq, DoD is increasingly reliant on civilian personnel to accomplish the mission. This engagement aims to answer these key questions:

- To what extent has DoD established health surveillance and medical treatment policies for DoD civilians deployed, what policies have the military services and selected defense agencies implemented, and how have they carried out these policies?
- How do the compensation and benefits for deployed DoD civilians compare with those for active duty military members deployed to Afghanistan and Iraq?
- What lessons has DoD learned in deploying DoD civilians in support of contingency operations in Afghanistan and Iraq?

Iraqi Contract Cost Questioned or Unsupported

(INITIATED APRIL 2006)

This engagement aims to address these key questions:

- What are the DCAA audit findings on questioned or unsupported costs in contracts for security and reconstruction activities in Iraq and Afghanistan?
- What actions have been taken by DoD to resolve disputes with contractors regarding questioned and unsupported cost audit findings?

- To what extent have funds been withheld from contractors?

GAO-INITIATED ENGAGEMENTS (PURSUANT TO COMPTROLLER GENERAL'S AUTHORITY) RELATED TO IRAQ

Availability of Armored Trucks during Operation Iraqi Freedom

(ARMY— 350658/ MARINE CORPS—350785, INITIATED MARCH 2005)

Prior reviews of logistics activities in Operation Iraqi Freedom (OIF) showed that DoD's supply system was unable to effectively meet warfighter needs by failing to provide a number of critical supplies and equipment, including protective items (such as body armor and armored Humvees). More recently, reports have surfaced in the media and in DoD that troops in Iraq also lacked adequate numbers of armored trucks and other vehicles. This engagement aims to address these key questions:

- To what extent has the need for truck armor been met?
- What were the primary causes for any armored truck shortages?
- What actions, if any, has DoD taken to improve the availability of armored trucks to U.S. forces in Iraq and for future operations?

Iraq Energy

(320383, INITIATED NOVEMBER 2005)

Restoration of the oil and power sectors in Iraq is central to the development of a stable

society. This engagement will address these key questions:

- What is the nature and extent of funding devoted to oil and electricity sector reconstruction?
- What are U.S. program goals and how does the U.S. measure progress in achieving these goals?
- What factors have affected the implementation of the U.S. program?
- What challenges have affected the Iraqi government's ability to develop the oil and electricity sectors?

National Strategy for Iraq

(320401, INITIATED DECEMBER 2005)

The President issued a new national strategy for Iraq in November 2005. This engagement will assess the strategy's goals, scope, performance measures, and costs. This engagement aims to address these questions:

- What is the U.S. government strategy for stabilizing and rebuilding Iraq?
- To what extent does the new strategy include the desirable elements of an effective strategy?
- What key challenges could affect the implementation of the U.S. strategy?

Management of Iraq Reconstruction

(320402, INITIATED DECEMBER 2005)

In 2004, Congress appropriated \$18.4 billion to support stabilization and rebuilding efforts in Iraq. Some of this money was awarded to 12 U.S. "design-build" contractors to repair and rebuild key infrastructure. Recent DoS reports

indicate that a large share of the remaining work will be shifted to local Iraqi firms to reduce costs and accelerate project completions. This engagement aims to address these questions:

- What is the status of U.S. efforts to rebuild key infrastructure in Iraq?
- What challenges have been encountered in this rebuilding effort?
- What alternative strategies, if any, are being used to complete work in each sector?

U.S. Efforts to Stabilize Iraq and Develop Security Forces

(320366, INITIATED SEPTEMBER 2005)

DoD has reported that the criteria for withdrawing coalition forces from Iraq are conditions-based, including the development of Iraqi security forces and the progress in developing national governance and economic structures and the rule of law. This engagement aims to address these key questions:

- What is the current multinational force strategy for transferring security missions to Iraqi security forces?
- What progress is being made to meeting the conditions for the transition and what are the challenges?
- What are current trends in the security situation in Iraq?

Use of Contractors on the Battlefield

(350739, INITIATED SEPTEMBER 2005)

Contractors are known to be providing a wide array of support to U.S. forces in Iraq. In a June 2003 report, GAO identified a number of

issues associated with the use of contractors on the battlefield and recommended actions to improve oversight of and planning for the use of contractors. This effort will update the June 2003 report and assess DoD actions to address both the recommendations and congressional reporting requirements. This engagement aims to address these key questions:

- What progress has DoD made in addressing the issues raised in the June 2003 report?
- What is DoD doing to address the issues and concerns raised in legislative requirements in past National Defense Authorization Acts, as well as in Title XVI of the House version of this year's bill?
- How much visibility do commanders have over the contract support they are receiving? Beyond the Logistics Civilian Augmentation Program (LOGCAP), what types of support are being provided by contractors (e.g., weapons system maintenance, intelligence analysis)?
- Have contractors been able to provide the needed numbers of workers with the right skills to get the job done and, if not, what are the workarounds and what has been the impact of any staffing shortfalls?
- What do commanders see as unresolved issues/problems associated with contractor support?

Vetting Processes Used by Contractors Who Support Deployed Forces

(350732, INITIATED SEPTEMBER 2005)

The military is increasingly reliant on contractors to provide support for deployed forces. This engagement aims to address these questions:

- To what extent do DoD contracts require that contractor employees supporting deployed U.S. forces be vetted and what standards and procedures has DoD established?
- How do contractors vet their employees and consider key factors such as identifying individuals who pose a national security risk, have a criminal history, or have been convicted or accused of human rights violations?
- What difficulties, if any, do contractors encounter when vetting Americans, nationals from European Union countries, and host-country nationals, and what role does the U.S. government play in assisting contractors?

Logistics Support for the Stryker Vehicle and Stryker Brigade

(350742, INITIATED SEPTEMBER 2005)

DoD has deployed Stryker Brigades to Operation Iraq Freedom (OIF) and may make additional deployments. GAO will review their logistics support. This engagement aims to address these key questions:

- How effective has maintenance support been, and how does it compare with the logistics plan?

- What have been the force protection arrangements for the contractors who provide maintenance support?
- What adjustments, if any, is the Army planning for contractor-supported maintenance?
- What other logistical support activities were provided by contractors for the Stryker Brigades in Iraq?

Accountability, Maintenance, Utilization, and Strategy for OIF Stay-Behind Equipment

(350737, INITIATED NOVEMBER 2005)

During Operation Iraqi Freedom, vast quantities of equipment items were used in-theater and are being retained for possible use by follow-on forces. The Army National Guard alone has reportedly left more than \$1.5 billion worth of its equipment, consisting of 80,000 items. Prepositioned Army equipment is also still in use. This engagement aims to address these questions:

- Do DoD, CENTCOM, and the military services have visibility over stay-behind equipment?
- What is the condition of the equipment, and is it being maintained to meet CENTCOM's and the services' requirements?
- What is DoD's strategy for utilizing or disposing of the equipment?

Securing Sensitive Sites Containing High Explosives

(350770, INITIATED NOVEMBER 2005)

Following the 2003 invasion of Iraq, concerns were raised about the security of sensitive

sites that contained high explosives and other lethal materials. For example, the International Atomic Energy Agency reported that 350 tons of explosives were missing from an Iraqi facility that was supposedly under U.S. control. This engagement aims to address these questions:

- To what extent does DoD include securing sensitive sites containing high explosives and other lethal materials in operational planning, doctrine, and concepts of operations?
- What assumptions, priorities, and options did DoD adopt about the security of such sites during the Iraqi invasion and previous operations?
- What lessons has DoD learned related to these sites and how can those lessons be applied in future operations?

Iraqi Support Capabilities

(350790, INITIATED FEBRUARY 2006)

According to the National Strategy for Victory in Iraq, U.S. troop levels in Iraq will decrease over time as Iraqis assume more responsibilities for themselves. Critical to this effort is the development of an Iraqi Security Force (ISF) logistical, command and control, and intelligence capability. This engagement aims to address these questions:

- What is the status of efforts to develop ISF logistical, command and control, and intelligence capabilities?
- How is U.S. planning synchronized with plans for the drawdown of U.S. forces?
- What metrics are in place to measure progress?

Improving Joint Force Protection Capability for Deployed Ground Forces

(350794, INITIATED FEBRUARY 2006)

U.S. ground forces and their equipment are being attacked with nontraditional weapons, such as improvised explosive devices. GAO and others have reported on the lack of protective equipment—body armor and armored vehicles—to effectively protect U.S. forces in Iraq from this threat. Future operations will more than likely include more of these types of threats. This engagement aims to address the following questions:

- What actions have DoD and the military services taken to improve the protection of military personnel and equipment during military operations?
- To what extent does DoD have a comprehensive force-protection strategy to ensure that the various programs and initiatives of the services and DoD are being coordinated to eliminate duplication of efforts and ensure that they meet joint requirements?

Accountability for Equipment Provided to Iraqi Forces

(320411, INITIATED MARCH 2006)

This engagement aims to address these questions:

- What were the requirements for managing and maintaining accountability for U.S.-funded equipment provided to Iraqi Security Forces before October 1, 2005?
- How did the Multi-National Security Transition Command-Iraq manage and account for equipment purchased with U.S. funds

for Iraqi Security Forces prior to October 2005?

Adequacy of FY 2006 Funding for the Global War on Terrorism

(350801)

GAO is undertaking a series of reviews on the costs of operations in support of the Global War on Terrorism (GWOT). This engagement will examine the adequacy of GWOT funding in FY 2006. These key questions will be addressed:

- What progress has been made in improving the reliability of reported war costs since GAO's September 2005 report (GAO-05-882)?
- How does supplemental appropriations funding intended for GWOT in FY 2006 compare to the military services' projected obligations?

Defense Contract Audit Agency

DCAA plans and performs work on a fiscal year basis. Table 4-2 shows both the Iraq-related audits closed during FY 2005 and the audits closed, opened, and planned in FY 2006 (as of March 31, 2006).

DCAA's services include professional advice to acquisition officials on accounting and financial matters to assist them in the negotiation, award, administration, and settlement of contracts.

In addition to DCAA's involvement in the negotiation and award of contracts, significant resources are also dedicated to overseeing the allowability, allocability, and reasonableness

DCAA AUDITS RELATED TO IRAQ FOR FY 2005 AND FY 2006 (AS OF MARCH 31, 2006)

DESCRIPTION OF AUDIT AREA	FY 2005 CLOSED	FY 2006 CLOSED	FY 2006 OPEN	FY 2006 PLANNED
Price Proposals ¹	186	56	17	2
Agreed-upon Procedures Price Proposal ²	50	9	3	0
Other Special Requested Audits ³	190	82	131	9
Incurred Cost ⁴	8	5	75	100
Labor Timekeeping ⁵	82	39	38	27
Internal Controls ⁶	59	17	42	42
Preaward Accounting Survey ⁷	20	10	3	0
Purchase Existence and Consumption ⁸	19	6	13	10
Other ⁹	92	48	105	57
Total	706	272	427	247

Notes:

¹Price Proposals – Audits of price proposals submitted by contractors in connection with the award, modification, or repricing of Government contracts or subcontracts

²Agreed-Upon Procedures Price Proposal – Evaluation of specific areas, including actual labor and overhead rates and/or cost realism analysis, requested by customers in connection with the award of Government contracts or subcontracts

³Other Special Requested Audits – Audit assistance provided in response to special requests from the contracting community based on identified risks

⁴Incurred Cost – Audits of costs charged to Government contracts to determine whether they are allowable, allocable, and reasonable

⁵Labor Timekeeping – Audits to determine if the contractor consistently complies with established timekeeping system policies and procedures for recording labor costs

⁶Internal Controls – Audits of contractor internal control systems relating to the accounting and billing of costs under Government contracts

⁷Preaward Accounting Survey – Preaward audits to determine whether a contractor's accounting system is acceptable for segregating and accumulating costs under Government contracts

⁸Purchase Existence and Consumption – The physical observation of purchased materials and services and related inquiries regarding their documentation and verification of contract charges

⁹Other – Significant types of other audit activities including financial capability audits and Cost Accounting Standards compliance audits

TABLE 4-2

of incurred and billed costs. Procedures that govern the costs incurred in-country are also tested through reviews of contractor timekeeping, subcontract management, and cash management/disbursement. Finally, to ensure that adequate internal controls are in place regarding the contractor's policies and procedures, DCAA performs audits associated with critical internal control systems, with an emphasis on estimating, subcontract management, and billing systems.

U.S. Army Audit Agency

USAAA has completed four audits since the SIGIR January 30, 2006 Report and has one audit in progress. The agency currently has 14 auditors in Iraq and Kuwait working on the LOGCAP audit.

COMPLETED AUDITS

Audit of Fund Accountability for Iraq Relief and Reconstruction Fund-2 (IRRF2)

(PROJECT CODE A-2006-0046-ALA,
ISSUED JANUARY 31, 2006)

At the request of the former Acting Secretary of the Army, USAAA reviewed the Project and Contracting Office's (PCO's) fund control and accountability over FY 2004 IRRF monies. USAAA also reviewed PCO's fund control over Operation and Maintenance, Army (OMA) funds used for administrative expenses. PCO is responsible for managing and overseeing a majority of the \$18.4 billion in IRRF monies appropriated by Congress in FY 2004.

This report focuses on these objectives:

- Did PCO's financial management system and processes have the controls needed to make sure commitments, obligations, and disbursements were accurately recorded?
- Did PCO have adequate controls in place to make sure operating costs were properly recorded?

PCO's financial management system and processes were generally effective for ensuring the accurate recording of commitments, obligations, and disbursements. PCO used the Corps of Engineers Financial Management System (CEFMS) as its main accounting and financial system to record and track PCO's financial transactions. The system has several internal controls to ensure only authorized transactions are processed. PCO established general guidance, which incorporated some of the processes and controls of CEFMS and the regulatory guidance of DoD financial management. However, control weaknesses existed related to handling military interdepartmental purchase requests and nonconstruction contract payments, making Iraqi vendor payments, and performing fund-status reviews.

In addition, although PCO generally had adequate controls to ensure that operating costs were properly recorded, USAAA did identify some areas for improvement. Some supporting documentation was lacking, but PCO properly developed the FY 2005 operating budget estimate of \$329.5 million. PCO accurately recorded contract costs and properly supported the costs, but needed to improve the timeliness and coding of contract transactions. PCO accurately recorded payroll

costs, but needed to improve how timecards were submitted, approved, and reconciled. Additionally, although the PCO was generally effective at reviewing the fund status of its operating budget, it needed to monitor fund status at a budget line item level. USAAA also identified at least \$12.4 million in unused payroll funds that should be used to offset other budget requirements.

Strengthening these controls should give Army leadership added assurances that PCO is accurately recording and reporting commitments, obligations, and disbursements.

During the audit, PCO was proactive and initiated several actions to improve controls over fund accountability.

Follow-up II of Commander's Emergency Response Program (CERP) and Quick Response Fund (QRF)

(PROJECT: A-2006-0090-ALE,
ISSUED MARCH 31, 2006)

Through its J-8 Comptroller, MNSTC-I managed, completed, and disbursed funding for CERP and QRF projects. Command's actions were consistent with the charter and implementing guidance for the humanitarian relief and reconstruction requirements of the Iraqi people and to train and equip the Iraqi Security Forces. MNSTC-I had adequate oversight and documentation:

- For 63 of 124 completed CERP projects and maintained oversight over the 61 projects that were still open.
- For 403 of 681 completed QRF projects and maintained oversight for 222 projects that

were still valid. Command was researching 43 projects, but could decommit the remaining 13 projects.

MNSTC-I also ensured that documentation for funding transferred to other organizations for QRF projects was properly completed, unit acceptance documents were received and updated, and the information was accurately captured in management reports.

USAAA's review of QRF projects also showed that MNSTC-I could cancel and deobligate 13 projects, valued at almost \$814,000, and apply that amount to other projects.

USAAA also followed up on the prior report (A-2005-0332-ALE, September 30, 2005, Follow-up Audit of Commander's Emergency Response Program and Quick Response Fund, Multi-National Security Transition Command-Iraq). MNSTC-I implemented the recommendations in the report; the corrective actions fixed the conditions identified; and Command had a system to track compliance with the recommendations.

Base Closure Process in the Iraq Area of Operations

(AUDIT REPORT A-2006-0047-ALL,
ISSUED JANUARY 11, 2006)

The Multi-National Force-Iraq (the Corps) had adequate policies and procedures in place to ensure that appropriate documentation is prepared and funding requirements are evaluated when closing forward operating bases within the Iraq area of operations. The Corps was still refining some roles and responsibilities,

but had adequate systems in place to identify unique issues associated with each base closing. However, with the upcoming significant reduction in forward operating bases, the Corps should consider establishing a full-time team to oversee the day-to-day base closure process.

Unliquidated Obligations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom

(AUDIT REPORT A-2006-0081-ALL, ISSUED MARCH 17, 2006)

This report addresses USAAA's audit of unliquidated obligations as they relate to task order 59 of the current LOGCAP contract. USAAA conducted this audit as part of the multi-location audit of LOGCAP Operations in Support of Operation Iraqi Freedom. USAAA performed the audit at the request of the Commander, Multi-National Forces-Iraq.

Task Order 59 authorizes the LOGCAP contractor to provide base camp services, accommodations and life support services, and selected Combat Support/Combat Service Support functions to Army units at various locations in Iraq. USAAA reviewed obligations recorded under the task order to determine whether any obligated funds could be deobligated and made available for other uses.

Based on the process used to obligate funds to fund work ordered under Task Order 59, USAAA identified no funds that were available for deobligation and available for other uses. Specifically, Command obligated funds for this

task order incrementally on an "as needed" basis. As a result, the amount of funds obligated closely approximated the funds expended to date for work performed under the task order.

Based on USAAA's review of available information in May 2005, it appears about \$644 million will need to be obligated to complete work under the task order. To make sure that work doesn't exceed approved funding levels, the contractor was working with the Army to determine which costs approved by the Army, but yet to be incurred by the contractor, should be canceled. Although the Army was aware that it would incur some additional costs before the task order was closed out (primarily due to late billings from the contractor due to late billings from subcontractors), it appears some of the additional costs (about \$280 million) were unexpected and could potentially involve cost overruns by the contractor. Maintaining better visibility over contractor work and expenditures in the theater, and more accurate and timely cost reporting by the contractor, should provide more assurance that similar issues don't occur in the future.

ONGOING AUDITS

Audit of Logistics Civil Augmentation Program (LOGCAP)

(PROJECT CODE A-2005-ALS-0340.000)

The Commander, Multi-National Force-Iraq requested this audit. Preliminary audit planning began on January 3, 2005, and audit work began in Kuwait and Iraq on May 3, 2005 (in-country work was delayed at Command's

request). The audit focuses on evaluating the adequacy of LOGCAP throughout the Iraq area of operations. The specific objectives include answering these questions:

- Are services acquired under the LOGCAP contract reasonable and cost-effective solutions for satisfying force requirements?
- Are adequate management structures in place to plan, acquire, and manage services obtained under the LOGCAP contract?
- Is the contract administration over LOGCAP work in Iraq adequate?
- Are adequate internal controls in place over LOGCAP operations in Iraq, especially those areas highly susceptible to fraud, waste, and abuse?
- Does adequate information exist to enable higher levels of management to provide sufficient oversight over LOGCAP operations in Iraq?

USAAA auditors are traveling to operating bases in Iraq, principal sites of contractor operations in Kuwait, and the prime contractor's home office in Houston, Texas. USAAA has received authority from DoD OIG (Auditing) to audit DCAA in relation to its LOGCAP contract administration operations in Iraq and Kuwait, and Defense Logistics Agency in relation to its food service operations in support of the Iraq area of operations. USAAA has issued or is completing reports focusing on conversion of LOGCAP statements of work to sustainment contracts; unliquidated obliga-

tions for Task Order 59; and program management in operations, base closure process, non-tactical vehicles, distribution operations, food supply operations, clothing issue facilities, warehouse staffing, and dining facility operations. USAAA has ongoing audits of sustainment contracting practices in Kuwait, contract administration management, controls over bulk petroleum inventories, and management of contract labor assigned to supply operations.

Department of the Treasury

Treasury has completed one audit since SIGIR's January 30, 2006 Report. As of March 31, 2006, Treasury had no auditors in Iraq.

COMPLETED AUDITS

Review of Treasury Activities for Iraq Reconstruction

(OIG-06-029, ISSUED MARCH 23, 2006)

The objectives of the audit were to:

- Identify Treasury activities and funding involving Iraq relief and reconstruction.
- Determine the completeness and accuracy of the information provided by the Office of Technology Assessment (OTA) in its reports to SIGIR regarding its activities for Iraq reconstruction.

The findings from this audit include:

- Treasury provides technical assistance and support to modernize the Iraqi banking system.

- The financial information provided by Treasury to SIGIR fairly presented the fund-use status of the reconstruction activities: Treasury obligated \$32.9 million out of \$35.1 million apportioned to the reconstruction programs, and disbursed \$26.3 million as of February 28, 2006. The report contained no recommendations.

Department of Commerce

During this period, the Department of Commerce initiated no new cases and did not close any cases involving Iraq reconstruction and relief projects.

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq.

U.S. Agency for International Development

CLOSED INVESTIGATIONS

USAID did not close any cases during this quarter.

ONGOING INVESTIGATIONS

USAID currently has six ongoing investigations carried over from last quarter and one case that was opened during this period. As of March 31, 2006, USAID has one investigator in Iraq. The following are brief descriptions of each case:

- A USAID contractor is alleged to have submitted false and/or fraudulent costs associated with work in Iraq. In addition, information was developed indicating that this contractor may have used USAID funds to make improper payments to Iraqi government officials.
- Employees of a USAID contractor are alleged to have solicited kickbacks in exchange for the awarding of subcontracts for work in Iraq.
- Information was received regarding irregularities on USAID contracts in Iraq.
- An anonymous source claimed that the owner of a local Iraqi company had inflated the cost of a project financed by USAID.

- Allegations of kickbacks were received involving a former USAID employee.
- Allegations of misconduct were received involving a USAID employee stationed in Iraq.
- Information was received that a contractor employee may have misallocated project funds and converted them to private use.

Defense Criminal Investigative Service

Defense Criminal Investigative Service, in coordination with SIGIR, is continuing investigations regarding Iraqi reconstruction funds and activities. In addition, DCIS continues investigations on the expenditure of DoD funds in the region. Table 4-3 provides a summary of cases, categorized by status and category.

Department of State Inspector General

During this reporting period, the DoS OIG did not open any new investigations into activities relating to the IRRF. DoS OIG continues to have two open cases that are being worked jointly with SIGIR. A third case was closed last period with no action, and a fourth one is scheduled to be closed with no action. During the reporting period, DoS OIG received three hotline complaints from SIGIR, two of which did not merit investigation. The third hotline complaint provided by SIGIR was briefed to the DOJ Task Force, and it was determined that no investigative activity will be conducted at the current time. One manager is assigned as

STATUS OF DCIS INVESTIGATIONS

INVESTIGATIVE STATUS	CONFLICT OF INTEREST	COUNTERFEIT	WEAPONS RECOVERY/ SECURITY	FALSE CLAIMS/ STATEMENTS	THEFT/ DRUGS	BRIBERY/ CORRUPTION
Open				1		
Closed	2	3	6	2	20	9
Totals	2	3	6	3	20	9

TABLE 4-3

contact point for the DOJ Task Force relating to SIGIR cases. DoS OIG has no criminal investigators assigned to Iraq and is providing investigative support locally from its office in Rosslyn, Virginia.

Federal Bureau of Investigation

The FBI Washington Field Office has joined SIGIR; the Department of Justice; the Internal Revenue Service; the Bureau of Immigration and Customs Enforcement; the Bureau of Alcohol, Tobacco, Firearms and Explosives; and DoS as a member of the Special Investigative Task Force for Iraq Reconstruction (SPITFIRE).

CLOSED INVESTIGATIONS

No cases were closed during the period.

ONGOING INVESTIGATIONS

FBI has been working closely with SIGIR on these ongoing cases:

Custer Battles, LLC

(46A-WF-228740)

This case deals with Custer Battles submitting false invoices to CPA to increase profits.

DYNCORP

(46H-WF-2314545)

This case deals with a DynCorp International employee who pled guilty to theft of government property in a case involving the issuance of unauthorized military passes to friends. The employee will be sentenced on April 25, 2006.

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APPENDIX B: U.S. APPROPRIATED FUNDS	B – 1 (on CD)
APPENDIX C: IRAQ RELIEF AND RECONSTRUCTION FUND APPORTIONMENTS BY AGENCY	C – 1 (on CD)
APPENDIX D: IRAQI FUNDS OBLIGATED FOR RECONSTRUCTION ACTIVITY BY CPA	D – 1 (on CD)
APPENDIX E: COMPLETED SIGIR AUDITS	E – 1 (on CD)
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LIST OF APPENDICES



ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in the SIGIR Quarterly Report to the Congress.

ACRONYMS	DEFINITIONS
A/LM/AQM	Office of Logistics Management, Office of Acquisitions Management
ABOT	Al Basrah Oil Terminal
ACWG	Anti-corruption Working Group
ADA	Antideficiency Act
AFRN	Advanced First Responder Network
ARDI	Agricultural Reconstruction and Development Program for Iraq
ASRB	Accounting Standards Review Board
ASP	Ammunition Supply Point
ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives
ATO	Administrative Task Order
BIA	Basrah International Airport
BIAP	Baghdad International Airport
BPD	Barrels Per Day
BSA	Board of Supreme Audit
CAP	Community Action Program
CAP-IG	Combined Action Program-Inspector General
CCCI	Central Criminal Courts Iraq
CEFMS	Corps of Engineers Financial Management System
CENTCOM	United States Central Command
CERP	Commander's Emergency Response Program
CFN	Consolidated Fiber Network
CHRRP	Commanders Humanitarian Relief and Reconstruction Program
CPA	Coalition Provisional Authority
CPA-IG	Coalition Provisional Authority-Inspector General
CPA-OPS	Coalition Provisional Authority-Operations
CPA-PMO	Coalition Provisional Authority-Program Management Office

ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
CPA-SC	Coalition Provisional Authority-South Central
CPATT	Civilian Police Assistance Training Team
CPI	Commission on Public Integrity
CPS	Cluster Pump Station
CQC	Contractor's Quality Control
CRS	Congressional Research Service
DAD	Donor Assistance Database
DBA	Defense Base Act
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DFARS	Defense Federal Acquisition Regulation Supplement
DFAS	Defense Finance & Accounting Service
DFI	Development Fund for Iraq
DFID	Department for International Development
DHS	Department of Homeland Security
DIILS	Defense Institute of International Legal Studies
DLA	Division Level Agents
DoC	Department of Commerce
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoL	Department of Labor
DoJ	Department of Justice
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DoSAR	Department of State Acquisition Regulation
DoT	Department of Transportation
DRL	Bureau of Democracy, Human Rights, and Labor
DRSO	Defense Reconstruction Support Office
EAC	Estimate At Completion
EC	European Commission
ECHO	European Community Humanitarian Office
ECON	Department of State, U.S. Mission Iraq, Economic Affairs
EP	Engineering and Procurement
EPC	Engineering, Procurement, and Construction
EPCA	Emergency Post-Conflict Assistance
EPSS	Electrical Power Security Service
FAR	Federal Acquisition Regulation
FARs	Federal Acquisition Regulations

ACRONYMS	DEFINITIONS
FBI	Federal Bureau of Investigation
FOIA	Freedom of Information Act
FSSC	Focused Stabilization of Strategic Cities
GAO	Government Accountability Office
GOSP	Gas-Oil Separation Plant
GRD	Gulf Region Division
GRD-PCO	Gulf Region Division and Project and Contracting Office
GSM	Global System for Mobil Communications
GWOT	Global War On Terrorism
HDD	Horizontal Directional Drilling
HFO	Heavy Fuel Oil
HHS	Department of Health and Human Services
HVAC	Heating, Ventilation, and Air Conditioning
IAF	Iraqi Armed Forces
IASD	Iraq Association of Securities Dealers
IAWG	Iraq Accountability Working Group
IBRD	International Bank for Reconstruction and Development
ICS	Iraqi Corrections Service
IDA	International Development Association
IED	Improvised Explosive Device
IFC	Iraq Freedom Congress
IFF	Iraq Freedom Fund
IG	Inspector General
IIG	Iraqi Interim Government
IIGC	Iraq Inspectors General Council
IIMS	Iraq Infrastructure Management System
IMF	International Monetary Fund
INL	Bureau of International Narcotics and Law Enforcement Bureau
IPOG	Iraq Policy and Operations Group
IRFFI	International Reconstruction Fund Facility for Iraq
IRG	International Resources Group
IRMO	Iraq Reconstruction Management Office
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway
IRRF	Iraq Relief and Reconstruction Fund
IRRF 1	Iraq Relief and Reconstruction Fund-\$2.4B IRRF set up in P.L. 108-11
IRRF 2	Iraq Relief and Reconstruction Fund-funded with \$18.6B (\$18.4B after subtracting \$210M fund assistance for Jordan, Liberia, and Sudan) in P.L. 108-106
ISC	Iraq Securities Commission

ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
ISF	Iraqi Security Force
ISFF	Iraq Security Forces Fund
ISRB	Iraqi Strategic Review Board
ISX	Iraq Stock Exchange
IT	Information Technology
ITG	Iraqi Transitional Government
ITPC	Iraqi Telephone and Post Company
ITWG	Information Technology Working Group
JASG-C	Joint Area Support Group-Central
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
JIPTC	Jordon-Iraq Police Training Center
KBR	Kellogg Brown & Root, Inc.
LGP	Local Governance Programs
LOGCAP	Logistics Civilian Augmentation Program
MANPADS	Man-Portable Air Defense System
MIPR	Military Inter-departmental Purchase Request
MMPW	Ministry of Municipality and Public Works
MMR	Measles, Mumps, and Rubella
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MPFU	Major Procurement Fraud Unit
MSCFD	Million Standard Cubic Feet Per Day
NCCM	National Communications and Media Commission
NDI	National Democratic Institute
NDS	National Development Strategy
NGA	National Geospatial-Intelligence Agency
NGIC	National Ground Intelligence Center
NGL/LPG	Natural Gas Liquids/Liquefied Petroleum Gas
NGO	Non-Governmental Organizations
NRRRF	Natural Resources Risk Remediation Fund
O&M	Operations & Maintenance
OBO	Bureau of Overseas Buildings Operations
OEF	Operation Enduring Freedom
OFF	Oil For Food
OIF	Operation Iraqi Freedom
OIG	Office of Inspector General
OMA	Operations and Maintenance, Army
OMB	Office of Management and Budget

ACRONYMS	DEFINITIONS
OPF	Oil Protection Force
OTA	Office of Technology Assessment
P.L.	Public Law
P.L. 108-106	As amended by P.L. 108-375, mandates the independent and objective conduct and supervision of audits relating to the programs and operations funded with amounts appropriated or otherwise made available to the Iraq Relief and Reconstruction Fund
P.L. 108-375	The Ronald W. Reagan National Defense Authorization Act for FY 2005, enacted on October 29, 2004
PAR	Project Assessment Report
PCO	Project and Contracting Office
PHC	Primary Health Care
PIF	Project Identification Form
PMO	Program Management Office
PPA	Project Partnership Agreements
PRDC	Provincial Reconstruction Development Committees
Public Law 108-106 (P.L. 108-106)	\$87.5 B appropriation measure passed 11/6/03 that includes CPA-IG creation and \$18.6B (\$18.4B after subtracting \$210M fund assistance for Jordan, Liberia, and Sudan) Iraq Relief and Reconstruction Fund
Public Law 108-11 (P.L. 108-11)	First \$74 B appropriation measure that included the \$2.475 B Iraq Relief and Reconstruction Fund
QA	Quality Assurance
QRF	Quick Response Fund
R3P	Rapid Regional Response Program
REA	Request for Equitable Adjustment
RIE	Restore Iraqi Electricity
RIO	Restore Iraqi Oil
RISE	Revitalization of Iraq Schools and Stabilization of Education
RRRP	Rapid Regional Response Program
SBA	Stand-By Arrangement
SCIS	State Company for Internet Services
SDR	Special Drawing Rights
SIB	Strategic Infrastructure Battalion
SIGIR	Special Inspector General for Iraq Reconstruction
SIRIS	SIGIR Iraq Reconstruction Information System
SOW	Statement of Work
SPITFIRE	Special Investigative Task Force for Iraq Reconstruction
SSAA	System Security Authorization Agreement
T&C	Transportation and Communications
TDY	Temporary Duty
TPD	Tons Per Day

ACRONYMS & DEFINITIONS

ACRONYMS	DEFINITIONS
TRA	Transition Readiness Assessment
Treasury	United States Department of Treasury
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
USAAA	United States Army Audit Agency
USACE	United States Army Corps of Engineers
USAID	United States Agency for International Development
USAID OIG	United States Agency for International Development Office of the Inspector General
USDA	United States Department of Agriculture
U.S. Embassy-Baghdad	United States Embassy located in Baghdad
U.S. Mission-Iraq	U.S. Mission-Iraq assumed authority after the Coalition Provisional Authority transferred governance authority to the Iraqi Governing Council on June 30, 2004.
USIP	United States Institute of Peace
WBIF	World Bank Iraq Trust Fund
WSSP	Water Sector Sustainment Program

ENDNOTES

This section contains the endnotes for the Quarterly Report to Congress. They are listed numerically and consecutively within each section, both in the Report and in the following section.

Section 1: SIGIR Observations

¹U.S. citizen deaths in Iraq are compiled by DoS under Public Law 107-228 § 204(c). U.S. military personnel and government officials are excluded from these reports. The U.S. citizen deaths shown in Figure 1-1 are an approximate subset of the total DBA death claims.

Section 2: Uses of Funding: Status Reports by Sector

¹Projects in this sector are drawn from the Department of State *Section 2207 Report's* two sections on Security and Justice and Justice, Public Safety, and Civil Society, with the exception of Democracy, which is included in SIGIR's sector on democracy, education and private sector development. The SIGIR security and justice sector combines these two sectors, focusing on soldiers and police officers trained and fielded, facilities constructed, and support for security forces and ministerial capacity development initiatives. For information about the definitions of these and other sectors, see Appendix H.

²Department of State *Section 2207 Report*, April 2006, Appendix I, p. 1.

³Department of Defense, "Measuring Stability and Security in Iraq," February 17, 2006, p. 48.

⁴Speech by President George W. Bush, Foundation for the Defense of Democracies, March 13, 2006, p. 8.

⁵ Deleted

⁶ Deleted

^{6a} Vetting comments from DRSO to SIGIR, received on April 25, 2006.

⁷ Deleted

⁸ Deleted

⁹ GRD-PCO, "Facilities and Transportation Sector," received from GRD-PCO on March 24, 2006, p. 2.

¹⁰ GRD-PCO Bi-weekly Situation Report, April 4, 2006, p. 16.

¹¹ GRD-PCO Bi-weekly Situation Report, March 20, 2006, p. 20.

¹² GRD-PCO Bi-weekly Situation Report, April 4, 2006, p. 28.

¹³ GRD-PCO Bi-weekly Situation Report, March 20, 2006, pp. 14-15.

¹⁴ GRD-PCO Bi-weekly Situation Report, April 4, 2006, p. 28.

¹⁵ Department of State *Section 2207 Report*, April 2006, Appendix I, p. 23.

¹⁶ Department of State *Section 2207 Report*, April 2006, Appendix I, p. 13.

¹⁷ Department of State *Section 2207 Report*, April 2006, Appendix I, pp. 20-21.

¹⁸ Department of State *Section 2207 Report*, April 2006, Appendix I, pp. 29-30.

- ¹⁹ Department of State, "Iraq Weekly Status Report," April 5, 2006, p. 7.
- ²⁰ Vetting comments from DRSO to SIGIR, received on April 20, 2006.
- ²¹ Department of Defense, "Measuring Stability and Security in Iraq," February 17, 2006, p. 40.
- ²² Department of Defense, "Measuring Stability and Security in Iraq," July 2005, p. 13; According to DoD: "MNF-I has also implemented, in partnership with the Ministry of Defense, a program to embed Military Transition Teams at the battalion, brigade, and division level. These teams provide Transition Readiness Assessments (TRAs) to MNC-I identifying areas of progress and shortcomings, ultimately leading to those individual units being ready to assume independent control of their area of responsibility. These assessments take into account a variety of criteria similar to but not identical to what the U.S. Army uses to evaluate its units' operational readiness by focusing on personnel, command and control, training, sustainment/logistics, equipment, and leadership." Overall, operational units are assessed as capable of planning, executing, and sustaining counterinsurgency operations independent of coalition forces (Level 1); capable of planning, executing, and sustaining counterinsurgency operations with coalition enablers (Level 2); or capable of conducting counterinsurgency operations only when operating alongside Coalition units (Level 3); Level 1, 2, and 3 units are all engaged in operations against the enemy.
- ²³ Department of Defense, "Measuring Stability and Security in Iraq," February 17, 2006, p. 37.
- ²⁴ Department of State, "Iraq Weekly Status Report," March 15, 2006, p. 5.
- ²⁵ GRD-PCO Daily Situation Report, April 19, 2006, p. 7.
- ²⁶ Jeremy M. Sharp, "Iraq's New Security Force: The Challenge of Sectarian and Ethnic Influence," Congressional Research Service, January 12, 2006, pp. 1-2.
- ²⁷ Department of State, "Country Reports on Human Rights Practices – Iraq, 2005," March 8, 2006, pp. 4.
- ²⁸ Department of State, "Country Reports on Human Rights Practices – Iraq, 2005," March 8, 2006, p. 5.
- ²⁹ Department of State, "Country Reports on Human Rights Practices – Iraq, 2005," March 8, 2006, p. 10.
- ³⁰ Department of State, "Country Reports on Human Rights Practices – Iraq, 2005," March 8, 2006, p. 6.
- ³¹ Department of State *Section 2207 Report*, April 2006, Appendix 1, p. 2.
- ³² World Bank Economic and Social Development Unit for the Middle East Department, "Rebuilding Iraq: Economic Reform and Transition," February 2006, p. 20.
- ³³ GAO 06-428T, "Rebuilding Iraq – Stabilization, Reconstruction, and Financing Challenges: Statement of Joseph Christoff (Director, International Affairs and Trade)," February 8, 2006, p. 4.
- ³⁴ Annual Threat Assessment of the Director of National Intelligence for the Senate Select Committee on Intelligence, February 2, 2006, p. 8.
- ³⁵ Department of Defense, "Measuring Stability and Security in Iraq," February 17, 2006, p. 35.
- ³⁶ Department of Defense, "Measuring Stability and Security in Iraq," February 17, 2006, p. 48-49.
- ³⁷ Department of State *Section 2207 Report*, Appendix 1, p. 1.
- ³⁸ Department of State chart for SIGIR Oil Export Revenue Graphic.
- ³⁹ Deleted
- ⁴⁰ Department of Defense, "Measuring Stability and Security in Iraq," February 17, 2006, p. 44.

- ⁴¹ Department of State, “Iraq Weekly Status Report,” March 7, 2006, p. 6.
- ⁴² Department of Defense, “Measuring Stability and Security in Iraq,” February 17, 2006, p. 44.
- ⁴³ Department of State *Section 2207 Report*, April 2006, Appendix I, p. 3.
- ⁴⁴ Department of State *Section 2207 Report*, January 2006, Appendix I, p. 4.
- ⁴⁵ Department of Defense, “Measuring Stability and Security in Iraq,” February 17, 2006, p. 44.
- ⁴⁶ “On-the-Record Telephone Briefing with Ambassador Speckhard,” February 9, 2006, pp. 3-4.
- ⁴⁷ Department of Defense News Briefing with Major General Rick Lynch, April 13, 2006.
- ⁴⁸ Department of Defense, “Measuring Stability and Security in Iraq,” February 17, 2006, p. 28.
- ⁴⁹ Department of State, “Iraq Weekly Status Report,” March 7, 2006, p. 6.
- ⁵⁰ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. vi.
- ⁵¹ White House Office of the Press Secretary, Press Release, December 15, 2003. Available online at <http://www.whitehouse.gov/news/releases/2003/12/20031215.html>
- ⁵² United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 18.
- ⁵³ Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, Public Law 108-106, November 6, 2003, 117 Stat. 1225.
- ⁵⁴ GRD-PCO, “Facilities and Transportation Sector,” received by SIGIR on March 24, 2006, p. 6.
- ⁵⁵ SIGIR, Audit 06-011: “Management of the Primary Healthcare Centers Construction Projects,” April 2006.
- ⁵⁶ Department of State, “Iraq Weekly Status Report,” March 22, 2006, p. 13.
- ⁵⁷ Vetting comments from GRD-PCO to SIGIR, received on April 21, 2006, and follow-up phone conversation with GRD-PCO on April 21, 2006.
- ⁵⁸ Department of State/USAID/GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ⁵⁹ Vetting comments from GRD-PCO to SIGIR, received on April 21, 2006.
- ⁶⁰ Department of State *Section 2207 Report*, Appendix I, April 2006, p. 93.
- ⁶¹ Deleted
- ⁶² GRD-PCO Daily Situation Report, April 11, 2006, p. 6.
- ⁶³ NEA/USAID/GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ⁶⁴ Vetting response from GRD-PCO to SIGIR data request, received on April 21, 2006.
- ⁶⁵ Deleted
- ⁶⁶ Deleted
- ⁶⁷ Deleted
- ⁶⁸ Deleted
- ⁶⁹ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 17.
- ⁷⁰ Economist Intelligence Unit, Country Profile 2005 – Iraq, pp. 30-31.
- ^{70a} United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 17.
- ⁷¹ Deleted
- ⁷² NEA/USAID/GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ⁷³ GRD-PCO Biweekly Situation Report, March 17, 2006, pp. 13.
- ⁷⁴ Deleted
- ⁷⁵ NEA/USAID/GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ⁷⁶ Deleted
- ⁷⁷ Deleted

- ⁷⁸ NEA/USAID/GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ⁷⁹ USAID, Email to SIGIR, April 7, 2006.
- ⁸⁰ Department of State response to SIGIR data request, received on March 30, 2006.
- ⁸¹ Department of State response to SIGIR data request, received on March 30, 2006.
- ⁸² Economist Intelligence Unit, Country Profile 2005 – Iraq, pp. 29-30.
- ⁸³ CIA, World Factbook – Iraq, January 10, 2006.
- ⁸⁴ This report combines two subsectors of the Department of State (DoS) Section 2207 Report: Transportation and Communications; and Roads, Bridges, and Construction. For information about the definitions of these and other sectors, see Appendix H.
- ⁸⁵ Congressional Research Service, “Iraq’s Economy: Past, Present, Future,” Report RL 21944, June 3, 2003, p. 29.
- ⁸⁶ Transport was estimated to need \$2 billion; Telecommunication was estimated to need \$1.38 billion. United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, pp. 26, 28.
- ⁸⁷ Transportation and telecommunications was allocated \$500 million; Roads, Bridges, and Construction was allocated \$370 million (Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, Public Law 108-106, November 6, 2003, 117 Stat. 1225).
- ⁸⁸ GRD-PCO, Email to SIGIR, April 10, 2006.
- ⁸⁹ USAID, Contract No. SPU-C-00-04-00001-00, awarded January 4, 2004. Available online at http://www.usaid.gov/iraq/contracts/pdf/Bechtel_II.pdf
- ⁹⁰ Deleted
- ⁹¹ Deleted
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- ⁹³ GRD-PCO, “Facilities and Transportation Sector,” received by SIGIR on March 24, 2006, pp. 7-8, 10.
- ⁹⁴ GRD-PCO, “Response to SIGIR request dated February 25, 2006,” received by SIGIR on March 29, 2006, p. 9.
- ⁹⁵ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 25.
- ⁹⁶ Deleted
- ⁹⁷ Economist Intelligence Unit, Country Profile 2005 – Iraq, 2005, p. 34.
- ⁹⁸ Department of State *Section 2207 Report*, January 2006, pp. 81-82.
- ⁹⁹ GRD-PCO, Email to SIGIR, April 10, 2006.
- ¹⁰⁰ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 83.
- ¹⁰¹ Department of State *Section 2207 Report*, Appendix I, January 2006, pp. 81-82.
- ¹⁰² GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ¹⁰³ Deleted
- ¹⁰⁴ IRMO, Weekly Status report, March 28, 2006, p. 4.
- ¹⁰⁵ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 23.
- ¹⁰⁶ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 82.
- ^{106a} Department of State *Section 2207 Report*, Appendix I, January 2006, p. 83.
- ¹⁰⁷ IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.

- ¹⁰⁸ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 83.
- ¹⁰⁹ GRD-PCO, “Response to SIGIR request dated February 25, 2006,” received by SIGIR on March 29, 2006, p. 10.
- ¹¹⁰ IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.
- ¹¹¹ IRMO, Weekly Status Report, March 14, 2006, p. 5.
- ¹¹² United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, pp. 23-24.
- ¹¹³ IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.
- ¹¹⁴ Department of State, Email to SIGIR, April 6, 2006.
- ¹¹⁵ IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.
- ¹¹⁶ Congressional Research Service, “Iraq’s Economy: Past, Present, Future,” Report RL 21944, June 3, 2003, p. 30.
- ¹¹⁷ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, pp. 23-24.
- ¹¹⁸ Deleted
- ¹¹⁹ Economist Intelligence Unit, Country Profile 2005 – Iraq, 2005, p. 33.
- ¹²⁰ GRD-PCO response to SIGIR data request, received on March 29, 2006.
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- ¹²² Department of State, Email to SIGIR, April 6, 2006.
- ¹²³ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, pp. 23-24.
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- ¹²⁵ IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.
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- ¹²⁷ IRMO, Weekly Status Report, March 28, 2006, p. 4.
- ¹²⁸ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 23.
- ¹²⁹ Congressional Research Service, “Iraq’s Economy: Past, Present, Future,” Report RL 21944, June 3, 2003, p. 38.
- ¹³⁰ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 23.
- ¹³¹ Economist Intelligence Unit, Country Profile 2005 – Iraq, 2005, p. 33.
- ¹³² Deleted
- ¹³³ Deleted
- ¹³⁴ GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ¹³⁵ GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ¹³⁶ GRD-PCO, “Facilities and Transportation Sector,” received by SIGIR on March 24, 2006, p. 8.
- ¹³⁷ GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ¹³⁸ Department of State *Section 2207 Report*, Appendix I, April 2006, p. 85.
- ¹³⁹ GRD-PCO response to SIGIR data request, received on March 29, 2006.
- ¹⁴⁰ Department of State *Section 2207 Report*, Appendix I, April 2006, p. 86.
- ¹⁴¹ IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.
- ¹⁴² Department of State, Iraq Weekly Status Report, March 15, 2006, p. 15; Department of State

- Section 2207 Report*, Appendix I, January 2006, p. 85; Department of State *Section 2207 Report*, Appendix I, April 2006, p. 87.
- ¹⁴³ Department of State *Section 2207 Report*, Appendix I, January 2006, pp. 86-87.
- ¹⁴⁴ Congressional Research Service, "Iraq's Economy: Past, Present, Future," Report RL 21944, June 3, 2003, p. 30, p. 38.
- ¹⁴⁵ USAID, Completed Projects: Telecommunications, December 29, 2005. Available online at <http://www1.usaid.gov/iraq/accomplishments/telecom.html>
- ¹⁴⁶ Department of State *Section 2207 Report*, Appendix I, April 2006, p. 87.
- ¹⁴⁷ Vetting comments from Department of State/USAID/GRD-PCO to SIGIR, April 21, 2006.
- ¹⁴⁸ Economist Intelligence Unit, Country Profile 2005 – Iraq, 2005, pp. 34-35.
- ¹⁴⁹ Department of State *Section 2207 Report*, Executive Summary, January 2005, p. 6.
- ¹⁵⁰ Office of Management and Budget *Section 2207 Report*, January 2004, p. 78.
- ¹⁵¹ Economist Intelligence Unit, Country Profile 2005 – Iraq, 2005, p. 35.
- ¹⁵² IRMO, Weekly Status Report, March 14, 2006, p. 20.
- ¹⁵³ Department of State, Email to SIGIR, April 6, 2006.
- ¹⁵⁴ SIGIR has begun to analyze the progress of important services and governance work in Iraq. SIGIR has designated the democracy, education, and private sector development sector for analyzing work in these DoS *Section 2207 Report* sectors: private sector development; education, refugees, human rights, and governance; democracy; and education construction projects in roads, bridges, and construction. For information about the definitions of these and other sectors, see Appendix H.
- ¹⁵⁵ Education was estimated to need \$4.8 billion; employment creation was estimated to need \$785 million; finance and private sector development was estimated to need \$777 million; and government institutions, rule of law, civil society, and media were estimated to need \$387 million (United Nations/World Bank, "Joint Iraq Needs Assessment," October 2003, pp. 16, 20, 40, 42, 43, 50).
- ¹⁵⁶ Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, Public Law 108-106, November 6, 2003, 117 Stat. 1225.
- ¹⁵⁷ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 38; according to USAID, \$30 million of this funding increase went to USAID (PRT/PC) Local Government Support and Community Support Programs, while the other \$8.5 million went to DoS election support initiatives.
- ¹⁵⁸ Congressional Research Service, "Iraq: U.S. Regime Change Efforts and Post-Saddam Governance," July 5, 2005, p. 22.
- ¹⁵⁹ Deleted
- ¹⁶⁰ Deleted
- ¹⁶¹ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 39.
- ¹⁶² Deleted
- ¹⁶³ USAID, Contracts and Grants, updated on September 21, 2005. Available online at <http://www1.usaid.gov/iraq/contracts/>
- ¹⁶⁴ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 45.
- ¹⁶⁵ Deleted
- ¹⁶⁶ Deleted
- ¹⁶⁷ Department of State, Press Briefing, April 13, 2006.

- ¹⁶⁸ USAID response to SIGIR data request, received on March 15, 2006.
- ¹⁶⁹ USAID, Accomplishments Fact Sheet, no date. Available online at <http://www.usaid.gov/iraq/accomplishments/>; USAID response to SIGIR data request, received on March 15, 2006.
- ¹⁷⁰ Department of State *Section 2207 Report*, Appendix I, April 2006, p. 42.
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- ¹⁷³ USAID response to SIGIR data request, received on March 15, 2006.
- ¹⁷⁴ USAID response to SIGIR data request, received on March 15, 2006.
- ¹⁷⁵ Department of State, “Iraq Weekly Status Report,” March 1, 2006, p. 14.
- ¹⁷⁶ Department of State, “Iraq Weekly Status Report,” March 22, 2006, p. 14.
- ¹⁷⁷ Department of State, “Iraq Weekly Status Report,” March 8, 2006, p. 14.
- ¹⁷⁸ Deleted
- ¹⁷⁹ Deleted
- ¹⁸⁰ USAID, Contracts and Grants, updated on September 21, 2005. Available online at <http://www1.usaid.gov/iraq/contracts/>
- ¹⁸¹ Department of State, “Iraq Weekly Status Report,” March 1, 2006, p. 14.
- ¹⁸² United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, p. 14.
- ¹⁸³ United Nations/World Bank, “Joint Iraq Needs Assessment,” October 2003, pp. 1-4, 14.
- ¹⁸⁴ GRD-PCO response SIGIR data request, received on dated March 29, 2006, p. 6.
- ¹⁸⁵ USAID, “Vision for Post-Conflict Iraq,” February 19, 2003, p. 11.
- ¹⁸⁶ Department of State, *Section 2207 Report*, Executive Summary, April 2006, p. 18.
- ¹⁸⁷ USAID response to SIGIR data request, received on April 19, 2006; out of the 2,943 schools completed by USAID, 2,358 of these used IRRF 1-funding, while the remaining 585 schools used IRRF-2 funds. This final tally of USAID projects differs from that reached by the April Section 2207 Report, which reported that USAID had completed 3,000 schools with IRRF-funding. This discrepancy was not resolved at the time of publication.
- ¹⁸⁸ Department of State *Section 2207 Report*, Appendix I, April 2006, p. 18.
- ¹⁸⁹ USAID, “Weekly Status Report,” March 17, 2006, p.8.
- ¹⁹⁰ Department of State *Section 2207 Report*, Appendix I, January 2006, pp. 104-105.
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- ¹⁹³ USAID, Contracts and Grants, updated on September 21, 2005. Available online at <http://www1.usaid.gov/iraq/contracts/>
- ¹⁹⁴ Department of Treasury Office of Inspector General, Audit Report 06-029, “International Assistance Programs: Review of Treasury Activities for Iraq Reconstruction,” March 23, 2006.
- ¹⁹⁵ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 110.
- ¹⁹⁶ USAID, Contracts and Grants, updated on September 21, 2005. Available online at <http://www1.usaid.gov/iraq/contracts/>
- ¹⁹⁷ IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.
- ¹⁹⁸ Department of State *Section 2207 Report*, Appendix I, January 2006, pp. 99-102.
- ¹⁹⁹ Deleted
- ²⁰⁰ Department of State, *Section 2207 Report*, Appendix I, January 2006, p. 95.

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- ²⁰² Department of State, *Section 2207 Report*, Appendix I, April 2006, p. 98.
- ²⁰³ USAID, "Iraq Reconstruction: A brief overview," September 14, 2005. Available online at <http://www2.usaid.gov/iraq/accomplishments/>
- ²⁰⁴ Department of State, *Section 2207 Report*, Appendix I, April 2006, p. 103.
- ²⁰⁵ GRD-PCO notes that this rate will change because the number of projects may increase as the projects are defined and tasked (Vetting comments from GRD-PCO, received on April 20, 2006).
- ²⁰⁶ According to GRD-PCO, 96 GRD-PCO projects have yet to start (Vetting comments from GRD-PCO, received on April 20, 2006). GRD-PCO says that the number of projects in the sector increases as they are defined and tasked. SIGIR data comes from the IRMO Rollup file on IRMS, March 31, 2006, which includes GRD-PCO data.
- ²⁰⁷ Vetting comments from GRD-PCO, received on April 20, 2006.
- ²⁰⁸ Vetting comments from GRD-PCO, received on April 20, 2006. GRD-PCO notes that this does not include the Ambassador's deferred and reinstated projects and projects currently funded from FFP cost savings.
- ²⁰⁹ USACE-GRD, "Reconstruction Continues in Iraq," October 2, 2005.
- ²¹⁰ USACE-GRD, "Bi-Weekly Situation Report," March 3, 2006, p. 42; USACE-GRD, "Daily Situation Report," January 8, 2006, pp. 1 and 3.
- ²¹¹ GRD-PCO, Email to SIGIR, April 10, 2006.
- ²¹² Vetting comments from GRD-PCO, received on April 20, 2006.
- ²¹³ USACE-GRD, "Bi-Weekly Situation Report," February 20, 2006.
- ²¹⁴ GRD-PCO, Email to SIGIR, April 10, 2006.
- ²¹⁵ GRD-PCO, Email to SIGIR, April 10, 2006.
- ²¹⁶ Department of State, "Iraq Weekly Status Report," March 30, 2005, p. 13.
- ²¹⁷ IRMO, "Weekly Status Report," March 28, 2006, p. 2.
- ²¹⁸ Department of State, "Iraq Weekly Status Report," March 29, 2006, p. 12.
- ²¹⁹ Department of State *Section 2207 Report*, Appendix I, April 2006, pp. 53-54.
- ²²⁰ Deleted
- ²²¹ IRMO, "Weekly Status Report," March 28, 2006, p. 2.
- ^{221a} Vetting comments from Department of State, received on April 21, 2006.
- ²²² World Bank, "Rebuilding Iraq: Economic Reform and Transition," February 2006, p. 7.
- ²²³ IEEE Spectrum, "Re-Engineering Iraq," February 2006, p. 3.
- ²²⁴ World Bank, "Rebuilding Iraq: Economic Reform and Transition," February 2006, p. 7.
- ²²⁵ IEEE Spectrum, "Re-Engineering Iraq," February 2006, p. 3.
- ²²⁶ Defense Reconstruction Support Office, "Summary and Technical Report Iraqi Electricity Sector," April 22, 2005, p. 35.
- ²²⁷ Defense Reconstruction Support Office, "Summary and Technical Report Iraqi Electricity Sector," April 22, 2005, p. 7.
- ²²⁸ Joint U.S.-Iraqi electricity Action Plan, March 12, 2006, p. 8.
- ²²⁹ Joint U.S.-Iraqi electricity Action Plan, March 12, 2006, p. 8.
- ²³⁰ GRD-PCO, Email to SIGIR, April 10, 2006.
- ²³¹ Vetting comments from GRD-PCO, received on April 20, 2006.

- ²³² Department of State *Section 2207 Report*, Appendix I, January 2006, p. 66.
- ²³³ Department of State, “Iraq Weekly Status Report,” February 22, 2006 and March 1, 2006 reports.
- ²³⁴ USACE-GRD, “Bi-Weekly Situation Report,” April 3, 2006, p. 9 for EP information; Iraq Reconstruction Management System (IRMS) as of March 31, 2006 for EPC information. PCO reports one descoped EPC project, bringing their tally down to 59. This information, however, was not updated in the IRMS database.
- ²³⁵ GRD-PCO response to SIGIR data request on April 12, 2006.
- ²³⁶ GRD-PCO, “Bi-Weekly Situation Report,” March 20, 2006, p. 8.
- ²³⁷ Vetting comments from GRD-PCO, received on April 20, 2006; last quarter, PCO reported to SIGIR that the ABOT task order was 31% complete. A drop to 30% after the contractor undertook a Value Engineering exercise and several projects underwent scope changes to remain within schedule and budget.
- ²³⁸ GRD-PCO, “Bi-Weekly Situation Report,” March 6, 2006, p. 9.
- ²³⁹ GRD-PCO response to SIGIR data call on April 10, 2006.
- ²⁴⁰ GRD-PCO, “Bi-Weekly Situation Report,” April 3, 2006, p. 10.
- ²⁴¹ IRMO, “Weekly Status Report,” March 28, 2006, p. 7.
- ²⁴² GRD-PCO response on March 19, 2006 to SIGIR data request of February 25, 2006, attachment 4a, pp. 1-3; the ABOT metering system was initially assessed in the GRD-PCO response to SIGIR’s data call as being 47% complete, but was later labeled 29.9% complete because of reassessments of scope and weightings, according to an April 10, 2006 PCO response to a SIGIR data call.
- ²⁴³ Vetting comments from GRD-PCO, received on April 20, 2006.
- ²⁴⁴ GRD-PCO, “Bi-Weekly Situation Report,” April 3, 2006, p. 11.
- ²⁴⁵ Deleted
- ²⁴⁶ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 66.
- ²⁴⁷ GRD-PCO, “The Oil Story of Iraq,” March 2006, p. 17.
- ²⁴⁸ Deleted
- ²⁴⁹ Deleted
- ²⁵⁰ GRD-PCO response on March 19, 2006 to SIGIR data request of February 25, 2006, attachment 4a, pp. 1-3.
- ²⁵¹ Department of State *Section 2207 Report*, April 2006, Appendix 1, p. 67.
- ²⁵² GRD-PCO, “The Oil Story of Iraq,” March 2006, p. 18.
- ²⁵³ Deleted
- ²⁵⁴ GRD-PCO, “Oil Sector Consolidated Results Update Meeting (SCRUM),” April 6, 2006, p. 16.
- ²⁵⁵ Vetting comments from GRD-PCO, received on April 20, 2006.
- ²⁵⁶ GRD-PCO, “The Oil Story of Iraq,” March 2006, p. 21.
- ²⁵⁷ GRD-PCO, “Bi-Weekly Situation Report,” March 20, 2006, p. 9.
- ²⁵⁸ GRD-PCO response on March 19, 2006, to SIGIR data request of February 25, 2006, pp. 8-10.
- ²⁵⁹ The DoE Country Analysis Brief (CAB) indicates the range for the pre-war production metric is between 2.5 and 2.6 million BPD (p. 3). From 1999 to 2001, production averaged 2.5 million BPD. It fell to 2.0 million BPD in 2002, but slowly crept back up toward 2.5 million BPD before the war, peaking at 2.58 million BPD.

²⁶⁰ Deleted

²⁶¹ International Monetary Fund, “Iraq: Request for Stand-By Arrangement—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director

for Iraq,” January 2006, p. 3.

²⁶² IRMO data reported by SIGIR auditing team.

²⁶³ DOS-NEA response to SIGIR data request on April 21, 2006.

²⁶⁴ Deleted

²⁶⁵ DOS-NEA response to SIGIR data request on April 21, 2006.

²⁶⁶ IRMO data reported by SIGIR auditing team.

²⁶⁷ Deleted

²⁶⁸ Department of State, “Iraq Weekly Status Report,” March 15, 2006, p. 21.

²⁶⁹ According to a SIGIR interview conducted with a U.S. government oil expert, bad weather in the Persian Gulf affects the use of tugboats at ABOT. The Ministry of Transportation owns 6 tugboats and they are based at Umm Qasr, which is about an 8-hour trip from ABOT. During bad weather, the Ministry of Transportation keeps the tugboats docked, making them unavailable to service cargo ships at ABOT waiting to load crude for export. The tankers cannot berth to receive the cargo and, in conjunction with mandatory inspections for all ships in the 3,000 mile exclusion zone, result in significant delays that force southern to shut in production because of low storage capacity on shore. The delays also result in demurrage compensation for shippers waiting to pick up cargo at ABOT. The Ministry of Oil is currently in the process of procuring its own tugboats.

²⁷⁰ International Monetary Fund, “Iraq: Request for Stand-By Arrangement—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Iraq,” January 2006, p. 10; In the IMF Arrangement with Iraq, Iraqi budget projections estimate that 1.65 MBPD will be exported at a cost of \$46.60 per barrel.

²⁷¹ IRMO, “Weekly Status Report,” April 11, 2006, p. 10.

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²⁷³ Department of State *Section 2207 Report*, Appendix I, April 2006, p. 67.

²⁷⁴ Deleted

²⁷⁵ Department of State *Section 2207 Report*, Appendix I, January 2006, p. 65; DoS hours of power graphic.

²⁷⁶ Deleted

²⁷⁷ Energy Intelligence Group, “Three Years Later, Iraq’s Oil Sector Remains in Crisis,” *Petroleum Intelligence Weekly*, March 27, 2006.

²⁷⁸ World Bank, “Rebuilding Iraq: Economic Reform and Transition,” February 2006, p. 16.

²⁷⁹ World Bank, “Rebuilding Iraq: Economic Reform and Transition,” February 2006, p. 7.

²⁸⁰ Department of State, “Iraq Weekly Status Report,” March 7, 2006, p. 6.

²⁸¹ “Energy Sector Action Plan Summer Targets – Electricity and Oil,” March 12, 2006, p. 21.

²⁸² Department of State *Section 2207 Report*, Appendix I, April 2006, pp. 67-68.

²⁸³ World Bank, “Rebuilding Iraq: Economic Reform and Transition,” February 2006, p. 7.

²⁸⁴ IRMO, “Oil and Natural Gas End State Goals,” May 21, 2005, p. 6.

²⁸⁵ Department of State, “Iraq Weekly Status Report,” March 21, 2006, p. 10.

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- ²⁸⁷ “Embassy Anti-Corruption Strategy,” December 28, 2005, p. 2.
- ²⁸⁸ “Embassy Anti-Corruption Strategy,” December 28, 2005, p. 1.
- ²⁸⁹ Kenneth Pollack and the Iraqi Policy Working Group, “A Switch in Time: A New Strategy for America in Iraq,” Saban Center for Middle East Policy at the Brookings Institution, February 2006, p. 54.
- ²⁹⁰ “On-the-Record Telephone Briefing with Ambassador Speckhard,” February 9, 2006, p. 10.
- ²⁹¹ “Embassy Anti-Corruption Strategy,” December 28, 2005, p. 2.
- ²⁹² Deleted
- ²⁹³ Deleted
- ²⁹⁴ Deleted
- ²⁹⁵ Vetting comments from GRD-PCO, received on April 20, 2006.
- ²⁹⁶ USAID response to SIGIR data request, received on March 24, 2006.
- ²⁹⁷ Also referred to as Erbil Ifraz Water Supply Project.
- ²⁹⁸ USACE-GRD, “Bi-Weekly Situation Report,” February 20, 2006, p. 11.
- ²⁹⁹ USACE-GRD, “Bi-Weekly Situation Report,” March 17, 2006, p. 12; USACE-GRD, “Bi-Weekly Situation Report,” April 1, 2006, p. 14.
- ³⁰⁰ USACE-GRD, “Bi-Weekly Situation Report,” April 1, 2006, p. 14.
- ³⁰¹ USACE-GRD, “Bi-Weekly Situation Report,” February 20, 2006, p. 10.
- ³⁰² IRMO, Information Memorandum from Acting IRMO Director to Deputy Chief of Mission, April 19, 2006.
- ³⁰³ Vetting comments from GRD-PCO, received on April 20, 2006.
- ³⁰⁴ USACE-GRD, “Bi-Weekly Situation Report,” March 17, 2006, p. 12.
- ³⁰⁵ GRD-PCO response to SIGIR data request, received on March 24, 2006.
- ³⁰⁶ Vetting comments from GRD-PCO, received on April 20, 2006.
- ³⁰⁷ USAID response to SIGIR data request, received on March 24, 2006.
- ³⁰⁸ GRD-PCO, Responses to Questions from SIGIR, March 19, 2006, p. 3.
- ³⁰⁹ USAID, “Strategy For Water And Land Resources In Iraq: Inception Report,” December 2005, p. 1.
- ³¹⁰ Deleted
- ³¹¹ Some U.S. projects in the water sector do not directly add capacity to the water or sanitary system. Projects like expansion of distribution networks or rehabilitation of storage tanks are not captured in this metric. (IRMO, “Metrics – Measuring the Impacts of Reconstruction Efforts,” December 2005, p. 2)
- ³¹² Deleted
- ³¹³ Department of State response to SIGIR data request, received on March 24, 2006, p. 6.
- ³¹⁴ UN/World Bank, “Joint Needs Assessment,” October 2003, p. 21.
- ³¹⁵ Department of Defense, “Iraq Weekly Status Report,” November 17, 2003, p. 11.
- ³¹⁶ GAO estimated that by 2003 the production level of water was 60% in urban areas and 50% in rural areas—enough to serve 14 million people. GAO noted that much of the water was lost because of leakage and contamination (GAO 05-872, “Rebuilding Iraq: U.S. Water Efforts Need Improved Measures for Assessing Impact and Sustained Resources for Maintaining Facilities,” September 2005, p. 5.) GRD-PCO cited these same figures in a sector history of the

water sector (GRD-PCO, “History of the Water Sector,” received on January 13, 2006). USAID estimated that 50% of the population was served by water treatment plants (USAID, Vision for Post-Conflict Iraq, February 2003, p. 3). The UN and World Bank estimated that pre-war water levels declined in some governorates by as much as 50% since 2000. In 2000 roughly 19 million people had access to water; 9.5 million people had access under the worst-case scenario of all governorates decreasing by 50% (UN/World Bank, “Joint Needs Assessment,” October 2003, p. 21). The U.S. Embassy in Iraq reported a pre-war level of 5.5 million people, which appears to be an outlier from the other figures (Department of State, “Reconstruction Progress in Iraq,” November 30, 2005).

³¹⁷ GRD-PCO, Email to SIGIR, April 10, 2006.

³¹⁸ USAID response to SIGIR data request, received on March 24, 2006.

³¹⁹ GRD-PCO response to SIGIR data request, received on March 24, 2006.

³²⁰ GRD-PCO, Email to SIGIR, April 10, 2006.

³²¹ Vetting comments from GRD-PCO, received on April 20, 2006.

³²² USAID response to SIGIR data request, received on March 24, 2006.

³²³ Deleted

³²⁴ GRD-PCO, Email to SIGIR, April 10, 2006.

³²⁵ Department of State, Iraq Weekly Status, January 4, 2006, and March 29, 2006.

³²⁶ Government disbursements are funds that have left government treasuries. Assistance channeled through organizations such as the IRFFI trust funds and NGOs will take additional time to be disbursed in Iraq. Although the pace of disbursement has the potential to increase as more donors establish their implementation mechanisms, actual disbursements will depend on Iraq’s stability.

^{326a} Embassy of Japan, Economic Section Email.

^{326b} Available online at <http://www.dfid.gov.uk/>

^{326c} Available online at <http://www.aedi-eida.gc.ca/iraq>

^{326d} Available online at <http://www.usaid.gov.au>

^{326e} European Commission Delegation and Baghdad Email

^{326f} Available online at <http://www.irffi.org>

^{326g} Department of State 2207 Report, Appendix II

^{326h} SIGIR interview with Department of State NEA-I

³²⁷ A concessional loan is provided to poor countries, lending at interest rates below the market and with an extended grace period. These loans are also known as soft loans.

Section 3: SIGIR Oversight

¹ Section 2207 of P.L. 108-106 requires a report from the Office of Management and Budget to Congress every three months that updates the proposed uses of all IRRF funds on a project-by-project basis, including estimates of the cost required to complete each project.

² Effective December 4, 2005, PCO was merged with the U.S. Army Corps of Engineers, Gulf Region Division (GRD), to form GRD-PCO.

³ Effective December 4, 2005, PCO was merged with the U.S. Army Corps of Engineers, Gulf

- Region Division, to form GRD-PCO.
- ⁴ Army organizations have an alpha/numeric designator that identifies their various command functions (for example, G-2 = Intelligence, G-4 = Logistics). The Communications and Information Technology function is identified by G-6.
- ⁵ Three of the six recommendations were made to the U.S. Ambassador to Iraq and the Commander, Multi-National Forces-Iraq.
- ⁶ When the draft of this report was published, a modification to this contract extended it for a short period to address an expanded statement of work. This included automating the contract file documentation. The extension also addressed excusable delays as a result of Iraqi government holidays.
- ⁷ GRD-PCO Management of the Transfer of IRRF-funded Assets to the Iraqi Government, SIGIR-05-028 (January 24, 2006).
- ⁸ GRD-PCO Management of the Transfer of IRRF-funded Assets to the Iraqi Government, SIGIR-05-028 (January 24, 2006).
- ⁹ SIGIR estimated that the amount of definitized cost of task order 7 associated with the PHC projects is 64 percent or \$70,400,000. IR estimated that the amount of definitized cost of task order 7 associated with the PHC projects is 64 percent or \$70,400,000.
- ¹⁰ SIGIR-05-027, "Methodologies for Reporting Cost-to-Complete Estimates," January 27, 2006.
- ¹¹ In addition to 49 Primary Health Care Centers under Task Order 0011, the Primary Health Care Center contract included Task Orders 0004 and 0012, which authorized the construction of 41 Primary Health Care Centers in the central region of Iraq and 60 Primary Health Care Centers in the southern region of Iraq, respectively. Therefore, the total number of Primary Health Care Centers originally to be completed under Contract W914NS-04-D-0006 was to be 150. The task orders were subsequently modified to provide for only 141 Primary Health Care Centers.
- ¹² Honeycombing refers to the voids left in the concrete because of the failure of the mortar to effectively fill the spaces among coarse aggregate particles (American Concrete Institute).
- ¹³ ACWG Members Source: Strategic Effects Liaison Officer, MNF-I

Section 4: Other Agency Oversight

- ¹IIGC members: SIGIR (Chair), DoS IG (Co-Vice Chair), DoD IG (Co-Vice Chair), Army IG, USAID IG, Treasury IG, DoC IG, DCAA, USAAA, GAO (observer member), USACE Chief Audit Executive (observer member)

Appendix I: Financial Impact of SIGIR Operations

- ¹Numbers are provided in aggregate. Individual tracking is done on a case level and maintained by SIGIR AIG for Investigations.