

MANAGEMENT OF THE  
CONTRACTS, GRANT, AND  
MICRO-PURCHASES  
USED TO REHABILITATE  
THE KARBALA LIBRARY

**REPORT NO. SIGIR 05-020**  
**OCTOBER 26, 2005**



## SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

October 26, 2005

MEMORANDUM FOR UNITED STATES AMBASSADOR TO IRAQ  
DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT OFFICE  
COMMANDING GENERAL, JOINT CONTRACTING COMMAND  
-IRAQ/AFGHANISTAN  
COMMANDER, JOINT AREA SUPPORT GROUP-CENTRAL

SUBJECT: Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library (Report No. SIGIR 05-020)

We are providing this audit report for your information and use. We performed the audit in accordance with our statutory duties contained in Public Law 108-106, as amended, which mandates the independent and objective conduct of audits relating to the programs and operations funded with amounts appropriated or otherwise made available to the Iraq Relief and Reconstruction Fund. Public Law 108-106, as amended, requires that we provide for the independent and objective leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of such programs and operations and to prevent and detect waste, fraud, and abuse.

We considered management comments from the Iraq Reconstruction Management Office, the Joint Contracting Command-Iraq/Afghanistan, and the Joint Area Support Group-Central on a draft of this report when preparing the final report. Comments on the draft of this report by those organizations conformed to requirements and left no unresolved issues. Therefore, no additional comments are required.

Because we added a recommendation to the final report, we request that the United States Ambassador to Iraq provide comments to the final report by November 14, 2005. Comments should describe actions taken or planned in response to recommendations and provide completion dates for the actions.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Joseph T. McDermott at (703) 428-1100, or at [joseph.mcdermott@sigir.mil](mailto:joseph.mcdermott@sigir.mil) or Mr. Clifton Spruill at (703) 343-8817, or at [clifton.spruill@iraq.centcom.com](mailto:clifton.spruill@iraq.centcom.com). For the report distribution, see Appendix K.

Stuart W. Bowen, Jr.  
Inspector General

# Special Inspector General for Iraq Reconstruction

**Report No. SIGIR 05-020**

**October 26, 2005**

(Project No. D2004-DCPAAF-0034.3)

## **Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library**

### **Executive Summary**

**Introduction.** This audit report is one of a series of reports addressing controls over cash, contract management, and grant management for the Coalition Provisional Authority South-Central Region. This audit report discusses the deficiencies in the Coalition Provisional Authority South-Central Region's process for managing 5 contracts, 1 grant, and 33 micro-purchase contracts awarded for more than \$2.1 million for the rehabilitation of the Karbala Library (the Library).

**Objective.** The overall audit objective was to determine whether disbursing officers in selected locations in southern Iraq complied with applicable guidance and properly controlled and accounted for Development Fund for Iraq cash assets and expenditures.

We expanded the scope of our audit to determine whether the South-Central Region properly managed contracts and grants at specific projects because of deficiencies identified in Office of the Special Inspector General for Iraq Reconstruction, Report No. 05-006, "Control of Cash Provided to South-Central Iraq," April 30, 2005, and at the request of the Deputy Secretary of Defense. We chose to review the Library because of the multiple contracts, grant, and micro-purchase contracts that had been awarded for the rehabilitation of the Library.

Specifically, for the Library, we reviewed the contract and grant award process to determine whether fund agents adequately controlled cash assets, fully accounted for cash assets and expenditures, and properly returned cash assets and whether expenditures complied with guidance specifying dollar thresholds and allowable uses.

**Results.** South-Central Region personnel, in the management of contracts, a grant, and micro-purchase contracts using Rapid Regional Response Program funds to rehabilitate the Library:

- circumvented guidance by splitting requirements into more than one contract to avoid seeking the required funding-level approval or to avoid required documentation
- issued contracts for dollar amounts that exceeded the requirement documents
- did not monitor the contracts, the grant, or micro-purchase contracts; did not make any site visits; did not issue performance reports; did not prepare post-award assessments; and did not act on the reports that the contractor was not performing to the standards set in the contracts
- needlessly disbursed funds for contracts, a grant, and micro-purchase contracts for which work was not performed and the contracted amount was exceeded

- paid-in-full, on the day the contracts, a grant, and micro-purchase contracts were signed, but did not require that progress payments be tied to project performance
- did not maintain files that contained accurate or required documentation

South-Central Region personnel needlessly disbursed more than \$1.8 million on the project to rehabilitate the Library. South-Central Region personnel, under the direction of the Rapid Regional Response Program, did not comply with applicable guidance and did not properly manage Rapid Regional Response Program funds provided through 5 contracts, 1 grant, and 33 micro-purchase contracts used to rehabilitate the Library. Specifically, South-Central Region disbursed approximately \$1.6 million for which the work was not performed. Further, approximately \$2.3 million was disbursed, although the total value of the contracts, grant, and micro-purchase contracts awarded for the Library was approximately \$2.1 million.

**Material Internal Control Weaknesses.** The audit identified material internal control weaknesses. South-Central Region personnel, under the direction of the Coalition Provisional Authority, did not comply with applicable guidance and did not properly manage approximately \$2.3 million of Rapid Regional Response Program funds. Consequently, there was no assurance that fraud, waste, and abuse did not occur in the management and administration of cash and property used to rehabilitate the Library.

**Indications of Potential Fraud.** During this audit, we found indications of potential fraud and referred these matters to the Assistant Inspector General for Investigations, Office of the Special Inspector General for Iraq Reconstruction, for action. Related investigations are continuing.

**Recommendations.** Since the Coalition Provisional Authority was dissolved on June 28, 2004, we are addressing the recommendations to three of the four successor organizations: the Iraq Reconstruction Management Office, the Joint Contracting Command-Iraq/Afghanistan, and the Joint Area Support Group-Central.

We added a recommendation to the United States Ambassador to Iraq because additional information concerning a rescinded grant, including a copy of a bank account showing that approximately \$154,000 remaining on deposit for this particular grant, was made available subsequent to the issuance of the draft audit report.

1. We recommend that the United States Ambassador to Iraq recover specifically the \$154,000 in rescinded grant funds remaining on deposit, any other funds related to the rescinded grant, and funds that exceeded the contracted amount and return the recovered funds to the Iraqi government.
2. We recommend that the Director, Iraq Reconstruction Management Office, ensure that established policies and procedures for authorizing, awarding, and consolidating contracts and grants are effectively implemented and followed and that complete files to support transactions made for contracts and grants are maintained.
3. We recommend that the Commanding General, Joint Contracting Command-Iraq/Afghanistan:
  - a. Ensure that established policies and procedures for awarding and consolidating contracts and grants are effectively implemented and followed.

- b. Ensure that established policies and procedures for monitoring contract and grant performance are effectively implemented and followed.
  - c. Ensure that repairs were completed, purchased equipment and services were delivered, and work was performed.
  - d. Maintain complete files to support transactions made for contracts and grants.
4. We recommend that the Commander, Joint Area Support Group-Central, ensure that established policies and procedures for disbursing funds obtained through the Development Fund for Iraq for contracts and grants are effectively implemented and followed, that funds are disbursed for intended purposes, and that complete files to support transactions made for contracts and grants are maintained.

**Management Comments and Audit Response.** The Director, Iraq Reconstruction Management Office; the Commanding General, Joint Contracting Command-Iraq/Afghanistan; and the Commander, Joint Area Support Group-Central concurred with the finding and recommendations and the comments to all recommendations are fully responsive.

# Table of Contents

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<b>Executive Summary</b>	i
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## **Introduction**

Background	1
Objective	4

## **Finding**

Management of the Contracts, Grant, and Micro-Purchase Contracts Used to Rehabilitate the Karbala Library	5
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## **Appendixes**

A. Scope and Methodology	22
B. Coalition Provisional Authority Guidance Applicable to Contracts and Grants	25
C. Contracts and Grant Awarded for the Karbala Library	27
D. Micro-Purchase Contracts Awarded for the Karbala Library	28
E. Coalition Provisional Authority Organizational Responsibilities for Contracts and Grants	29
F. Present U.S. Government Organizational Responsibilities for Contracts and Grants	30
G. Micro-Purchases for Books for the Karbala Library	31
H. Contractor Performance at the Karbala Library	32
I. Internet Service at the Karbala Library	35
J. Acronyms	37
K. Report Distribution	38
L. Audit Team Members	40

## **Management Comments**

Commanding General, Joint Contracting Command-Iraq/Afghanistan	41
Commander, Joint Area Support Group-Central	43

# Introduction

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## Background

This audit report is one of a series of reports addressing controls over cash, contract management, and grant management for the Coalition Provisional Authority (CPA) South-Central Region. This audit report discusses the deficiencies in the CPA South-Central Region's process for managing 5 contracts, 1 grant, and 33 micro-purchase contracts awarded for the rehabilitation of the Karbala Library (the Library).

**Coalition Provisional Authority Regulation Number 1.** CPA Regulation Number 1 was issued by the CPA Administrator on May 16, 2003. CPA Regulation Number 1 described the powers and purposes of the CPA and stated:

The CPA shall exercise powers of government temporarily in order to provide for the effective administration of Iraq during the period of transitional administration, to restore conditions of security and stability, to create conditions in which the Iraqi people can freely determine their own political future, including by advancing efforts to restore and establish national and local institutions for representative governance and facilitating economic recovery and sustainable reconstruction and development.

**The Development Fund for Iraq.** United Nations Security Council Resolution 1483, adopted May 22, 2003, noted the establishment of the Development Fund for Iraq (DFI) and assigned responsibility for managing the fund to the CPA. The resolution noted that the CPA should direct disbursement of DFI funds, in consultation with the Iraqi interim administration. The resolution also required the CPA to use DFI funds in a transparent manner to meet the humanitarian needs of the Iraqi people, for the economic reconstruction and repair of Iraq's infrastructure, for the continued disarmament of Iraq, for the costs of Iraqi civilian administration, and for other purposes benefiting the people of Iraq. The DFI was the primary financial vehicle to channel revenue from ongoing Iraqi oil sales, unencumbered Oil-for-Food deposits, and repatriated Iraqi assets into the relief and reconstruction of Iraq.

During the CPA administration of Iraq, the CPA Comptroller managed the DFI, and the Program Review Board (PRB) was responsible for recommending expenditures of resources from the DFI. For a description of CPA Regulation Number 2, which applied to the DFI, and CPA Regulation Number 3, which applied to the PRB, see Appendix B.

**Program Review Board Guidance.** The Director of the PRB provided directives that applied to grant management within CPA regions. Two of these directives addressed the management of the Rapid Regional Response Program (R3P):

- PRB Guidance 06, "Rapid Regional Response Program Overview," September 27, 2003
- PRB Guidance 06.2, "Rapid Regional Response Program Overview (amended)," December 14, 2003, and January 25, 2004

**Rapid Regional Response Program.** R3P funds were derived from the DFI, and the CPA provided those funds to the Iraqi people for necessary repairs and upgrades to the infrastructure. The objectives of the R3P were to create local jobs, support local

industries, and stimulate the economy. The R3P was initially conceived as a civilian equivalent of the Commanders' Emergency Response Program fund.<sup>1</sup> Further, it was designed to provide maximum flexibility to regional and governorate coordinators in implementing projects responsive to the needs in their areas of responsibility. The program incorporated and expanded the authorities of two previously funded programs:

- the Directors' Emergency Response Program, which provided an emergency response capacity
- the Construction Initiative, which provided greater funding authority for construction activities

The discretionary authority under which regions could execute programs without prior Regional Program Coordinator approval was increased to \$500,000 from \$200,000 through PRB Guidance 06.2, "Rapid Regional Response Program Overview," as amended on December 14, 2003, and January 25, 2004.

**South-Central Region.** The CPA established the South-Central Regional office in the spring 2003, comprising the provinces of Anbar, Babil, Karbala, Najaf, Qadisiyah, and Wasit, approximately half of the land mass of Iraq. South-Central Region personnel worked with the Iraqi people and coalition forces to establish the conditions for a free, sovereign, and democratically-elected representative government in Iraq. The top priorities of the South-Central Region were electricity, human rights, security, strategic communications, tribal democracy, and women's rights.

**Karbala Library.** The South-Central Region identified the Library, located in Karbala, Iraq, as the focal point for academic and professional learning in the area. The Library provided the area's richest source of Arabic translations of the most important Western works of history, literature, philosophy, politics, and science. During Saddam's regime, the people of the entire region were deprived of the most basic access to world literature. The South-Central Region determined that supporting the Library was consistent with the requirement that such projects benefit the people of Iraq.

The South-Central Region awarded four contracts, in support of the Library, for the purchase of equipment and the following services:

- building repairs
- landscaping
- furniture
- Internet service

A fifth contract was awarded to train the Library staff. The five contracts were valued at \$1,383,810.<sup>2</sup>

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<sup>1</sup> According to Combined Joint Task Force-7, Fragmentary Order 89, June 19, 2003, DFI funds were to be used to help fund the Commanders' Emergency Response Program, which provides reconstruction assistance to the Iraqi people.

<sup>2</sup> Contracts DABV01-04-M-8339, in the amount of \$373,400, for building repairs; DABV01-04-M-8342, in the amount of \$197,500, for landscaping; DABV01-04-M-8343, in the amount of \$224,010, for furniture; DABV01-04-M-8345, in the amount of \$498,900, for Internet service; and DABV01-04-M-8353, in the amount of \$90,000, for library staff training.



Further, the South-Central Region awarded a grant to the Library to provide for salaries for the Library staff. The value of the grant amounted to \$210,000. Finally, the South-Central Region awarded 33 micro-purchase contracts to acquire books for the Library. The amount expended through the micro-purchases was \$535,106.

The total value of the contracts, grant, and micro-purchase contracts awarded for the Library was \$2,128,916. For details on the contracts and the grant, see Appendix C. For details on the micro-purchase contracts, see Appendix D.

**Organizations Responsible for Contract and Grant Management.** The CPA was the authority responsible for the temporary governance of Iraq through June 28, 2004. Thereafter, the Iraqi Interim Government assumed the authority to govern Iraq. The responsibility for the DFI transferred from the CPA to the Iraqi Interim Government on June 28, 2004. For information on the CPA's organizational responsibilities for grants management, until it ceased to exist on June 28, 2004, see Appendix E.

After the dissolution of the CPA, four U.S. government organizations assumed responsibilities for the management of contracts, grants, and micro-purchase contracts in Iraq. For information on the present organizational responsibilities for the management of contracts and grants in Iraq, see Appendix F.

***Project and Contracting Office.*** The Project and Contracting Office now has the responsibility to assess requirements for contracts and grants. National Security Presidential Directive 36, "United States Government Operations in Iraq," May 11, 2004, established the Project and Contracting Office and directed that it provide acquisition and project management support for activities in Iraq, including contract and grant related activities. The Project and Contracting Office reports through the Deputy Assistant Secretary of the Army (Policy and Procurement) to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology.

***Iraq Reconstruction Management Office.*** The Iraq Reconstruction Management Office now has the responsibility to approve contracts and grants. National Security Presidential Directive 36, "United States Government Operations in Iraq," May 11, 2004, established the Iraq Reconstruction Management Office within the Department of State and directed that organization to facilitate the transition in Iraq. The Iraq Reconstruction Management Office reports to the Chief of Mission in Iraq.

***Joint Contracting Command-Iraq/Afghanistan.*** The Head of Contracting Activity, Joint Contracting Command-Iraq/Afghanistan now has the responsibility to administer contracts and grants.<sup>3</sup> The Joint Contracting Command-Iraq/Afghanistan was established in 2004 to consolidate contracting activities and reports through the Deputy Assistant Secretary of the Army (Policy and Procurement) to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology.

***Joint Area Support Group-Central Comptroller.*** The Joint Area Support Group-Central now has the financial responsibility<sup>4</sup> for contracts and grants. The CPA Comptroller, as part of the CPA, ceased to exist on June 28, 2004. When the CPA was dissolved, the CPA Comptroller was realigned as the Joint Area Support Group-Central

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<sup>3</sup> The Joint Contracting Command-Iraq/Afghanistan used the Federal Acquisition Regulation and Department of Defense 3210.6-R, "DoD Grant and Agreement Regulations," April 13, 1998, as guidance.

<sup>4</sup> The Joint Area Support Group-Central Comptroller provided funds to the CPA regions to disburse for contracts and grants. Afterward, the disbursement documentation was returned to the Joint Area Support Group-Central Comptroller's office for review and to be cleared.

Comptroller. The Joint Area Support Group-Central Comptroller continued to perform the same duties for that portion of the DFI still administered by the U.S. Government. The Joint Area Support Group-Central reports to the Commander, Multi-National Force-Iraq.

## **Objective**

The overall audit objective was to determine whether disbursing officers in selected locations in southern Iraq complied with applicable guidance and properly controlled and accounted for DFI cash assets and expenditures.

We expanded the scope of our audit to determine whether contracts and grants were properly managed by the South-Central Region at specific projects because of deficiencies identified in Office of the Special Inspector General for Iraq Reconstruction, Report No. 05-006, "Control of Cash Provided to South-Central Iraq," April 30, 2005, and at the request of the Deputy Secretary of Defense. We chose to review the Library project for a review of the management of contracts and grants because of the multiple contracts, grant, and micro-purchase contracts that had been awarded for the rehabilitation of the Library.

Specifically, for the Library, we reviewed the contract and grant award process to determine whether:

- fund agents adequately controlled cash assets, fully accounted for cash assets and expenditures, and properly returned cash assets
- expenditures complied with guidance specifying dollar thresholds and allowable uses

For a discussion of the audit scope, methodology, and a summary of prior coverage, see Appendix A. For definitions of the acronyms used in this report, see Appendix J. For a list of the audit team members, see Appendix L.

# Management of the Contracts, Grant, and Micro-Purchase Contracts Used To Rehabilitate the Karbala Library

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South-Central Region personnel, in the management of contracts, a grant, and micro-purchase contracts using R3P funds to rehabilitate the Library:

- circumvented guidance by splitting requirements into more than one contract to avoid seeking the required funding-level approval or to avoid required documentation
- issued contracts for dollar amounts that exceeded the requirement documents
- did not monitor the contracts, the grant, or micro-purchase contracts; did not make any site visits; did not issue performance reports; did not prepare post-award assessments; and did not act on the reports that the contractor was not performing to the standards set in the contracts
- needlessly disbursed funds for contracts, a grant, and micro-purchase contracts for which work was not performed and the contracted amount was exceeded
- paid-in-full on the day the contracts, a grant, and micro-purchase contracts were signed, but did not require that progress payments be tied to project performance
- did not maintain files that contained accurate or required documentation

This occurred because South-Central Region personnel did not:

- follow established policies and procedures for awarding and consolidating contracts and grants
- use effective procedures to monitor performance and disburse funds for contracts and grants
- maintain complete files to support transactions made for contracts and grants
- ensure that repairs were completed, purchased equipment and services were delivered, work was performed, and that funds were disbursed for intended purposes

As a result, more than \$1.8 million was needlessly disbursed on the project to rehabilitate the Library. South-Central Region personnel, under the direction of the CPA, did not comply with applicable guidance and did not properly manage R3P funds provided through 5 contracts, 1 grant, and 33 micro-purchase contracts used to rehabilitate the Library. Specifically, South-Central Region disbursed approximately \$1.6 million for which the work was not performed. Further, approximately \$2.3 million was disbursed, although the total value of the contracts, grant, and micro-purchase contracts awarded for the Library was approximately \$2.1 million.

## Guidance for Contracts and Grants

In Iraq, contracts were used to purchase products or services, and grants were used to support or stimulate the efforts of the grant recipients to carry out a program or project. The contracts and grants were to directly benefit the Iraqi people or assist in the recovery of Iraq. The South-Central Region disbursed funds for contracts and grants by using DFI

cash issued by the CPA Comptroller (now the Joint Area Support Group-Central Comptroller).

**Coalition Provisional Authority Memorandum 4.** CPA Memorandum Number 4, “Contract and Grant Procedures Applicable to Vested and Seized Iraqi Property and the Developmental Fund for Iraq, Implementation of Regulation Number 3, Program Review Board,” August 19, 2003, (CPA Memorandum Number 4) established “procedures applicable to the execution of contracts and grants for the benefit of the Iraqi people using Iraqi Funds. . . .” The memorandum directed that “the CPA will manage and spend Iraqi Funds, which belong to the Iraqi people, for their benefit. . . . in a transparent manner that fully comports with the CPA's obligations under international law, including Resolution 1483.” The memorandum also stated:

Consistent with their programmatic responsibility to ensure that contractors and grantees properly perform their duties, Contracting Officers shall be responsible for regularly monitoring the post-award execution of all Contracts they approve. This monitoring process includes ensuring that the contractor provides the agreed upon goods, services or construction in accordance with the provisions, and that payments are made in a timely manner. Contracting Officers shall include in the Contract file a written report describing post-award performance by contractors or grantees, including a final assessment upon completion of the Contract. Contracting officers shall rely upon locally available military engineering resources in assessing all repair and construction projects. All documents related to the establishment and execution of Contracts will be maintained in a Contract file that includes the materials described in Appendix A to this Memorandum.

Further, the memorandum stated “the Head of Contracting Activity, CPA, shall provide administrative oversight as well as technical supervision” of contracting officers. Finally, the memorandum stated that “Large Purchase preliminary award decisions by Contracting Officers appointed by the Head of the Contracting Activity, CPA, will be coordinated with the Head of Contracting Activity, CPA, or his designee, prior to award.” The memorandum defined a large purchase as “A contract with a value of greater than US\$500,000.”

The appendices to this memorandum provided supplemental instructions on preparing and executing contracts and grants pursuant to the memorandum. Specifically, Appendices A, B, and C of the memorandum identified the contract file requirements, standard terms, and conditions for solicitations and contracts in excess of \$5,000 and contract and grant procedures applicable to vested and seized Iraqi property and the DFI.

**Department of Defense 3210.6-R.** Department of Defense 3210.6-R, “DoD [Department of Defense] Grant and Agreement Regulations,” April 13, 1998, provided guidance for the management of grants. For a definition of contracts and grants, see Appendix B.

## **Multiple Contracts**

South-Central Region personnel did not follow established policies and procedures for consolidating contracts using R3P funds. Specifically, the South-Central Region personnel circumvented guidance by splitting requirements into more than one contract to avoid having to seek the appropriate funding-level approval or to avoid required

documentation and issued contracts for dollar amounts that exceeded the requirement documents.

**Coalition Provisional Authority Memorandum 4–Combining and Dividing Awards.** CPA Memorandum 4, Section 6, “Principles Applicable to Instruments,” addressed combining and dividing awards, stating that to the “extent practicable, requirements for a project or related projects may be consolidated into one contract, in order to reduce the administrative burden of contracting. Requirements may not be split to avoid the application of these rules.”

**Program Review Board Guidance 06.2 (amended)–Discretionary Authority.** PRB Guidance 06.2 (amended), stating that the “discretionary authority under which Regional Coordinators can execute projects without RPC [Regional Program Coordinator] approval is increased to \$500,000, and projects up to \$100,000 can be executed at the Governorate Coordinators’ discretion.”

**Coalition Provisional Authority CPA Memorandum 4–Micro-Purchases.** CPA Memorandum 4, Section 3, “Definitions,” defines a micro-purchase as “A contract with a value of US\$5,000 or less” and a small purchase as “A contract with a value greater than US\$5,000 and less than or equal to US\$500,000.” Small purchases required documented solicitations, competition, communication with vendors, and invoices. Micro-purchases, however, simply required the provision of material contract terms and the receipts or invoices that demonstrated the outcome. Micro-purchases were considered advantageous, because they were subject to less stringent contract file requirements than small purchases.

**Regional Program Coordinator Approval Authority.** Projects over \$500,000 required Regional Program Coordinator approval via form PRB-01, “Funding Request Form.” The Regional Program Coordinator was to review and approve the funding request for completeness of the information concerning budget and justification, appropriate clearances, identification of funding sources, and other pertinent factors. The following examples show how the guidance was circumvented by splitting requirements into more than one contract to avoid having to seek the appropriate funding-level approvals.

**Combining and Dividing Awards.** South-Central Region personnel awarded four contracts between March 30 and April 2, 2004, to provide building repairs, landscaping, furniture, and Internet service for the Library. The four contracts, valued at almost \$1.3 million, were awarded to the same contractor.

The records show indications that South-Central Region personnel may have intentionally split the requirements because all four Funding Request Forms were approved on the same day, March 29, 2004, by the South-Central Region Chief of Operations<sup>5</sup>.

According to the Funding Request Forms, the purpose of the four projects was to “renovate the existing library in Karbala.” The single purpose underlying the rehabilitation of the Library required the South-Central Region to complete the project as a whole. However, South-Central Region personnel split the work into 4 separate requirements, awarded 4 separate contracts, and the single contractor was paid for all 4 contracts.

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<sup>5</sup> This individual in this position was not authorized to approve projects.

As a result of splitting the project into separate contracts, there were duplicate administrative costs and questionable contracting choices. For example, on March 30, 2004, the South-Central Region contracted for the replacement of a 20-foot sliding gate, but on March 31, 2004, the South-Central Region contracted for the painting of the same sliding gate. The cost of the gate was \$3,500 while the cost of painting that same gate was \$4,500. The South-Central Region should have avoided these inconsistent charges and the accompanying duplicative administrative costs by awarding the work in a single project.

**Approval Authority for Contracts.** South-Central Region officials avoided having to seek South-Central Region Regional Program Coordinator approval by splitting the Library project into four contracts. While none of the contracts individually exceeded the \$500,000 discretionary approval authority of the Regional Program Coordinator, collectively the four contracts did exceed the approval level. The Regional Program Coordinator discretionary approval authority was not required in those cases because each contract was less than \$500,000. In addition, South-Central Region personnel also circumvented coordinating the contracts with the Head of Contracting Activity, CPA, by avoiding the \$500,000 threshold.

Further, two of the four Funding Request Forms approved by the South-Central Region Chief of Operations were awarded for more than they were approved. For example, one Funding Request Form was approved for \$131,189, but two days later, the contract was awarded for \$197,500. Another Funding Request Form was approved for \$412,000, but three days later, the contract was awarded for \$498,900. The South-Central Region Chief of Operations did not have the discretionary authority to approve any funding requests.

**Micro-Purchases for Books.** South-Central Region purchased books from Jordan and Lebanon through the use of micro-purchase contracts. Receipts available at South-Central Region indicate that \$535,106 was spent to purchase more than 30,000 books for the Library. Further, in some cases, South-Central Region personnel circumvented guidance by splitting requirements into more than one micro-purchase contract to avoid the small purchase contracting requirements. Yet in other cases they awarded micro-purchase contracts that exceed the micro-purchase dollar limitations but did not maintain the required documentation for the higher dollar amount. For the details of the micro-purchases of books for the Library, see Appendix G.

## Monitoring Performance

South-Central Region personnel did not use effective procedures to monitor performance for contracts and the grant using R3P funds. Specifically, South-Central Region personnel did not monitor any contracts, the grant, or micro-purchase contracts, did not make any site visits, did not issue performance reports, did not prepare post-award assessments, and did not act on the reports that the contractor was not performing to the standards set in the contracts.

**Coalition Provisional Authority Memorandum 4—Monitoring Performance.** CPA Memorandum 4, Section 8, “Monitoring Contract Performance,” addressed the contracting officers monitoring responsibilities. CPA Memorandum 4 states that

Consistent with their programmatic responsibilities to ensure that contractors and grantees properly perform their duties, Contracting Officers shall be responsible for regularly monitoring the post-award

execution of all Contracts they approve. This monitoring process includes ensuring that the contractor provides the agree[d] upon goods, services or construction in accordance with the provisions, and that payments are made in a timely manner.

**Monitoring Methods.** CPA Memorandum 4 and R3P guidance identified performance monitoring as a significant duty to ensure that the recipients were properly performing. Monitoring required South-Central Region personnel to employ some or all of the following methods:

- discussions with the contracting entity or grant recipient about project timelines and implementation of the project
- regular site visits
- production of reports and/or other evidence of project activity by the implementing partner
- confirmation of delivery of the goods or products and verification that the targeted beneficiary or recipient had received the product
- discussions with the Iraqi beneficiary of the project to evaluate whether the project achieved the desired outcome
- documentation or other evidence (pictures) of a satisfactory work product including a completed Certificate of Completion

**Monitoring of Project Activity.** The South-Central Region contracting officer was responsible for monitoring the Library projects, including making regular site visits, according to CPA Memorandum 4 and R3P guidance. The contract and grant files lack any evidence that South-Central Region personnel visited the Library site.

**Performance Reports.** The contract and grant files were required to contain performance verification, and the grant required at least a monthly report from the grant recipient documenting the expenditures incurred and any achievements. However, the contract and grant files did not contain any documents to verify performance.

South-Central Region personnel did not issue any final reports for the Library contracts or the grant. None of the contract or grant files contained details regarding the outcome of the contracts and the grant or the number of Iraqis directly benefiting from the use of DFI funds. The reports were necessary to document that the contractor provided the agreed upon goods, services, or construction.

In addition, South-Central Region contracting officers did not perform a post-award assessment of the contractor and the grantee to detail the impact the contracts or the grant had upon the community or to detail the performance of the contractor or grantee. The post-award report was necessary to document the benefits for the Iraqi people and to determine whether the contractor or grant recipient could be considered for additional contracts or grants.

**Iraqi Forward Engineering Support Team.** The South-Central Region relied exclusively upon the Iraqi Forward Engineering Support Team (IFEST) to monitor contractor performance. The IFEST was comprised of Iraqi professional engineers who worked for the U.S. Army Corps of Engineers. The IFEST personnel visited the Library four times between May 25 and September 20, 2004, to evaluate the contractor's performance on the four contracts awarded for building repairs, landscaping, furniture,

and Internet service. They recorded their findings and conclusions in an inspection report for each contract, which was provided to the South-Central Region.

The IFEST inspection reports for its visit on September 20, 2004, stated that the contractor did not perform to the standards of the contracts for building repairs, landscaping, and furniture, and that the contractor did not “bring any equipment for internet” for the Internet service contract. The IFEST inspection reports listed numerous items that the contractor did not provide in accordance with the contract terms. For the details of goods and services not provided by the contractor for building repairs, landscaping, and furniture, see Appendix H. For the details of goods and services not provided by the contractor for the Internet service, see Appendix I.

According to CPA Memorandum 4, the South-Central Region contracting officer was responsible for monitoring the projects, including making regular site visits. However, the South-Central Region relied solely upon the IFEST to perform monitoring of the four contracts but apparently did not use or respond to the IFEST inspection reports concerning the Library. According to IFEST personnel, South-Central Region personnel were made aware of the contractor’s deficiencies. Regular site visits by South-Central Region personnel would have confirmed the fact that the contractor had not performed to the standards of the contracts.

**Coordinating the Monitoring Process.** The South-Central Region did not effectively coordinate and communicate the proposed work for the Library to the library management. During our site visit to the Library in May 2005, the library manager stated that he was never aware of the contracts or the grant awarded for Library and that the South-Central Region did not provide the scope of work for the contracts. Further, the manager was not advised that over 30,000 books were to be delivered and that a contract and a grant were available to pay for librarians’ training and salaries.

Additionally, the library manager stated that when the contractor provided 14 personal computers, he was not aware that the library was supposed to receive 68 personal computers. The library manager said he only became aware of the fact the Library was to receive 68 personal computers and Internet service when the IFEST performed its inspections.

Since the library manager was not advised of the contracts or provided the scope of work for each contract awarded for the Library, the library manager was not aware that the contractor was not performing to the standards of the contracts. As a result, the library manager did not immediately contact the South-Central Region because he was unaware of the lack of performance by the contractor.

**Micro-Purchases for Books.** We discussed the books with the library site manager in May 2005, and he stated that the Library never received any books from the South-Central Region. Current and former South-Central Region personnel stated that they do not know the location of books purchased for the Library. For the details of the micro-purchases of books, see Appendix G.

## **Disbursing Funds**

South-Central Region personnel did not use effective procedures to disburse funds for a contract and the grant using R3P funds. Specifically, funds were needlessly disbursed for contracts, a grant, and micro-purchase contracts for which work was not performed, work was not contracted, equipment and services were not delivered, and the contracted



amount was exceeded. In addition, the South-Central Region paid-in-full on the day the contracts, a grant, and micro-purchase contracts were signed, and therefore, did not require that progress payments be tied to project performance.

**Coalition Provisional Authority Memorandum 4–Payment Terms.**

CPA Memorandum 4, Section 7, “Contracts,” states that “All Small Purchase contracts will contain payment terms including an agree[d] upon payment schedule (preferably with milestones tied to performance) for service contracts. . . .”

**Coalition Provisional Authority Memorandum 4–Specific Milestones.**

CPA Memorandum 4, Section 9, “Grants,” states that “Grants should be reviewed during implementation and where appropriate funds should be made available on a schedule tied to the accomplishment of specific milestones. . . .”

**Documentation Requirements.** CPA Memorandum 4 and R3P Guidance required each contract, grant, and micro-purchase file to maintain disbursement documentation that recorded the date, amount, and payee for each disbursement made.

**Advance Payments.** The South-Central Region did not tie any disbursements to the contractor to performance milestones. Instead, the contractor was paid 100 % of the amount awarded for each contract on the day the contract was signed. In addition, the contractor for the Library staff training contract and the grant recipient for the Library staff salaries grant were both paid 100 % of the amount awarded on the day the contract and the grant were signed. Once the South-Central Region had disbursed the entire contract amount in advance to the contractors and grant recipient, it was critical that the South-Central Region contracting officer provide strict monitoring of the contractors and grant recipient to confirm that performance was done according to the contracts and the grant terms.

**Library Staff Training Contract.** The South-Central Region awarded Contract DABV01-04-M-8353 on April 5, 2004, in the amount of \$90,000 (even though the contractor’s solicitation was in the amount of \$86,100), to “provide comprehensive training in Jordan” for a select group of young professional librarians from Karbala.

The day after the contract was signed, the acting South-Central Region Division Level Agent made a disbursement of \$100,000 to a CPA human rights advisor. The CPA human rights advisor was responsible for paying the contractor after the contract had been fulfilled. The contract file contained a receipt from the contractor in the amount of \$90,000. However, the contract file did not contain documents to show what happened to the remaining \$10,000. The \$10,000 was still unaccounted for by the human rights advisor responsible for disbursing the money. Former South-Central Region personnel stated they believed that the CPA human rights advisor did not return the money.

We discussed the contract with the library site manager (who had been the manager for the past 20 years) in May 2005, and he said he was unaware of this contract and stated that none of his staff attended this training. The contract file did not have a list of names of attendees for the training. Although former South-Central Region personnel questioned whether any training was received since there were irregularities with the awarding and disbursing of the funds for the contract, no action was taken.

**Library Staff Salaries Grant.** The South-Central Region awarded a grant to the Library board on May 24, 2004, in the amount of \$210,000 (although the Funding Request Form for the grant lacked an approving official’s signature) to provide the salaries for 35 librarians at \$500 per employee, per month for 12 months.

The grant required the establishment of a Library board before the disbursement of any funding and called for the South-Central Region to perform compliance reviews consisting of monthly reviews of expenditures of the grants funds for salaries. Regardless, the acting South-Central Region Division Level Agent made two disbursements, each in the amount of \$210,000, to two different Library board members.

One of the Library board members deposited \$210,000 into a local bank account, as required by the grant agreement. We discussed the grant with the library site manager in May 2005 and he said he was unaware of any grant for librarians' salaries. When told that the Library board was provided a grant to pay for 35 librarians' salaries, the manager said that he only had 8 librarians on his staff and that none of them were ever paid with grant funds. Former South-Central Region personnel stated the grant had been rescinded in November 2004 when they became aware of the fact that individuals were being paid—even though they were not working at the Library. After the grant was formally rescinded, former South-Central Region personnel took control of the bank account and received receipt copies for all payments made by the board. Former South-Central Region personnel provided receipts in May 2005, in the amount of approximately \$56,000 (disbursed as part of the \$210,000 maintained in the local bank account), for salaries paid to individuals who did not work at the Library. They also provided a copy of the bank account showing that approximately \$154,000 remaining on deposit.

**Disbursements.** As a result, South-Central Region personnel needlessly disbursed \$520,000 for the contract and grant. It appears that \$300,000 was disbursed for work not performed (\$90,000 for the contract and \$210,000 for the grant) and \$220,000 was disbursed that exceeded the awarded amount of the contract and the grant (\$10,000 for the contract and \$210,000 for the grant).

Further, South-Central Region personnel did not tie the disbursements to any specific performance. Instead, the South-Central Region disbursed the entire amounts for the contract and grant at one time apparently before any work commenced. Finally, the lack of a monthly review of the Library grant allowed funds to be disbursed for expenses that were not intended by the grant's objective.

## **Library Site Evaluation**

We visited the Library in May 2005, to evaluate contractor performance under the four contracts awarded to provide building repairs, landscaping, furniture, and Internet service for the Library and to determine whether the IFEST inspection reports adequately documented the quality and completeness of the contractor's work. For the details of goods and services not provided by the contractor, see Appendix H.

**Building Repairs.** We agreed with the conclusion in the IFEST inspection report that the contractor failed to perform according to the scope of work. The contractor did not provide numerous items; such as ceiling fans, glass panels, and seals around the windows. In addition, the contractor did not provide quality repairs to the building. For an illustration of the poor workmanship of some of the repairs, see Photo 1 and Photo 2. For the details of goods and services not provided by the contractor for building repairs, see Appendix H.



**Photo 1. Incomplete door hinge repair**



**Photo 2. Improperly sized glass door panel**

**Landscaping.** We agreed with the conclusion in the IFEST inspection report that the contractor failed to perform according to the scope of work. The solicitation called for the construction of a paved parking area of 42 m x 75 m. Instead, the contractor provided a paved parking area of 30 m x 35 m and decreased the parking area require by 12 m x 40 m. In addition, the contractor did not provide a fountain with an operable

pump, did not provide any hedge plants, and did not provide the correct number of landscaping lights. For an illustration of the fountain, hedge plants, and landscaping lights, see Photo 3. Further, the contractor did not remove the three trees in the front, left, and right of the steps and replant them. For an illustration of the trees, see Photo 4. For the details of goods and services not provided by the contractor for landscaping, see Appendix H.



**Photo 3. Inoperable fountain, missing hedge plants, and partial landscaping lights**



**Photo 4. Trees flanking and in front of entrance that were not removed and replanted, as required in the contract**

**Furniture.** We agreed with the conclusion in the IFEST inspection report that the contractor failed to acquire the agreed upon goods. The items the contractor provided were not up to the standards in the scope of work, were used, or were not in good condition. For example, the contractor provided plastic chairs instead of the required upholstered metal chairs. For an illustration of the plastic chairs, see Photo 5. In addition, the contractor supplied three very poor quality wood and glass frame cases instead of the required new glass and wood frame cases. For an illustration of the poor quality wood and glass frame cases, see Photo 6. Further, the 138 2-meter double face bookshelves were made of pressed wood, not the “solid wood” the contract specifically required. For an illustration of the pressed wood, see Photo 7. For the details of goods and services not provided by the contractor for furniture, see Appendix H.



**Photo 5. Plastic rather than upholstered metal chairs**



**Photo 6. Used wood and glass frame cases**



**Photo 7. Pressed rather than solid wood bookshelves**

**Internet Service.** We agreed with the conclusion of the IFEST inspection report that the contractor failed to deliver and install the Internet service. The contractor did not provide 54 of the required 68 personal computers and failed to provide the hardware and software for the installation of the Internet service. We viewed the Library's computer room and found that the personal computers provided by the contractor were working as stand-alone computers with no server connection, as required by the contract. There was no evidence that any hard-wiring had been installed or that any connections had been installed from the computers to a server. For an illustration of the stand-alone personal computers, see Photo 8. For the details of goods and services not provided by the contractor for Internet service, see Appendix I.



**Photo 8. Stand-alone personal computers**

## **Conclusion**

More than \$1.8 million was needlessly disbursed on the project to rehabilitate the Library. South-Central Region personnel, under the direction of the CPA, did not comply with applicable guidance and did not properly manage R3P funds provided through 5 contracts, 1 grant, and 33 micro-purchase contracts used to rehabilitate the Library. Specifically, South-Central Region disbursed approximately \$1.6 million for which the work was not performed. Further, approximately \$2.3 million was disbursed although the total value of the contracts, grant, and micro-purchase contracts awarded for the Library was approximately \$2.1 million.

We reviewed the IFEST inspection reports, the contracts' solicitations, and the results of our site visit to quantify the amount of work performed and not performed by the contractor. Of the more than \$2.3 million disbursed, we determined that the amount of work performed to be more than \$.5 million, the amount of work not performed to be more than \$1.6 million, and the amount that exceeded the awarded value for one contract and the grant to be more than \$.2 million. For details on the amounts of cash disbursed, see the following table.



<b>Amount of Cash Disbursed for Contracts, a Grant, and Micro-Purchase Contracts and for Work Performed, Work Not Performed, and that Exceeded the Contracted Amount</b>						
<b>Contracts, Grant, and Micro- Purchase Actions</b>	<b>a. Value of Contract</b>	<b>b. Amount Disbursed for Work Performed</b>	<b>c. Amount Disbursed for Work Not Performed</b>	<b>d. Amount Disbursed that Exceeded the Contracted Amount</b>	<b>e. Total Amount Disbursed Needlessly (Column c. plus Column d.)</b>	<b>Total Amount Disbursed (Column b. plus Column e.)</b>
<b>Contract DABV01- 04-M-8339</b>	\$373,400	\$310,606	\$62,794	\$0	\$62,794	\$373,400
<b>Contract DABV01- 04-M-8343</b>	\$224,010	\$94,920	\$129,090	\$0	\$129,090	\$224,010
<b>Contract DABV01- 04-M-8342</b>	\$197,500	\$85,770	\$111,730	\$0	\$111,730	\$197,500
<b>Contract DABV01- 04-M-8345</b>	\$498,900	\$30,090	\$468,810	\$0	\$468,810	\$498,900
<b>Contract DABV01- 04-M-8353</b>	\$90,000	\$0	\$90,000	\$10,000	\$100,000	\$100,000
<b>Grant</b>	\$210,000	\$0	\$210,000	\$210,000	\$420,000	\$420,000
<b>33 Micro- Purchases</b>	\$535,106	\$0	\$535,106	\$0	\$535,106	\$535,106
<b>Total</b>	<b>\$2,128,916</b>	<b>\$521,386</b>	<b>\$1,607,530</b>	<b>\$220,000</b>	<b>\$1,827,530</b>	<b>\$2,348,916</b>

South-Central Region personnel circumvented guidance by splitting requirements into more than one contract to avoid having to seek the appropriate funding-level approval or to avoid required documentation and issued contracts for dollar amounts that exceeded the requirement documents.

Further, they did not monitor the contracts, the grant, or micro-purchase contracts; did not make any site visits; did not issue performance reports; did not prepare post-award assessments; and did not act on the reports that the contractor was not performing to the standards set in the contracts.

Finally, South-Central Region paid-in-full on the day the contracts, a grant, and micro-purchase contracts were signed but did not require that progress payments be tied to project performance.

**Material Internal Control Weaknesses.** The audit identified material internal control weaknesses. South-Central Region personnel, under the direction of the CPA, did not comply with applicable guidance and did not properly manage approximately \$2.3 million of R3P funds. Consequently, there was no assurance that fraud, waste, and abuse did not occur in the management and administration of cash and property used to rehabilitate the Library.

**Indications of Potential Fraud.** During this audit, we found indications of potential fraud and referred these matters to the Assistant Inspector General for Investigations, Office of the Special Inspector General for Iraq Reconstruction, for action. Related investigations are continuing.

## **Recommendations, Management Comments, and Audit Response**

**Redirected and Added Recommendations.** Since the Coalition Provisional Authority was dissolved on June 28, 2004, we are addressing the recommendations to three of the four successor organizations: the Iraq Reconstruction Management Office, the Joint Contracting Command-Iraq/Afghanistan, and the Joint Area Support Group-Central.

We added a recommendation to the United States Ambassador to Iraq because additional information concerning the rescinded grant, including a copy of a bank account showing that approximately \$154,000 remaining on deposit for this particular grant, was made available subsequent to the issuance of the draft audit report.

1. We recommend that the United States Ambassador to Iraq recover specifically the \$154,000 in rescinded grant funds remaining on deposit, any other funds related to the rescinded grant, and funds that exceeded the contracted amount and return the recovered funds to the Iraqi government.
2. We recommend that the Director, Iraq Reconstruction Management Office, ensure that established policies and procedures for authorizing, awarding, and consolidating contracts and grants are effectively implemented and followed and that complete files to support transactions made for contracts and grants are maintained.

**Management Comments.** The Director, Iraq Reconstruction Management Office did not provide written comments to the report but verbally concurred with the finding and recommendations through a telephone conversation with the Inspector General.

3. We recommend that the Commanding General, Joint Contracting Command-Iraq/Afghanistan:
  - a. Ensure that established policies and procedures for awarding and consolidating contracts and grants are effectively implemented and followed.
  - b. Ensure that established policies and procedures for monitoring contract and grant performance are effectively implemented and followed.
  - c. Ensure that repairs were completed, purchased equipment and services were delivered, and work was performed.

- d. Maintain complete files to support transactions made for contracts and grants.

**Management Comments.** The Commanding General, Joint Contracting Command-Iraq/Afghanistan concurred with the finding and recommendations.

4. We recommend that the Commander, Joint Area Support Group-Central, ensure that established policies and procedures for disbursing funds obtained through the Development Fund for Iraq for contracts and grants are effectively implemented and followed, that funds are disbursed for intended purposes, and that complete files to support transactions made for contracts and grants are maintained.

**Management Comments.** The Commander, Joint Area Support Group-Central concurred with the finding and recommendations.

**Audit Response.** The Director, Iraq Reconstruction Management Office; the Commanding General, Joint Contracting Command-Iraq/Afghanistan; and the Commander, Joint Area Support Group-Central comments' to all recommendations are fully responsive.

## Appendix A. Scope and Methodology

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In September 2004, we initiated an audit of cash controls over disbursing officers in southern Iraq as a result of concerns brought to our attention by staff of the Coalition Provisional Authority (CPA) Comptroller.

We reviewed the following documents issued by the CPA:

- CPA Regulation Number 2, “Developmental Fund for Iraq,” June 10, 2003
- CPA Regulation Number 3, “Program Review Board,” June 18, 2003
- CPA Memorandum Number 4, “Contract and Grant Procedures Applicable to Vested and Seized Iraqi Property and the Developmental Fund for Iraq, Implementation of Regulation Number 3, Program Review Board,” August 19, 2003
- Combined Joint Task Force-7, Fragmentary Order 89, June 19, 2003
- Combined Joint Task Force-7, Fragmentary Order 1268, December 22, 2003
- Director, Program Review Board, Program Review Board Guidance 01, “Coalition Provisional Authority Allocation Process,” June 9, 2003, updated October 4, 2003
- Director, Program Review Board, Program Review Board Guidance 02, “Program Management Model for the Regions,” July 30, 2003
- Director, Program Review Board, Program Review Board Guidance 03, “Program Management Assessment,” July 9, 2003
- Director, Program Review Board, Program Review Board Guidance 04, “Maintaining Project Files,” September 30, 2003
- Director, Program Review Board, Program Review Board Guidance 05, “Project Monitoring and Evaluation,” September 30, 2003
- Director, Program Review Board, Program Review Board Guidance 06, “Rapid Regional Response Program Overview,” September 27, 2003
- Director, Program Review Board, Program Review Board Guidance 06.2, “Rapid Regional Response Program Overview (amended),” December 14, 2003 and January 25, 2004

We expanded the scope of our audit to determine whether contracts and grants were properly managed by the South-Central Region at specific projects because of deficiencies identified in Office of the Special Inspector General for Iraq Reconstruction, Report No. 05-006, “Control of Cash Provided to South-Central Iraq,” April 30, 2005, and at the request of the Deputy Secretary of Defense. We selected the Karbala Library (the Library) project for a review of the management of contracts and grants because of the multiple contracts, grants, and micro-purchase contracts that had been awarded for the rehabilitation of the Library.

The CPA South-Central Region used Rapid Regional Response Program funds to rehabilitate the Library, and it awarded 5 contracts in the amount of \$1,383,810, 1 grant in the amount of \$210,000, and 33 micro-purchase contracts in the amount of \$535,106 for a total of \$2,128,916 for this purpose. We reviewed all the contracts, grants, and micro-purchases for the rehabilitation of the Library that were awarded from February through June 2004.

We reviewed all the contract, grant, and micro-purchase files. Specifically, we reviewed the contracts, grant, and micro-purchase files for the following documentation: funding approval, signed agreements, disbursements, and certificates of completion. We reviewed the Program Review Board minutes to determine whether the South-Central Region contracts and grant in excess of \$500,000 were approved by the Program Review Board. During the course of our audit, we observed deficiencies in the contract and grant award documentation and expanded our scope to include the total process of awarding and monitoring the contracts, grant, and micro-purchases and the disbursement of funds.

We spoke with the contracting officials available at the time of our audit regarding the status of the projects and examined documentation maintained in the contract, grant, and micro-purchase files. Those contracting officers primarily were located at the South-Central Region, now known as the U.S. Regional Embassy Office, located in Al Hillah, Iraq; but one contracting officer who had previously worked for the South-Central Region was working for the Joint Contracting Command-Iraq/Afghanistan.

We performed audit work at two locations to review applicable documentation and management procedures. At the Joint Area Support Group-Central Comptroller's Office, located in the U.S. Embassy, Baghdad, Iraq; we reviewed receipts submitted by South-Central Region pay agents to confirm disbursements made for the contracts, grant, and micro-purchases. At the U.S. Regional Embassy Office, we reviewed all other aspects of the contracts, grant, and micro-purchases. We reviewed the inspection reports completed by the Iraqi Forward Engineering Support Team and interviewed the lead engineer regarding his findings.

We visited the Library to determine whether the Iraqi Forward Engineering Support Team inspection reports accurately documented contractor deficiencies and noted any deficiencies not captured in the inspection reports. We then calculated the costs of work not performed by the contractor by identifying the costs within the independent government estimate or the contractor's bid proposal to determine the amount of work and services provided by the contractor. We also interviewed the Library manager to determine whether the manager or his staff had received any operations training or had any salaries paid via contracts or grant awarded by the South-Central Region. In addition, we spoke to the Library manager regarding the receipt of any books from the South-Central Region.

Finally, we spoke with officials at the Joint Contracting Command-Iraq/Afghanistan regarding their intentions for further action towards the contractor and the Library.

We conducted this performance audit from September 2004 through September 2005, in accordance with generally accepted government auditing standards.

**Use of Computer-Processed Data.** We did not use computer-processed data to perform this audit.

**Prior Coverage.** The Special Inspector General for Iraq Reconstruction (SIGIR), which was formerly the Office of the Inspector General, Coalition Provisional Authority (CPA-IG), issued eight reports related to controls over cash and the management of contracts. The U.S. Army Audit Agency also issued a report related to controls over cash. The reports are listed below and are available at the indicated website addresses.

**Special Inspector General for Iraq Reconstruction Reports.** Reports can be accessed on its website at <http://www.sigir.mil>.

SIGIR Report No. 05-016, "Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy," October 26, 2005

SIGIR Report No. 05-015, "Management of Rapid Regional Response Program Grants in South-Central Iraq," October 25, 2005

SIGIR Report No. 05-019, "Attestation Engagement Concerning the Award of Non-Competitive Contract DACA63-03-D005 to Kellogg, Brown, and Root Services, Inc.," September 30, 2005

SIGIR Report No. 05-006, "Control of Cash Provided to South-Central Iraq," April 30, 2005

SIGIR Report No. 05-008, "Administration of Contracts Funded by the Development Fund of Iraq," April 30, 2005

CPA-IG Report No. 04-009, "Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq," July 28, 2004

CPA-IG Report No. 04-013, "Coalition Provisional Authority's Contracting Processes Leading Up to and Including Contract Award," July 27, 2004

CPA-IG Report No. 04-007, "Oil for Food Cash Controls for the Office of Project Coordination in Erbil, Iraq," July 26, 2004

**U.S. Army Audit Agency.** Reports can be accessed on its website at <https://www.aaa.army.mil/reports.htm>.

U.S. Army Audit Agency Audit Report: A-2005-0095-FFG, "Vested and Seized Assets, Operation Iraqi Freedom," February 16, 2005

## **Appendix B. Coalition Provisional Authority Guidance Applicable to Contracts and Grants**

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Coalition Provisional Authority (CPA) guidance for the Development Fund of Iraq (DFI) and for the Program Review Board's (PRB) operations that are relevant to contracts and grants is:

**Coalition Provisional Authority Regulation Number 2.** CPA Regulation Number 2, "Development Fund for Iraq," June 10, 2003, described the responsibilities for the administration, use, accounting, and auditing of the DFI. This regulation was intended to ensure that the DFI was managed in a transparent manner for and on behalf of the Iraqi people, consistent with United Nations Security Council Resolution 1483, and that all DFI disbursements would be for purposes benefiting the people of Iraq.

**Coalition Provisional Authority Regulation Number 3.** CPA Regulation Number 3 "Program Review Board," June 18, 2003, established the procedures applicable to the PRB operations. The PRB was responsible for recommending expenditures of resources from the DFI in a manner that meets the interests of the people of Iraq, furthers CPA policy objectives, and comports fully with CPA stewardship and financial management duties under the applicable laws and regulations, including United Nations Security Council Resolution 1483. The PRB was not responsible for overseeing the manner in which approved spending requirements were executed.

**Coalition Provisional Authority Memorandum 4.** CPA Memorandum Number 4, "Contract and Grant Procedures Applicable to Vested and Seized Iraqi Property and the Developmental Fund for Iraq, Implementation of Regulation Number 3, Program Review Board," August 19, 2003, defined contracts and grants.

A contract was defined as "A written agreement whereby the CPA or Coalition Forces acquire goods, services or construction from a person or entity under prescribed terms and conditions, for the purpose of assisting the Iraqi people or assisting in the recovery of Iraq."

A grant was defined as "A written instrument that transfers Iraqi Funds from the CPA or Coalition Forces to a recipient grantee, in order to carry out a program or project that directly benefits the Iraqi people or assisting in the recovery of Iraq."

**Department of Defense 3210.6-R.** According to Department of Defense 3210.6-R, "DoD [Department of Defense] Grant and Agreement Regulations," April 13, 1998, a grant is:

A legal instrument which, consistent with 31 U.S.C. 6304, is used to enter into a relationship:

(a) The principal purpose of which is to transfer a thing of value to the recipient to carry out a public purpose of support or stimulation authorized by a law of the United States, rather than to acquired property or services for the Department of Defense's direct benefit or use.

(b) In which substantial involvement is not expected between the Department of Defense and the recipient when carrying out the activity contemplated by the grant.



## Appendix C. Contracts and Grant Awarded for the Karbala Library

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For the Karbala Library (the Library), the South Central Region awarded five contracts for building repairs, landscaping, furniture, Internet service, and training for the Library staff; and one grant to provide salaries for the Library staff. The value of the five contracts and one grant amounted to \$1,593,810. For details of the five contracts awarded for the Library, see Table 1. For details of the grant awarded for the Library, see Table 2.

<b>Table 1. Contracts Awarded for the Karbala Library</b>			
<b>Contract Number</b>	<b>Date the Contract was Signed</b>	<b>Contract Amount</b>	<b>Scope of Work</b>
DABV01-04-M-8339	March 30, 2004	\$373,400	Building Repairs.
DABV01-04-M-8342	April 1, 2004	\$197,500	Landscaping.
DABV01-04-M-8343	April 1, 2004	\$224,010	Furniture.
DABV01-04-M-8345	April 3, 2004	\$498,900	Computers and Internet Service.
DABV01-04-M-8353	April 5, 2004	\$90,000	Training for the Library Staff.
<b>Total Contracts Amount</b>		<b>\$1,383,810</b>	

<b>Table 2. The Grant Awarded for the Karbala Library</b>			
<b>Grant Number</b>	<b>Date the Grant was Signed</b>	<b>Grant Amount</b>	<b>Scope of Work</b>
DABV01-04-M-8020	June 2, 2004	\$210,000	Salaries for the Library Staff
<b>Total Grant Amount</b>		<b>\$210,000</b>	

## Appendix D. Micro-Purchase Contracts Awarded for the Karbala Library

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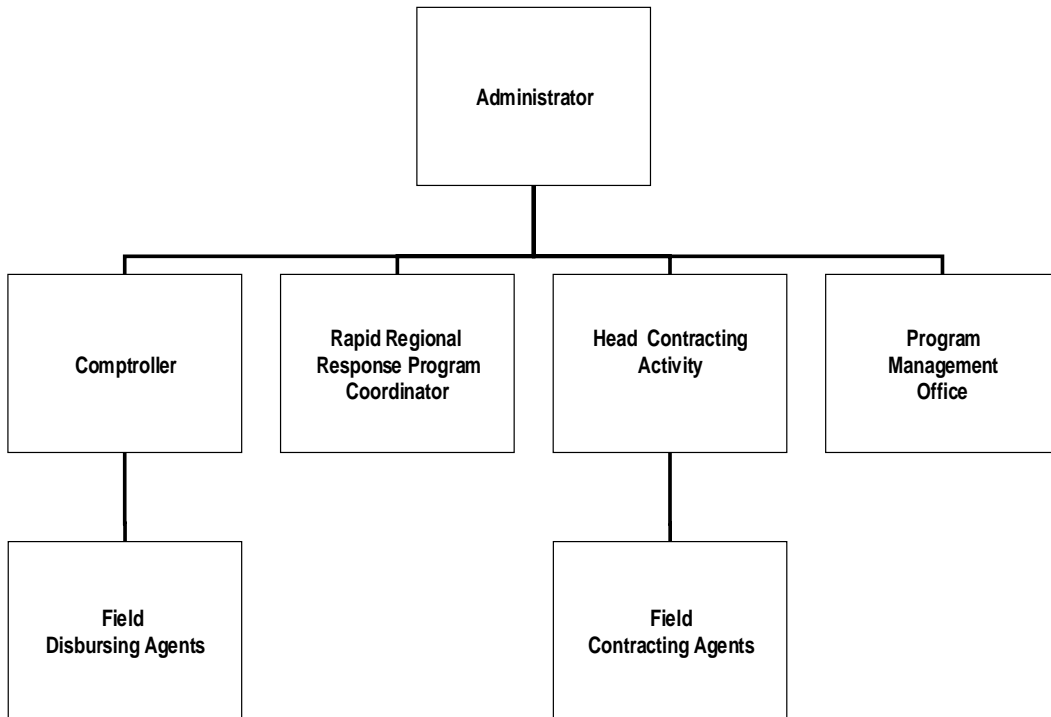
For the Karbala Library, the South Central Region used 33 micro-purchase contracts to acquire and ship books. The value of the 33 micro-purchases amounted to \$535,106. For details of the micro-purchase contracts awarded for the Library, see the following table.

Micro-Purchase Contracts Awarded for the Karbala Library	
Purchase Amount	Purchase Description
\$150,000	Books
\$50,000	Library Books
\$50,000	Karbala Library Books
\$50,000	Library Books
\$16,000	Karbala Library Books
\$14,995	Arabic Books/Children's Books
\$14,940	Books and Encyclopedias
\$14,592	Classics and Encyclopedias in Arabic
\$12,584	Arabic Encyclopedias
\$12,480	Arabic Encyclopedias
\$12,340	English Books
\$12,048	Scientific Books
\$11,970	Arabic/Islamic Books
\$9,970	Arabic/International Books
\$9,930	Books
\$9,620	Books and Encyclopedias
\$9,592	International Law Books
\$8,600	Books and Encyclopedias
\$7,030	Books
\$5,300	Books
\$4,917	Books
\$4,900	Books
\$4,860	Books
\$4,590	Books
\$4,480	Books
\$4,455	Books
\$4,330	Books
\$4,000	Arabic Books
\$3,940	Books
\$3,560	Books
\$3,065	Books
\$3,063	Books
\$2,955	Books

# Appendix E. Coalition Provisional Authority Organizational Responsibilities for Contracts and Grants

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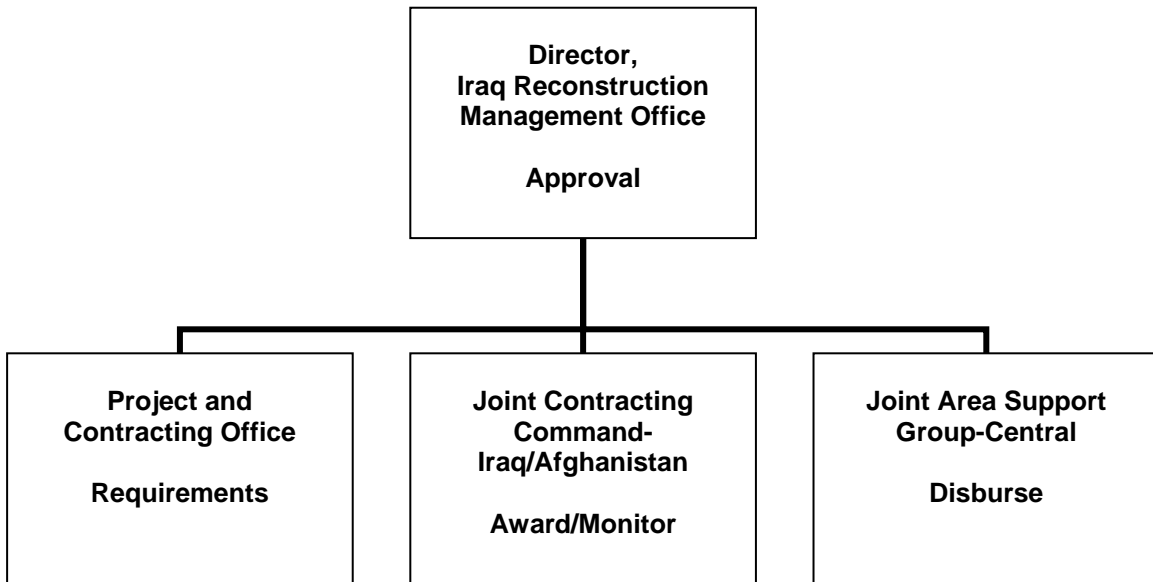
The diagram shown below identifies organizational entities within the Coalition Provisional Authority (this is not a complete organizational diagram of the Coalition Provisional Authority) that had oversight and administrative responsibilities for contracts and grants until it ceased to exist on June 28, 2004.



# Appendix F. Present U.S. Government Organizational Responsibilities for Contracts and Grants

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The diagram shown below identifies the present U.S. government organizational entities that had oversight and administrative responsibilities for contracts and grants.



## Appendix G. Micro-Purchases for Books for the Karbala Library

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The South-Central Region awarded 33 micro-purchase contracts, in the amount of \$535,106, to provide books to the Library. However, South-Central Region personnel did not follow established policies and procedures for micro-purchases using R3P funds. Specifically, in some cases the South-Central Region personnel circumvented guidance by splitting requirements into more than one micro-purchase contract to avoid the small purchase contracting requirements yet in other cases awarded micro-purchase contracts that exceed the micro-purchase dollar limitations but did not maintain the required documentation for the higher dollar amount.

**Coalition Provisional Authority CPA Memorandum 4–Micro-Purchases.** CPA Memorandum 4, Section 3, “Definitions,” defines a micro-purchase as “A contract with a value of US\$5,000 or less” and a small purchase as “A contract with a value greater than US\$5,000 and less than or equal to US\$500,000.”

**Coalition Provisional Authority CPA Memorandum 4–Combining and Dividing Awards.** CPA Memorandum 4, Section 6, “Principles Applicable to Instruments,” addressed combining and dividing awards, and states that to the “extent practicable, requirements for a project or related projects may be consolidated into one contract, in order to reduce the administrative burden of contracting. Requirements may not be split to avoid the application of these rules.”

A South-Central Region project officer made a series of nine book purchases from the same contractor for the following amounts: \$4,917, \$4,900, \$4,860, \$4,590, \$4,480, \$4,455, \$4,330, \$3,940, and \$3,560. It appears that the purchases were split into two or more disbursements of \$5,000 or less to avoid the more stringent contracting requirements for a small purchase contract. In addition, these actions circumvented the requirements of CPA Memorandum 4.

**Coalition Provisional Authority CPA Memorandum 4–Contract File Requirements.** CPA Memorandum 4, Appendix A, “Contract File Requirements,” listed the contract file requirements for micro-purchases and small purchases. Micro-purchase files were required to include (after the award) material contract terms and information that demonstrated the outcome such as receipts, delivery notices, or contracting officer notes on contractor performance for services. Small purchases files were required to include (after the award) a written contract with required terms (when exceeding \$10,000) or a summary of material terms (when less than \$10,000), invoices, and verification of performance. Micro-purchases were considered advantageous because those contracts were subject to less stringent file requirements than small purchases.

The South-Central Region made 20 book purchases that were in excess of \$5,000 each (totaling \$481,991). It appears that purchases exceeded the micro-purchase dollar limitations but did not maintain the required documentation for the higher dollar amount. In addition, the files on these 20 separate micro-purchase contracts did not have required documentation such as solicitation, competition, and correspondence with multiple vendors’ records. The only documentation was a vendor receipt for books purchased.

## Appendix H. Contractor Performance at the Karbala Library

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The South-Central Region awarded four contracts, in support of the Library for the purchase of equipment and the following services:

- building repairs
- landscaping
- furniture
- Internet service

**Iraqi Forward Engineering Support Team.** The South-Central Region relied on the Iraqi Forward Engineering Support Team (IFEST) to monitor contractor performance. The IFEST was comprised of professional Iraqi engineers who worked for the U.S. Army Corps of Engineers. The IFEST visited Iraqi reconstruction projects sites, such as police stations, schools, and water plants, because it was easier for them to move about a site and communicate with Iraqi workers.

IFEST daily reports included such details as quality assessments, the number of people working at a site, the type of construction taking place, and any safety or security issues that needed to be addressed.

IFEST personnel visited the Library four times between May 25 and September 20, 2004, to evaluate the contractor's performance on the four Library contracts. They recorded their findings and conclusions in an inspection report, which was provided to the South-Central Region.

**Building Repairs.** The justification for Contract DABV01-04-M-8339 was that the library buildings were in a "general state of disrepair from lack of upkeep and maintenance." This contract was awarded on March 30, 2004, in the amount of \$373,400, to repair or replace the following:

- plumbing fixtures
- electrical equipment
- wiring conduits
- window frames and glass
- interior and exterior doors
- ceiling tiles and fixtures

The IFEST visited the Library on September 20, 2004, and its inspection report stated that the contractor did not perform to the standards of the contract. The IFEST inspection report stated that the contractor did not provide the following:

- seal around the windows
- Jordanian wooden frames (double) for wooden doors
- 411 square meters of carpet
- 10 ceiling fans
- glass panels

- slate board
- D-section end trim
- shelf with support 24"x6"
- shelf with support 24"x10"
- looped slat hook and chrome

**Landscaping.** The justification for Contract DABV01-04-M-8342 was that the “library grounds look like a garbage dump.” This contract was awarded on March 31, 2004, in the amount of \$197,500, to perform the following:

- remove trash, cars, and debris from site
- pave parking area and sidewalk
- fence repairs
- remove and plant trees
- plant hedges
- two fountains
- park benches
- landscaping lights

The IFEST visited the Library on September 20, 2004, and its inspection report stated that the contractor did not perform to the standards of the contract. The IFEST inspection report cites these deficiencies:

- The solicitation called for the construction of a paved parking area of 42 m x 75 m. Instead, the contractor provided a paved parking area of 30 m x 35 m. The contractor decreased the parking area by 12 m x 40 m; however, the contractor did not refund a percentage of the funds received.
- The contractor did not provide any hedge plants.
- One fountain was not functional because the pump was inoperable.
- The contractor only provided 22 of the 42 landscaping lights.
- The contractor provided 30 park benches; however, the park benches were broken.

**Furniture.** The justification for Contract DABV01-04-M-8343 was that the “library has very little furniture or fixtures.” The contract also stated that “most of the furniture was looted near the end of the war and what was left is in a state of disrepair.” The contract scope of work specified that the materials not be “previously used, recycled, or repaired,” and shall be the “best quality of material available.” In addition, the bookshelves, desks, and tables shall be “made of solid wood and one piece construction. Pressed wood and plywood construction are unacceptable.” The contractor was to provide upholstered metal frame chairs and glass and wooden frame cases. This contract was awarded on March 31, 2004, in the amount of \$224,010, to furnish and install the following:

- bookshelves
- tables
- computer desks

- charging desk with laminate top
- card catalog
- slate board
- rolling ladders
- chairs and desks

The IFEST visited the Library on September 20, 2004, and its inspection report stated that the contractor did not perform to the standards of the contract. The IFEST inspection report stated the following discrepancies:

- 138 2M-high, double-face bookshelves, instead of 180
- Zero 4M-high, single-face bookshelves, instead of 30
- Zero rolling ladders instead of 4
- 63 reading tables instead of 110
- 575 PLASTIC chairs instead of 182 upholstered chairs on metal frames
- Zero charging desks instead of 9
- Zero glass and wooden frame library cases instead of 24
- Zero computer tables instead of 8
- 21 previously used swivel chairs instead of 68
- No card catalogs with 60 trays instead of 4
- 14 desks for the computer lab instead of 60
- No desk for the teacher instead of 1

**Internet Service.** For the details of goods and services not provided by the contractor for Internet service, see Appendix I.



## **Appendix I. Internet Service at the Karbala Library**

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The justification for Contract DABV01-04-M-8345 was that the “library has no existing internet or computer systems.” The South-Central Region wanted to provide the Library with Internet service that would be modeled after libraries in the United States. The contract was awarded on April 2, 2004, in the amount of \$498,900, to provide the Library with the following:

- 68 personal computers
- 68 workstations
- 2 servers - one primary and a backup
- all necessary hardware and software
- installation

The Iraqi Forward Engineering Support Team (IFEST) visited the Library on September 20, 2004, and its inspection report stated that the contractor did not perform to the standards of the contract and had not produced the agreed upon goods and services. The IFEST inspection report stated that the contractor did not “bring any equipment for internet.”

The South-Central Region did not act until almost two months after the IFEST inspection report documented that the contractor failed to perform on the Internet service contract. On November 19, 2004, the South-Central Region issued a Cure Notice to the contractor for failing to perform the Internet service contract. The Cure Notice provided the contractor 25 days to cure the conditions noted in the notice. The contractor did not respond to the notice.

The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) issued a Show-Cause Notice to the contractor on February 27, 2005. This notice required the contractor to respond within 10 days. The contractor responded that he “did not fail to perform under this contract.” The contractor continued that he “did install internet equipment in Karbala Library.” The contractor conceded that the “internet subscription was not enabled, but through no fault” of the contractor. The contractor stated that the service provider “required a Beneficiary of the contract,” and since the contractor was not the “beneficiary they could not sign the contract. As the library caretaker did not prove ownership, such a contract couldn’t be signed.”

The contractor provided a signed affidavit by the contractor’s project manager for the Internet service. The project manager stated he “personally supervised the installation of all materials and equipment. Everything, including the electronic systems, were properly placed and approved by me and the CPA.” The project manager continued that the “internet service was not provided since I did not receive further instructions from anyone at CPA or the caretaker of the library.” During the course of our site visit to the Library, we carefully looked at the computer rooms to determine if any “electronic systems” had been installed. We did not identify any Internet systems that appeared to be newly installed. The contract also called for satellite hardware, which was not observed during our site visit.

JCC-I/A personnel stated that there would be no further action with regard to Internet service. A JCC-I/A legal opinion was that it appeared “we still don’t have good supporting documentation or evidence to show” that the contractor “did not fully perform the contract (other than in regard to the Internet connection, which” the contractor “admits it failed to do but essentially claims ‘impossibility’ due to local requirements).” JCC-I/A personnel did not believe enough evidence existed to show that the contractor had failed to perform the contract, even though the contractor admitted, in writing, that the Internet service was not provided.

For example, the contract required the contractor to provide Internet service provider fees for 12 months, for which the contractor charged \$4,500 per month. Because there was no Internet service, the contractor was paid \$54,000 for services not performed. In another example, the JCC-I/A did not require the contractor to provide the Internet service and the contractor was paid at least \$145,000 for the installation, software, software tests, and satellite hardware for services not performed. In a further example, the contractor was paid for 68 personal computers when he only provided 14. As a result, the contractor was paid \$58,320 for computers not provided.

The contractor’s response stated that the Internet service was not provided because he did not receive instructions from the CPA or the caretaker of the Library. The JCC-I/A did not respond to the contractor and did not require that the contractor install the Internet service.

JCC-I/A personnel stated that they did not plan to pursue completion of the contract or seek funds reimbursement. The JCC-I/A also stated that “if we can’t obtain or create some documentation or other evidence to support our position, we may have to move on without” the contractor to “complete the library project.” This would require the JCC-I/A to use appropriated funds and solicit another contract for the remaining 54 personal computers and Internet installation.

As a result of this inaction, the contractor was paid the contracted amount of \$498,900, but only performed work valued at \$30,090. The value of the services not performed and equipment not delivered was \$468,810.

## Appendix J. Acronyms

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CPA	Coalition Provisional Authority
CPA-IG	Coalition Provisional Authority Office of the Inspector General
DFI	Development Fund for Iraq
DLA	Division Level Agent
IFEST	Iraqi Forward Engineering Support Team
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
PRB	Program Review Board
R3P	Rapid Regional Response Program
RPC	Regional Program Coordinator
SIGIR	Special Inspector General for Iraq Reconstruction

## **Appendix K. Report Distribution**

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### **Department of State**

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

U.S. Ambassador to Iraq

Director, Iraq Reconstruction Management Office

Inspector General, Department of State

### **Department of Defense**

Secretary of Defense

Deputy Secretary of Defense

Director, Defense Reconstruction Support Office

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Inspector General, Department of Defense

### **Department of the Army**

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition,

Logistics, and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Director, Project and Contracting Office

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commander, Gulf Region Division

Auditor General of the Army

### **U.S. Central Command**

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central

### **Other Defense Organizations**

Director, Defense Contract Audit Agency

## **Other Federal Government Organizations**

Director, Office of Management and Budget  
Comptroller General of the United States  
Inspector General, Department of the Treasury  
Inspector General, Department of Commerce  
Inspector General, Department of Health and Human Services  
Inspector General, U.S. Agency for International Development  
Mission Director-Iraq, U.S. Agency for International Development

## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

### **U.S. Senate**

Senate Committee on Appropriations  
    Subcommittee on Defense  
    Subcommittee on State, Foreign Operations and Related Programs  
Senate Committee on Armed Services  
Senate Committee on Foreign Relations  
    Subcommittee on International Operations and Terrorism  
    Subcommittee on Near Eastern and South Asian Affairs  
Senate Committee on Homeland Security and Governmental Affairs  
    Subcommittee on Federal Financial Management, Government Information and International Security  
    Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

### **U.S. House of Representatives**

House Committee on Appropriations  
    Subcommittee on Defense  
    Subcommittee on Foreign Operations, Export Financing and Related Programs  
    Subcommittee on Science, State, Justice and Commerce and Related Agencies  
House Committee on Armed Services  
House Committee on Government Reform  
    Subcommittee on Management, Finance and Accountability  
    Subcommittee on National Security, Emerging Threats and International Relations  
House Committee on International Relations  
    Subcommittee on Middle East and Central Asia

## **Appendix L. Audit Team Members**

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The Office of the Assistant Inspector General for Auditing, Office of the Special Inspector General for Iraq Reconstruction, prepared this audit report. The Office of the Special Inspector General for Iraq Reconstruction staff members who contributed to the report include:

Angelina Johnston

Robert Murrell

Kevin O'Connor

William Shimp

William Whitehead

# Management Comments

## Commanding General, Joint Contracting Command-Iraq/Afghanistan



DEPARTMENT OF THE ARMY  
JOINT CONTRACTING COMMAND-IRAQ/AFGHANISTAN  
APO AE 09316



Reply to:  
MNFI-JCC

3 October 2005

MEMORANDUM FOR Special Inspector General for Iraq Reconstruction, Baghdad, Iraq

SUBJECT: Draft Audit Reports

1. References:

a. Draft Audit Report on Management of the Contracts, Grant, and Micro-Purchases Used to Rehabilitate the Karbala Library (Project No. D2004-DCPAAF-0034.3)

b. Draft Audit Report on Management of the Contracts and Grants Used to Construct and Operate the Babylon Police Academy (Project No. D2004-DCPAAF-0034.4)

2. This is a consolidated response to the four audit recommendations that are identical on each draft report. Recommendations with responses are as follows:

a. Ensure that established policies and procedures for awarding and consolidating contracts and grants are effectively implemented and followed.

**Response:** Concur. The Joint Contracting Command – Iraq/Afghanistan (JCC-I/A) operates in accordance with the Federal Acquisition Regulation (FAR) and not under the CPA authorities. JCC-I/A does not have grants authority; however if this authority were to be given in the future, all grants would be issued and administered using DoD Grant and Agreement Regulations (DoDGAR).

b. Ensure that established policies and procedures for monitoring contract and grant performance are effectively implemented and followed.

**Response:** Concur. JCC-I/A contracting officers appoint administrative contracting officers or contracting officer representatives to administer contracts.

c. Ensure that repairs were completed, purchased equipment and services were delivered and work was performed.

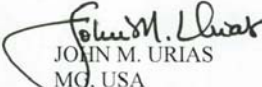
**Response:** Concur. Same response as b. above. Payments are made only after approved by an authorized representative of the contracting officer. DCMA receives, inspects and certifies receipt of supplies.

MNFI-JCC  
SUBJECT: Draft Audit Reports

- d. Maintain complete files to support transactions made for contracts and grants.

**Response:** Concur.

3. Point of contact is Ruth Anne Ijames, 703-544-6979.

  
JOHN M. URIAS  
MC, USA  
Commander, Joint Contracting Office  
Iraq/Afghanistan



# Management Comments

## Commander, Joint Area Support Group Central

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### Joint Area Support Group Central (Provisional) Multi-National Force Iraq US Embassy Baghdad

JASG-C

8 October 2005

MEMORANDUM FOR SPECIAL INSPECTOR GENERAL FOR IRAQ  
RECONSTRUCTION

SUBJECT: Draft Audit Reports Response

REFERENCE:

- A. Draft Audit Report on Management of the Contracts, Grant, and Micro-Purchases Used to Rehabilitate the Karbala Library, Project Number D2004-DCPAAF-0034.3, dated 29 September 2005
- B. Draft Audit Report on Management of the Contracts and Grants Used to Construct and Operate the Babylon Police Academy, Project Number D2004-DCPAAF-0034.4, dated 29 September 2005
- C. Audit Report on Control of Cash Provided to South-Central Iraq, dated 30 April 2005.

PURPOSE: Provide JASG-C Comments to Referenced Draft Audit Reports.

SCOPE:

1. Regarding reference (a) and (b) reports, comments are provided as requested for the draft statements and recommendations shown.

a. Statements. Although certain deficiency statements listed under the "Disbursing Funds" sections of each draft report apply to the program management and grant/contracting management functions rather than those of the disbursing office, I concur with the overall intent of the statements to identify deficiencies for correction. Note that the period and region audited was the same as that documented by reference (c). The same significant factors that contributed to the conditions documented by reference (c), page 28, paragraph 1.a., also contributed to the findings of this report.

b. Recommendations. Response actions listed in JASG-C memorandum to SIGIR (Subject: Report on Management of Rapid Regional Response Program Grants in South-Central Iraq) dated 16 September 2005 apply.

2. POC is the JASG-C Comptroller, Lt Col Vincent Miller at DSN 318-239-8625.

A handwritten signature in black ink, appearing to read "K. Dahl", is positioned above the printed name.

KENNETH R. DAHL  
COL, FA, USA  
Commanding