OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

REVIEW OF TASK FORCE SHIELD PROGRAMS

SIGIR-06-009
APRIL 28, 2006

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 28, 2006

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ
DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT OFFICE
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, JOINT CONTRACTING COMMAND-IRAQ/AFGHANISTAN

SUBJECT: Audit Report on Review of Task Force Shield Programs (SIGIR-06-009)

We are providing this 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 requires that we provide for the independent and objective conduct of audits, as well as 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 comments from the Iraq Reconstruction Management Office and the Joint Contracting Command-Iraq/Afghanistan on the draft of this report when preparing the final report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Joseph T. McDermott at joseph.mcdermott@iraq.centcom.mil or at (703) 343-7926; or Mr. Clifton Spruill at clifton.spruill@iraq.centcom.mil or at (703) 343-9275. See Appendix E for the distribution of the report.

Stuart W. Bowen, Jr.
Inspector General

cc: Distribution

Special Inspector General for Iraq Reconstruction

SIGIR-06-009 **April 28, 2006**

Review of Task Force Shield Programs

Executive Summary

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

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

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

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

Results. Task Force Shield's management of the programs to train and equip the OPF and EPSS to improve the capacity of the Iraqi government to protect its oil and electrical infrastructure ultimately proved to be unsuccessful. Although the OPF showed some initial success, the EPSS program barely got started before it was cancelled. Most of the information we gathered generally indicates that the lack of a clear management structure for the U.S. agencies responsible for the protection of Iraq's security degraded the ability of Task Force Shield to effectively manage the OPF and EPSS programs. We also found limited records documenting program cost, how the money was used, or the location of

the millions of dollars of equipment purchased with Task Force Shield funds. The lack of records and equipment accountability raises significant concerns about possible fraud, waste, and abuse of Task Force Shield programs by U.S. and Iraqi officials. We therefore believe that U.S. agencies cannot provide reasonable assurance that the $147 million expended to train and equip the OPF and EPSS was used for its intended purposes. In addition, we found about $7 million in unexpended IRRF funding that is potentially eligible for to be de-committed or de-obligated, and used for other purposes.

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.

Management Actions. During the course of this audit, we notified IRMO that we identified approximately $7 million currently obligated for Task Force Shield contracts that could be de-committed or de-obligated and used for other purposes. IRMO agreed and $3.1 million of these funds were de-committed or de-obligated as of April 22, 2006. We also notified JCC-I/A of the lack of contract documents for the EPSS contract, and that the EPSS Training Academy at Taji was never appropriately transferred to the U.S. military. JCC-I/A agreed and took steps to reconstruct the EPSS contract file and to also transfer the Academy to the appropriate authority. These actions were still in process at the time of publication of this report.

Recommendations. We recommend the following:

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

2. Commanding General, Joint Contracting Command-Iraq/Afghanistan, require JCC-I/A management to:

   - In cooperation with IRMO, determine the current status of equipment procured for the OPF and the EPSS programs, including equipment transferred to the Ministry of Oil and the Ministry of Electricity.
   - In cooperation with IRMO, conduct a thorough examination of the performance of the contractor in relation to the construction of the EPSS Training Academy at Taji. A determination needs to be made if the government received what the statement of work called for, and if not, a financial adjustment by the contractor should be made to the government.
   - In cooperation with IRMO, ensure that the EPSS Training Academy at Taji is formally transferred from the Task Force Shield EPSS contracting officer representative to either the Multi-National Security Transition Command-Iraq or the Multi-National Corps-Iraq.
   - Determine whether unexpended IRRF funds currently committed or obligated to Task Force Shield contracts can be de-committed, de-obligated and re-allocated for other purposes.

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

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Introduction

Background

As stated in the January 2004 Coalition Provisional Authority Infrastructure Security Working Group Final Report, "Iraq cannot prosper without the uninterrupted export of oil and the reliable delivery of electricity". Iraq's oil and electrical infrastructure includes approximately 340 key installations, 7,000 kilometers of oil pipeline, and 14,000 kilometers of electricity transmission line. Coalition Joint Task Force-Shield, herein referred to as Task Force Shield, was established by the Coalition Provisional Authority (CPA) in September 2003, with the mission of building Iraq's capacity to protect this infrastructure. We determined that about $147 million was expended from the Development Fund for Iraq and the Iraq Relief and Reconstruction Fund on these efforts between August 2003 and September 2005, for the OPF and EPSS programs. See Appendix C for the funding details.

Task Force Shield's mission began with overseeing the training and operation of an Iraqi Oil Protection Force (OPF) to guard Iraq's oil infrastructure. The OPF was a new guard force that was to be trained and equipped by a private security firm with the goal of providing a competent force of roughly 14,400 guards to the Ministry of Oil by August 2005. In addition, the contractor was to deploy the guards and operate the guard force for the Ministry of Oil at the direction of Task Force Shield until August 2005. Between August 2003, when the OPF train and equip contract began, and September 2005 when final payment was made for a contract established to transition the OPF to the Ministry of Oil, $73.3 million was expended from the Development Fund for Iraq (DFI) and about $30.8 million was expended from the Iraq Relief and Reconstruction Fund (IRRF)[1] to train and operate the OPF.

Task Force Shield's mission was also expanded in June of 2004 to train and equip 6,000 Electrical Power Security Service (EPSS) guards. The EPSS had existed since 1961 but the CPA determined the need in January 2004 to improve its capabilities to safeguard the delivery of electricity to the people of Iraq. The U.S.-led training and equipping of the EPSS was conducted by another private security firm, with similar goals of providing a competent guard force to the Ministry of Electricity by March 2006 to guard Iraq's electrical infrastructure. The EPSS, however, was to remain under the operational control of the Ministry of Electricity during the training and equipping program. Although Task Force Shield did not take over the program until June 2004, the CPA had previously allocated $50 million from the IRRF for the EPSS in February 2004, of which about $42.8 million was expended and $7.2 million was de-obligated from the program.

Department of Defense Program Responsibilities. Task Force Shield was under the command of the U.S.-led Combined Joint Task Force-7 (CJTF-7), which reported directly to the U.S. Central Command in Tampa, Florida. CJTF-7 was the top coalition military command in Iraq from June 2003 until May 2004 when CJTF-7 was replaced by the U.S.-led Multi-National Force-Iraq (MNF-I), which is currently the top coalition military command in Iraq. Both CJTF-7 and MNF-I provided program and operational guidance and resources to Task Force Shield to execute its mission. Task Force Shield remained under the command of MNF-I until transferred to the Multi-National Corps-Iraq (MNC-I) on April 18, 2005, which effectively disbanded Task Force Shield.

[1] See Public Law 108-106.

The Coalition Provisional Authority (CPA) was created in May 2003 to oversee and operate the interim governing authority in Iraq. In addition to providing a temporary government for Iraq, the CPA also had the duty to oversee the reconstruction and rehabilitation of Iraq. The CPA prioritized its efforts into five general areas, which included security and the provision of essential services such as energy to the Iraqi people, among others. Reconstruction and rehabilitation activities to address these priorities were divided into ten categories, or CPA offices, pursuant to Public Law 108-106 to support the Iraqi provisional ministries. These ministries were advised by CPA personnel. The CPA office of the Senior Oil Advisor to the Ministry of Oil provided guidance and funding to Task Force Shield for the OPF program. The CPA office of the Senior Electric Advisor provided funding for the training and equipping of the EPSS.

The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) supports MNF-I by providing operational contracting support for non-construction projects, such as the OPF and EPSS programs, that support U.S. efforts to rebuild Iraq. As part of this mission, JCC-I/A is the current repository for all non-construction contract files including the contracts to train and equip the OPF and the EPSS. JCC-I/A also has the responsibility of the administration for all records for all U.S. property obtained through JCC-I/A contracts.

The U.S. Army's Joint Area Support Group-Central manages the DFI money that is administered by the U.S. Government. The DFI was originally managed by the CPA Comptroller, however, when CPA was dissolved in June 2004, the CPA Comptroller was realigned as the Joint Area Support Group-Central Comptroller, who assumed responsibility for the DFI. This included tracking and managing DFI payments for the OPF train and equip contract.

The U.S. Army Corps of Engineers Gulf Region Division and the Project and Contracting Office merged on December 4, 2005. The Project and Contracting Office, was a temporary organization created under the Department of Defense on May 11, 2004, by National Security Presidential Directive 36, United States Government Operations in Iraq, which replaced the CPA Program Management Office. Both the Project and Contracting Office and the Program Management Office provided project management and administrative support to Task Force Shield to execute the OPF and EPSS programs. As a result, the U.S. Army Corps of Engineers Gulf Region Division is the current repository for program and project management files, including those that still exist for Task Force Shield.

Department of State Program Responsibilities. The CPA was dissolved on June 28, 2004, and replaced by the U.S. Mission to Iraq as sovereignty of Iraq was transferred to the Interim Iraqi Government. Prior to the dissolving of the CPA, the U.S. established the Iraq Reconstruction Management Office (IRMO) on May 11, 2004, pursuant to National Security Presidential Directive 36. IRMO, a temporary office within the Department of State and the U.S. Mission to Iraq, was established to facilitate the transition to a democratically elected, sovereign government of Iraq. IRMO executes its mission by assisting the U.S. Ambassador in setting reconstruction policy and provides expertise and operational assistance to Iraqi ministries in the reconstruction process. IRMO is organized into sectors to support the current Iraqi ministries much in the same manner as the CPA. As such, the IRMO Oil and Electric Sectors supported the Ministry of Oil and the Ministry of Electricity's involvement with the OPF and EPSS programs.

Chronology of Task Force Shield. Table 1 summarizes the chronology of significant events relating to the Task Force Shield program.

Table 1: Chronology of Task Force Shield

Date	Significant Event
August 2003	The contract to train and equip the OPF is awarded by the CPA for one year with a potential option year.
September 2003	Task Force Shield is established under the command of CJTF-7 and is made responsible for the training and equipping of 6,650 OPF guards.
December 2003	Total OPF guard requirements are increased to 14,400 guards including mobile patrol teams to guard the oil pipelines.
March 2004	The contract for the EPSS program is awarded by the U.S. Army Northern Region Contracting Command for one year with a potential option year.
May 2004	The former Republican Guard base at Taji is chosen as the site to build the EPSS Training Academy.
June 2004	Task Force Shield takes over responsibility for the training and equipping of the EPSS.
August 2004	The contract to train and operate the OPF is extended until December 31, 2004.
December 2004	The contract to train and equip the OPF expires.
January 2005	The Oil Security Transition Contract to extend support of the OPF through April 2005 is awarded.
January 2005	Ministry of Oil assumes control of the OPF.
March 2005	The first year of the EPSS contract comes to an end and the option for a second year is not exercised.
March 2005	IRMO gives the EPSS training academy at Taji to the Multi-National Security Transition Command – Iraq.
April 2005	Task Force Shield is disbanded on April 18, 2005.
April 2005	The Oil Security Transition Contract expires.

Source: SIGIR

Objectives

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

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

For a discussion of the scope (including limitations), methodology and a summary of prior coverage, see Appendix A. For exhibits of the OPF and EPSS program contracts, see Appendix B. For details on the funding, see Appendix C. For definitions of the acronyms used in this report, see Appendix D. For a list of the audit team members, see Appendix F.

U.S. Government's Management of Task Force Shield

We have previously reported[2] on problems caused by the lack of clear management authority and responsibility for reconstruction activities and the OPF and EPSS programs managed by Task Force Shield provides another example. Almost all of the people involved in the Task Force Shield program have left Iraq, and with little government documentation on the program, we could not develop a precise picture of all that occurred. However, based on available records and several interviews of personnel with knowledge of the program, it is clear that the OPF and EPSS programs were beset with confusing management and inconsistent oversight from its inception.

Support from CJTF-7 and the CPA: August 2003 – May 2004. A key document describing the management of the OPF, which was the primary focus of Task Force Shield, is an after-action report prepared by the OPF contractor.[3] While we recognize that this document describes events from the OPF contractor's perspective, it nonetheless provides a good historical timeline of how management changed as the Task Force Shield programs evolved. According to the report and former CPA officials, the original contract was awarded by the CPA on behalf of the Ministry of Oil, using DFI funds under CPA control. Given that the OPF contractor was to guard Ministry of Oil assets, the beneficiary was the Ministry, represented by the CPA Senior Oil Advisor's office.

At the same time, security was a CJTF-7 responsibility and the OPF contractor was expected to integrate into the array of forces under CJTF-7's control. However, the OPF was initially placed under the operational supervision of Task Force Restore Iraqi Oil, a U.S. Army Corps of Engineers organization working for the CPA, and tasked with program management of the oil infrastructure refurbishment. The CPA's contracting office retained contractual oversight. Thus, from the beginning the OPF fell under three managers; CJTF-7 which had overall command and control of all security forces, Task Force Restore Iraqi Oil which had initial operational supervision of the OPF program (replaced by Task Force Shield in September 2003), and the CPA Senior Oil Advisor's office which had contractual responsibility for the OPF contract.

The after-action report states that almost from the beginning, there were tensions between the various stakeholders and their staffs. According to the report, CJTF-7 wanted to unload site guarding commitments from its mission portfolio. Task Force Restore Iraqi Oil wanted security for reconstruction projects but did not have the mission or resources to provide it. The office of the CPA Senior Oil Advisor was primarily interested in raising oil production and refinery output and had limited understanding of security issues or guard forces. According to the OPF contractor who prepared the report, the diversity of stakeholder interests was exacerbated by the lack of a coherent coordinating mechanism.

As plans for the OPF began to take shape, a major change in contract oversight and tasking took place. According to the contractor, Task Force Restore Iraqi Oil was fully focused on its reconstruction program management mission and saw the need to

[2] Managing Sustainment for Iraq Relief and Reconstruction Fund Programs (Report Number SIGIR-05-022, October 24, 2005).

[3] The Erinys Iraq Oil Protection Force: Infrastructure Security in a Post-Conflict Environment (Erinys Iraq Ltd., October 1, 2005).

disaggregate oversight and control of the oil infrastructure security function, for which it was not structured. Therefore, the CPA created Task Force Shield in September 2003 as the new military unit to take on this role. The contractor and former members of the unit, however, state that its responsibilities were never clearly understood and its reporting relationships in the CJTF-7 or CPA chain of command were never clarified.

Other sources we spoke with also stated that the unclear reporting relationships caused confusion within Task Force Shield as to which agency, CJTF-7 or the CPA, was ultimately responsible for providing guidance and resources. This resulted in both personnel and resource problems through the early part of the units' formation that persisted until April 2005. For example, the CPA Oil Ministry directed that the OPF organize into three regional commands that corresponded to the major oil infrastructure nodes in Kirkuk, Baghdad, and Basrah. Task Force Shield, however, only had four personnel to oversee OPF operations across Iraq from September 2003 to January 2004. Although Task Force Shield made every effort to be "in the field" observing OPF operations, according to former members of the unit, it would take the commander of the Task Force Shield 20 days to make a trip through Iraq to observe all of the OPF sites. The Task Force Shield commander requested 42 additional staff (for a total end-strength of 46 personnel) but the CPA rejected the request. CJTF-7 then added an additional eight coalition personnel for a total of end-strength of 12 personnel by April 2004.

The 12 members of Task Force Shield were responsible for overseeing the operations of approximately 14,400 OPF guards and about 80 contractor personnel across Iraq. Although all of the former members of Task Force Shield interviewed for this report held the OPF contractor personnel in high-regard and thought of them as an extension of the unit, we believe that Task Force Shield's ability to oversee the OPF during the first several months of the program was limited due to the their lack of personnel and equipment required to adequately oversee the OPF program. This problem persisted throughout Task Force Shield's management of the OPF and EPSS programs.[4]

Support from MNF-I and the IRMO: May 2004 – April 2005. In early summer 2004, MNF-I and IRMO replaced CJTF-7 and the CPA, respectively, and the CPA's Senior Oil Advisor office was subsumed into IRMO as its "Oil" Sector. The transition of power from the CPA to the Iraqi Interim Government also gave Iraqi ministries control of DFI funds. According to the contractor report, the first year of the contract was coming to an end and Task Force Shield was focused on the process of negotiating terms for the contract's second year. According to the report, however, the Coalition's interest in the OPF program had lessened due to the change in reconstruction priorities resulting from the transfer of authority to the Interim Iraqi Government and the increasing costs of the programs. While MNF-I clearly saw infrastructure security as part of its mission, it seemed to have difficulty engaging with either the Project and Contracting Office or Task Force Shield to determine how the OPF or the EPSS could best be integrated into the Coalition's evolving concept for securing infrastructure. At the same time, the Ministry of Oil, now in control of DFI funds, was intent on taking greater responsibility for securing its own infrastructure. Nevertheless, the OPF contract was extended on August 11, 2004 until December 31, 2004.

The staffs of the Ministry of Oil, the IRMO Oil Sector, and the Project and Contracting Office conducted a review of all oil sector projects in October 2004, which included a review of Task Force Shield OPF projects. The CPA had allocated $68 million from the

[4] Task Force Shield took over oversight of the EPSS program from the IRMO Electric Sector in June 2004.

IRRF for oil security projects through Task Force Shield in FY 2004. This included planned funding for projects for the emergency repair of the oil infrastructure and for the purchase of mission essential equipment such as vehicles, communications, and weapons for Task Force Shield and for the OPF. However, only about $33 million of the $68 million allocation was approved for obligations and expenditures. The IRMO Oil Sector found that while some of the projects directly benefited Task Force Shield and/or the OPF, others did not according to IRMO Oil Sector officials. Specifically:

- Task Force Shield had initiated a project for the construction of three regional operations centers for the OPF. IRMO officials questioned the utility of these centers because the OPF was being transitioned to the Ministry of Oil at the end of December 2004 and Task Force Shield and the OPF contractor would not be involved in the operation of the OPF. In addition, at least one of the centers was to be built within the International Zone in Baghdad where the OPF could not access it. When Task Force Shield could not provide adequate justification or documentation for these operations centers, IRMO Oil Sector officials cancelled the funding for the project.

- Task Force Shield had committed almost $23 million of the $68 million IRRF allocation to complete the construction of the EPSS Training Academy at Taji.[5] According to available Task Force Shield project documentation, the Minister of Oil agreed to enter into a partnership with the Minister of Electricity to construct, operate and maintain the Training Academy at Taji, which would now also train OPF guards. About $13.4 million of the $23 million was eventually disbursed for the project, but Task Force Shield and IRMO Oil Sector officials could not determine exactly how many OPF guards were trained at the academy.

Funding and U.S. interest in managing the OPF and EPSS programs dried up towards the end of 2004. Task Force Shield had asked the IRMO Oil Sector for additional funds to extend the OPF contract past December 31, 2004. The OPF contract, however, was funded with DFI funds and there were no more DFI funds administered by the U.S. available at the time to continue the contract. Control over DFI funds transferred to the Iraqi government and Task Force Shield could not convince the Ministry of Oil to extend the OPF train and equip program, according to IRMO officials. As a result, the OPF contract expired as planned on December 31, 2004 with control of the OPF scheduled to transfer to the Ministry of Oil on January 1, 2005. Therefore, the OPF program was terminated eight months earlier than the CPA had originally planned.

In the case of the EPSS program, the IRMO Electric Sector took a more critical interest in the program as the costs for the program increased. The IRMO Electric Sector conducted an analysis to justify the cost of training per each student and this was deemed too high for either the Ministry of Electricity or the IRMO Electric Sector to sustain. As a result, the IRMO Electric Sector determined in January 2005 that the EPSS contract would be allowed to expire on March 9, 2005, thereby terminating the EPSS program one year earlier than the CPA had originally planned.

Although IRMO officials said the discussion about the status of the OPF and EPSS programs were held at the highest levels by both U.S. civilian and military officials, we could not locate, nor were we provided with, any information or documentation on

[5] As listed in Table 5, the $23 million was for Modification P00002 of the EPSS train and equip contract.

MNF-I's role, if any, in the decision to let the OPF contract expire and have control of the OPF transferred to the Ministry of Oil. According to former members of Task Force Shield, the contract was set to expire as the Interim Iraqi Government prepared for the January 2005 elections. MNF-I was concerned that if the OPF was under the command of the Ministry of Oil during the elections it would not be able to prevent Anti-Iraqi Forces from interdicting the flow of oil. If this happened, Iraq would not be able to generate enough electrical power in Baghdad and across the country to hold the elections. Therefore, the Oil Security Transition contract was awarded on January 3, 2005, through the U.S. Army Corps of Engineers Gulf Region Division to retain a reduced number of contractors from the firm that had the OPF contractor under the oversight of Task Force Shield to support the transition of the OPF to the Ministry of Oil until April 30, 2005.

We believe the need for the Oil Security Transition Contract resulted from a lack of coordination between MNF-I and IRMO as to who was in charge of Task Force Shield and the OPF (and EPSS) programs. The OPF and EPSS programs are discussed in detail below.

The Iraqi Oil Protection Force (OPF) Program

Training and Equipping the OPF

We could not determine whether Task Force Shield's OPF program objectives were met for a number of reasons. First, the file for the OPF program in JCC-I/A's contract database was incomplete. Second, the OPF contractor representative maintained that all program documentation and intellectual property was provided to the IRMO Oil Sector but the IRMO Oil Sector is not currently in possession of these documents. Finally, the U.S. Army Corps of Engineers Gulf Regional Division did not provide us access to its electronic oil sector program management files, which we believe contained additional information on the OPF and Task Force Shield. As a result:

- The specific line item costs of the program could not be verified.
- The number of OPF guards trained by the contractor could not be verified.
- The majority of the equipment procured for the OPF could not be accounted for.

We also could not clearly determine the effectiveness of the OPF under Task Force Shield.

Program Costs. Our analysis indicated that the total available funding for the OPF program was $136 million, with about $104 million in expenditures. Our analysis shows that the OPF program received approximately $98.6 million in DFI funding for the original OPF train and equip contract, and about $37.8 million in IRRF funding. The IRRF funds include about $33 million approved from the $68 million allocated to Task Force Shield by CPA, and $5 million for the contract to transition the control of the OPF to the Ministry of Oil. However, the available records show that only about $104 million of available funds were expended. Of the $98.6 million in DFI funds, records show that about $73.3 million was actually disbursed for the contract. Except for a pending $387,000 payment to the OPF contractor, the roughly $25 million funding balance has been returned to the Iraqi government. Of the $37.8 million in IRRF funding, available records show that $30.8 million was disbursed, leaving $7 million available funding balance. For details of the OPF funding, see Table 2.

Table 2: Task Force Shield Funding Activity for OPF between August 2003 and September 2005 (Dollars in Millions)

Oil Protection Force (OPF)					
Purpose	**Obligated and Committed**	**Expended**	**Funds De-obligated by U.S.**	**Funds Returned to Iraqi Government**	**Potential De-Commitment or De-Obligation**
DFI					
Total DFI: Train & Equip contract for OPF	**$98.6**	**$73.3**	**$ 0**	**$25.0**	*** $ 0**
IRRF					
CPA allocation to Task Force Shield to support OPF activities (includes EPSS Training Academy)	$32.8	$26.9	$ 0	n/a	$5.9
Oil Security Transition Contract	$5.0	$3.9	$ 0	n/a	$1.1
Total IRRF	**$37.8**	**$30.8**	**$ 0**	**n/a**	**$7.0**
Total Funds	**$136.4**	**$104.1**	**$ 0**	**$25.0**	**$7.0**

* A $387,000 payment is pending to the contractor.
Source: SIGIR analysis of available U.S. program and funding data

DFI Funding.
We could not clearly determine what specifically was purchased with the DFI money because of a lack of clearly written contract requirements[6] and a lack of detail in the contractor invoices. Rather than a clearly itemized description of the supplies or services provided, the contracts and invoices tended to lump costs into large aggregate categories, such as labor or equipment and material. For example, Modification P00004 increased the cost of the OPF contract almost $21 million for additional equipment and security guards who were to be trained to meet the OPF's expanded mission requirements. However, none of the documentation describes how many guards or what types of equipment the $21 million was used for. Table 3 shows the eleven modifications made to the contract between August 2003 and August 2004, and the description of what was purchased on each.

[6] For an exhibit of the OPF contract, see Appendix B.

Table 3: OPF Train and Equip Contract Modifications Associated with DFI Funding

Date (m/d/y)	Modification Number	Description of Modification	Amount	Total Cost
08/12/03	P00001	Administrative Changes	$0	$39,454,896
08/21/03	P00002	Administrative Changes	$0	$39,454,896
12/31/03	P00003	Equipment and personnel	$9,939,933	$49,394,829
01/19/04	P00004	Equipment and personnel	$20,800,000	$70,194,829
02/24/04	P00005	Furnish third surveillance aircraft	$0	$70,194,829
02/15/04	P00006	Administrative Changes	$0	$70,194,829
08/05/04	P00007	Contract Extension	$0	$70,194,829
08/08/04	P00008	Contract Extension	$0	$70,194,829
08/10/04	P00009	Contract Extension	$0	$70,194,829
08/11/04	P00010	Contract Extension	$4,000,000	$74,194,829
08/23/04	P00011	Definitized Modification P00010	$24,452,859	$98,647,688

Source: SIGIR

IRRF Funding.
Records describing how the IRRF money was spent were somewhat better. Data provided by the IRMO Oil Sector from the Army Corps of Engineer's Financial Management System showed that about $26.9 million was expended from the funds provided by the CPA. This included the $13.4 million that was disbursed to complete the construction of the EPSS Training Academy at Taji in order to train OPF personnel. Another $13.5 million of the total was disbursed on various types of equipment for Task Force Shield and the OPF. This included armored vehicles, weapons, communications equipment, night vision goggles and other equipment. The numbers and cost of this equipment is fairly well documented, however as discussed below, the cost of the EPSS Training Academy is not.

We also identified about $7 million in IRRF funds that can potentially be re-allocated. For instance, we identified approximately $5.9 million of IRRF funds that remained committed or obligated for Task Force Shield contracts as of January 29, 2006, nine months after Task Force Shield was disbanded. Due to the lack of manpower during the transition from the CPA to IRMO, a de-emphasis on the reporting of security related projects by IRMO for the Section 2207 Report on Iraq Relief and Reconstruction submitted quarterly to the U.S. Congress, and the lack of contract and project documentation maintained by Task Force Shield, we believe that the IRMO Oil Sector may have lost visibility of some of these projects. This has resulted in a lack of documentation for equipment procured through these contracts, which is discussed in

more detail below. Former Task Force Shield officials have indicated to us that most, if not all, of these contracts should be closed and, as such, we believe the $5.9 million could potentially be de-committed or de-obligated and used for other projects. Without a determination on whether these funds should be re-allocated or expended, we could not determine the exact cost of the OPF program.

In addition, we found $1.1 million in IRRF obligated funds that had not been disbursed for the OPF Oil Security Transition Contract. About $5 million from the IRRF was obligated on December 25, 2004 for the contract, which was awarded on January 3, 2005, by the U.S. Army Corps of Engineers Gulf Region Division for the transition control of the OPF from Task Force Shield to the Ministry of Oil. Although the U.S. Army Corps of Engineers awarded the contract, the $5 million was allocated from the IRMO Oil Sector's IRRF funds and the oversight for the contract was provided by Task Force Shield. The contract, however, ended on April 30, 2005, with a final payment made to the OPF contractor in September 2005. Financial information provided by the IRMO Oil Sector from the U.S. Army Corps of Engineer Financial Management System showed an open obligation of roughly $1.1 million remained on this contract as of January 29, 2006, and we believe that this money should also be assessed for potential de-obligation and availability to use for other purposes.

Training the OPF. We could not verify the number of OPF guards trained under Task Force Shield. Task Force Shield was to oversee the hiring, training, equipping, deploying and operation of a guard force of 6,650 Iraqis to protect approximately 140 key oil sites for the CPA and the Iraqi Ministry of Oil in accordance with the statement of work in the August 2003 contract award. According to the OPF contractor after action report and former Task Force Shield members, the CPA gradually increased the requirements of the OPF so that by December 2004 the contractor was required to train a force of 14,400 guards. The OPF would now be charged with protecting 810 key oil sites including mobile patrols of the oil pipelines. However, we were unable to precisely determine how many guards were trained because of the lack of complete and detailed descriptions of the services contracted or paid for.

Although former members of Task Force Shield have stated that up to 17,300 guards were trained over the course of the OPF program, we were only provided with documentation listing 11,413 guards on the OPF's roster as of September 23, 2004. These various discrepancies in the number of OPF guards expected to be trained and actually trained are summarized in Table 4.

Table 4: Discrepancies in the number of OPF guards trained

Timeframe of Training Requirement	Source	Guards to be Trained	Guards Believed to be Trained
Initial training program contract awarded August 2003	Task Force Shield	6,650	
By December 2004	Increases by CPA per OPF contractor's after action report	14,400	
Over the course of the OPF Program	Former members of Task Force Shield		up to 17,300
As of September 23, 2004	OPF guard roster		11,413

Source: SIGIR summary of available information.

In addition, the lack of clearly written contract requirements and documentation verifying performance by the OPF contractor, as noted above, made it difficult to verify the costs that the contractor claimed when submitting their invoices for payment. The contractor used the exact dollar figures from the modifications and these did not contain detailed information identifying the exact number of OPF guards trained and the labor costs for this, as illustrated in Figure 1.

Figure 1. OPF Contractor Invoice from September 30, 2003

Invoice Number: ERNOJV/CPA 02
Invoice Date: 30 September 2003

Contract #: DABV01-03-C-0007

INVOICE

Item No.	Supplies/Services	Quantity	Unit	Unit Price	Extended Amount
0001AA	LABOR – SECURITY	1	MO	$2,089,250.00	$2,089,250.00
0002AB	LABOR – ADMINISTRATIVE	1	MO	$ 75,450.00	$ 75,450.00
0003AC	LABOR – PROJECT	1	MO	$ 757,000.00	$ 757,000.00
0004AD	EQUIPMENT AND MATERIAL	1	MO	$ 366,208.00	$ 366,208.00
	TOTAL				$ 3,287,908.00

Source: JCC-I/A Contract Database

Required monthly progress reports on training also provided little information as to the number of guards trained. The contractor was required to submit monthly progress reports on the training of the OPF to Task Force Shield to meet the quality control requirements of the OPF contract. These reports were to be submitted through the regional commands to the commander of Task Force Shield, who in turn was to consolidate these reports and provide updates to U.S. military and civilian agencies and the Ministry of Oil. However, an IRMO Oil Sector official told us that these reports were never provided to them. Task Force Shield officials were also required to conduct monthly site inspections to verify the number of guards reported by the contractor, and provide quality assurance reports to the contracting officer.

We were only able to locate 36 of these reports, however, and the ones we located were compiled by the OPF contractor and not by Task Force Shield officials. In any event, we believe it would have been unlikely that Task Force Shield could have conducted inspections of all 810 OPF sites with its limited personnel. Given the lack of quality control and quality assurance reports and other supporting documentation to verify the costs the contractor billed the CPA for training the OPF guards, we were unable to confirm whether the OPF contractor fully complied with requirements of the contract since we could not validate the number of guards actually trained to protect Iraq's oil infrastructure.

Equipping the OPF. We identified, but could not account for $21.2 million worth of equipment procured for the OPF. Through available receiving reports, payment records, and other official documentation we determined that $7.7 million was disbursed for equipment through the OPF train and equip contract using DFI money. This included $1.2 million for six armored vehicles, $5 million for 310 other vehicles, and $1.5 million for communications equipment. Task Force Shield also disbursed about $13.5 million from the CPA's IRRF allocation for the OPF for 9,792 automatic rifles worth $1.8 million and 7,000 sets of protective vests and armored plates worth $1.6 million, among several other items.[7]

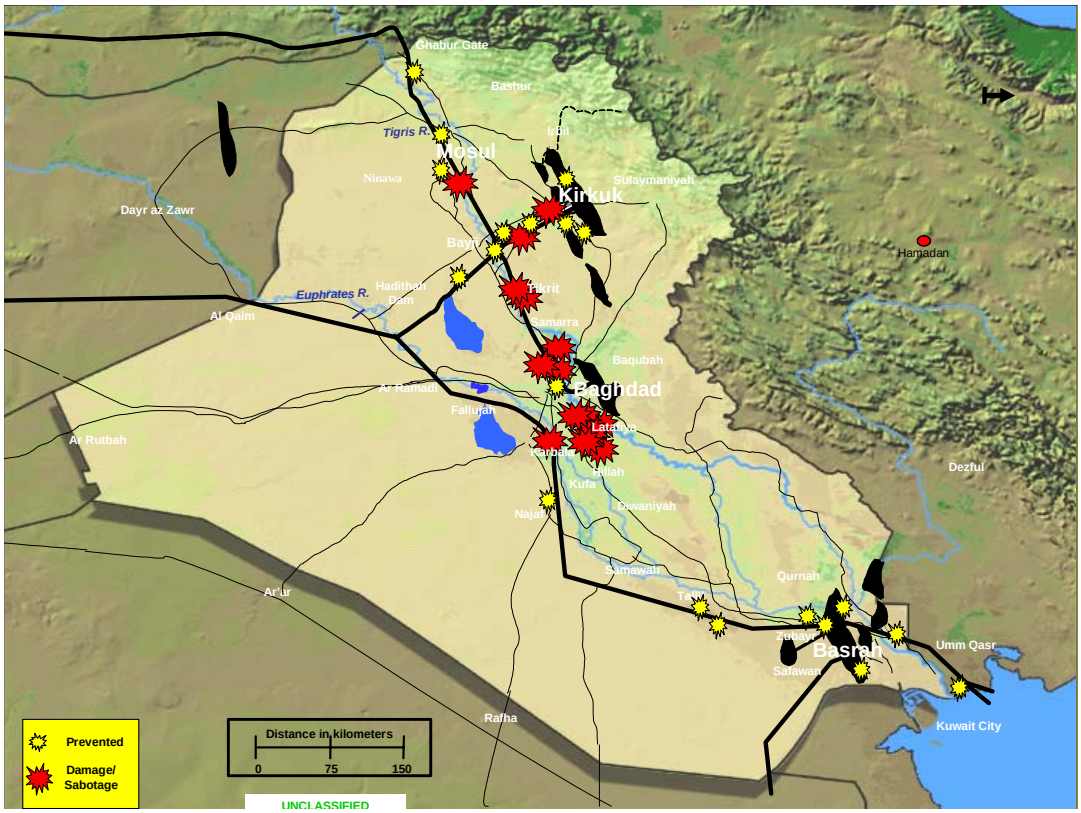
The lack of documentation maintained by U.S. agencies made it difficult to determine whether the OPF or the U.S. government is in possession of this equipment. For example, receiving reports indicate that the 9,792 automatic rifles were received by U.S. government officials in August 2004. One equipment inventory report provided to us dated September 23, 2004, however, indicates that the OPF should have had 5,515 rifles on-hand but could only account for 3,015 of these. It is not clear from available documentation, however, whether all of the 9,792 weapons were distributed to the OPF or if there is a remaining inventory. In addition, although financial records show that the protective vests and armored plates were paid for by the U.S. government, we could not locate nor were we provided with receiving reports for this equipment. Furthermore, Task Force Shield's inventory report did not list the number of sets of distributed and whether the OPF had this equipment on-hand.

Task Force Shield and IRMO Oil Sector officials believe all of the weapons and vests, along with the rest of the equipment procured for the OPF, has either been transferred to the Ministry of Oil or other U.S. government agencies. In some cases, IRMO Oil Sector officials provided confirmation of the location of some of the equipment transferred to U.S. government agencies in writing. This does not, however, properly document how the equipment was transferred or account for all equipment transferred to U.S. agencies. Additionally, we were not provided with any official documents verifying the transfer of equipment to the Ministry of Oil. Therefore, we could not officially confirm the current location of most of the equipment procured for the OPF or verify that it was transferred to the appropriate recipients or in accordance with property transfer requirements.

Effectiveness of the OPF. The effectiveness of the OPF under Task Force Shield was difficult to determine. For the first seven months of the program, from August 2003 to February 2004, available data indicates a correlation between an increase in the number of guards in the OPF and the decrease in the number of sabotages of Iraq's oil infrastructure. With 3,500 OPF guards in place from August 2003 to October 2003, Anti-Iraqi Forces attempted to sabotage the oil infrastructure 54 times with the OPF preventing seven of these attacks before any damage to the infrastructure occurred. In contrast, Anti-Iraqi Forces attempted to sabotage the oil infrastructure 35 times from December 2003 through February 2004; and the OPF, now with about 12,000 guards deployed,[8] prevented 20 of these attacks. The locations of these attacks are illustrated in Figure 2.

[7] Some of the equipment purchased with the CPA's IRRF allocation for the OPF, such as an additional 8 armored vehicles worth $1.3 million, was used by Task Force Shield in support of the OPF program.
[8] We could not confirm the amount of OPF guards trained and deployed during these months.

Figure 2: Attacks and Pre-Empted Attacks on Iraq's Oil Infrastructure from December 2003 through February 2004.



Source: Task Force Shield

It is not known, however, whether the OPF actually deterred the attacks on the pipeline in this period or whether Anti-Iraqi Forces focused their efforts elsewhere. Former Task Force Shield and CPA officials have said, however, that the OPF was one of the few Iraqi security forces that held its ground and repelled Anti-Iraqi Forces when they increased their attacks across Iraq in 2004. We do not, however, have similar data detailing the number of sabotages that the OPF prevented from March through December 2004 to validate former Task Force Shield and CPA official's opinions.

Management Actions

During the course of this audit, we notified the IRMO Oil Sector that we believed approximately $7 million currently committed or obligated for Task Force Shield contracts could be de-committed or de-obligated and used for other purposes. IRMO Oil Sector officials agreed and initiated actions with JCC-I/A and the U.S. Army Corps of Engineers Gulf Region Division to de-commit or de-obligate these funds. We determined that as of April 22, 2006, $3.1 million of these funds were already de-committed or de-obligated. The balance of the funds is expected to be de-committed or de-obligated by the end of May 2006.

The Iraqi Electrical Power Security Service (EPSS) Program

Training and Equipping the EPSS

We could not determine the extent to which Task Force Shield met any of the CPA's program objectives for training and equipping 6,000 EPSS guards due to a lack of program and contract documentation maintained by U.S. agencies. Specifically:

- The specific costs for the program cannot be verified.
- The construction of the Academy in accordance with the statement of work cannot be verified.
- The total number of students trained at the Academy cannot be confirmed.
- The majority of the equipment procured for the EPSS cannot be accounted for.

Cost of the EPSS Program. Based on available contract documents, the original EPSS program cost was $19 million, as awarded on March 10, 2004, which included all labor, transportation, tools, training aids, equipment, weapons and ammunition, facilities and life support required to perform the statement of work. The cost of the contract was subsequently increased to $64.8 million when the contract was definitized on November 10, 2004, with contract Modification P00002. The cost on the final modification for the contract, however, was about $59.5 million. Cost adjustments included de-obligations of about $6 million for cancelled orders of equipment and about $50,000 for cancelled construction, and an increase of $700,000 for security costs. Table 5 shows the six modifications made to the contract between July 2004 and March 2005, and summarizes what was purchased with each modification.

Table 5: EPSS Train and Equip Contract Modifications

Date	Modification	Description of Modification	Amount	Total Cost
07/02/04	P00001	Base Year Increase	$23,029,025	$42,029,025
11/10/04	P00002	Supplies & Services	$22,806,833	$64,835,858
02/22/05	P00003	De-obligation	$(5,957,287)	$58,878,571
03/09/05	P00004	Base Year Increase	$ 643,758	$59,522,329
03/22/05	P00005	Administrative Changes	$0	$59,522,329
No Date	P00006	Final Closeout	$0	$59,522,329

Source: SIGIR

The final cost represents a 313% increase over the original $19 million cost of the contract. Most of this increase resulted from the fact that the government used a letter contract. Letter contracts are typically used for emergencies or other immediate needs and place all risk on the government by allowing work to begin before the cost is negotiated between the contractor and the government. As a result, the final total cost of the contract exceeded the $50 million that the CPA office of the Senior Electric Advisor had allocated in February 2004 from the IRRF to pay for the EPSS program by about $9.5 million.

However, financial records from the U.S. Army Corps of Engineers Financial Management System indicate that about $42.8 million was expended from the $50 million that the CPA had obligated on this contract. The remaining $7.2 million was de-obligated from IRRF funds in Fiscal Year 2005 and used for other purposes.[9] For details of the EPSS funding from IRMO Electric Sector funds, see Table 6.

Table 6: Task Force Shield Funding Activity for EPSS between August 2003 and September 2005 (Dollars in Millions)

Electrical Power Security Service (EPSS)					
Purpose	**Obligated and Committed**	**Expended**	**Funds De-obligated by U.S.**	**Funds Returned to Iraqi Government**	**Potential De-Commitment or De-Obligation**
CPA allocation for the training and equipping of the EPSS	$50.0	$42.8	$7.2	n/a	$0
Total IRRF	**$50.0**	**$42.8**	**$7.2**	**n/a**	**$0**

Source: SIGIR analysis of available U.S. program and funding data

There are few documents that identify exactly how funds provided for the EPSS were spent. We believe the bulk of the money was spent on the construction of the EPSS Training Academy at Taji, but cannot verify this because we were not provided with all estimated or actual costs of construction. The cost estimates for specific line items in statement of work for the EPSS train and equip program were not included in the contract award or subsequent contract modifications.[10] Rather, the contract documents and invoices only identify in broad categories how the money was used. For example, Modification P00002 shows the modification was for the purchase of supplies and services to complete the statement of work but does not identify specifically what was purchased.

During our audit we were provided with documents detailing some of the program purchases (as noted in this section), but these documents were incomplete and did not provide a full picture of all program expenditures. In addition, we could not locate a signed copy of Modification P00006 which closes the contract, although U.S. government and contractor officials all have indicated the contract is closed. Because additional documentation for the costs of the program was not available, including the signed copy Modification P00006, we were unable to substantiate the total costs of the EPSS program.

Construction of the EPSS Training Academy at Taji. The Academy at Taji was not built according to the requirements specified in the statement of work of the EPSS contract. Phase 1 of the contract called for the construction of a permanent training facility for the EPSS through the renovation and/or refurbishment of an existing structure

[9] Total expenditures on the EPSS train and equip contract were $56.2 million. This includes the $42.8 million disbursed from the Electric Sector funds and $13.4 million from Oil Sector funds used to complete the construction of the EPSS Academy.

[10] For contract, see Exhibit 2 of Appendix B.

and construction of new facilities. The statement of work in the EPSS required the construction of a permanent structure suitable for large class training and formal presentations for 400 people. Our site visit conducted on March 12, 2006, however, verified that an existing open air pavilion was renovated and substituted for a new large auditorium/multipurpose room. The renovation of the pavilion appeared to be comprised of the installation of a concrete pad, installation of new overhead lighting, and partial replacement of the metal roof panels. The contractor's estimated budgeted cost for the construction of the auditorium/multipurpose room was $1.4 million. We estimated the cost of the renovation of the existing open air pavilion would likely be between $50,000 and $100,000 and therefore substantially less than $1.4 million. The open air pavilion is shown in Photo 1.

Photo 1: Open Air Pavilion Substituted for the Auditorium/Multipurpose Room

Source: SIGIR

Neither the government nor the contractor could provide any documentation explaining why this substitution was made. The requirement for the construction of the auditorium was consistent throughout the life of the contract. The only other changes to the construction requirements were reflected in changes to the statement of work or in a modification to the contract. For example, the original contract called for 30 sleeping rooms to accommodate 300 people was changed to the current arrangement of 12 open bays that accommodate 34 people each in the June 16, 2004 statement of work and codified in Modification P00002 on November 10, 2004. In addition, the elimination of the Muslim religious worship center, which included a corresponding decrease to the cost of the contract, was captured in Modification P00004.

The project contracting officer is responsible for quality assurance oversight of the contract for the U.S. government and is the only U.S. government official who can make changes to the contract's statement of work. During the construction phase of the contract, the project contracting officer was located in the United States and did not appoint a U.S. government official in Iraq to oversee the construction of the Academy. Therefore, we believe that due to the lack of oversight by the government the contractor was able to substitute an inferior quality building for the large auditorium/multipurpose room without the consent of the project contracting officer and the U.S. government.

Moreover, we could not determine the financial impact of the substituted open air pavilion on the total cost of the contract. Although the EPSS contractor cooperated with SIGIR on this audit and provided us with actual construction costs through July 31, 2004, as well as several other documents, neither the original program contracting officer, JCC-I/A, or the contractor provided us with the estimated costs for all the buildings or the final costs negotiated between the government and the contractor on October 21, 2004, prior to the definitization of the contract.[11] Without this information we could not establish the actual costs of construction and the effect of substituting the open air pavilion for the auditorium that was budgeted at $1.4 million.

We also identified that the Academy was never officially transferred from the Task Force Shield EPSS contracting officer representative to the U.S. military, which now uses the Academy to train U.S. forces to operate with the Iraqi Armed Forces. Prior to the EPSS contract expiring on March 9, 2005, IRMO made arrangements for the Academy, including the buildings, office equipment, and furniture, to be turned over to the Multi-National Security Transition Command-Iraq. This command currently manages the facility, but a MNC-I unit runs the training program on the site. The Iraqi ministries of Defense and Electricity, however, signed an agreement leasing the land for the base to the Ministry of Electricity from May 27, 2004 to May 27, 2006. We were not provided, however, with any documentation indicating that the land was transferred back to the Ministry of Defense from the Ministry of Electricity. We believe the Academy and its components should be formally transferred from Task Force Shield to the proper U.S. military command or government agency.

Training of the EPSS Guards. We could not verify the number of students purported to be trained at the Academy. Phase 2 of the EPSS contract called for the training of 300 EPSS guards per month, and 6,000 EPSS guards over the course of two years. Training was to commence within three months after the contract was executed with the expectation that the Academy would be fully staffed and able to train a full class of 300 guards two months after training commenced. Former Task Force Shield officials stated that about 700 guards from the EPSS, OPF and the Iraqi Facilities Protection Service[12] were trained at the Academy from October 2004 through January 2005, which may have included about 300 EPSS and anywhere between 35 and 200 OPF guards. The terms of the EPSS contract required the contractor to provide all certificates of completion for all students who completed the EPSS guard course to the project contracting officer or the Task Force Shield contracting officer representative. We were provided, however, with only 334 certificates of completion to support the number of guards trained at the Academy and there is no way of knowing how many of the guards were from each Iraqi agency according to former Task Force Shield officials.

Given the limited number of guards trained, and the overall costs of the program, IRMO Electric Sector officials determined the program was too costly to continue. Task Force Shield officials believed, however, the costs for training students would be nominal compared to the improvements in the capability of the EPSS once the Academy was up and running even though construction costs were significant. We could not analyze these costs to verify Task Force Shield's statements because estimated training costs were never provided to us. An analysis conducted by the IRMO Electric Sector, however,

[11] A record of the definitization of the contract was not in JCC-I/A's contract file; the EPSS contractor provided us with this date.

[12] The Iraqi Facilities Protection Service is responsible for the protection of Iraqi government buildings.

indicated a cost of about $5,843 per student for the basic two week guard course. Though there were several factors including security-related work stoppages outside the control of Task Force Shield and the contractor that may have increased construction and training costs and timelines, we believe that because both the IRMO Oil and Electric Sectors could not ascertain exactly how many OPF and EPSS guards were being trained at the Academy, they could not justify the costs of the program. As a result, the IRMO Electric Sector in conjunction with the Ministry of Electricity decided to let the EPSS contract expire. We could not verify the effect of this decision on the capability of the EPSS during the course of our audit.

Accountability of Equipment Procured for the EPSS. We could not account for the current status of approximately $4.7 million worth of equipment procured for the EPSS. Phase 3 of the contract called for the complete equipping of 6,000 EPSS guards over the course of two years. The EPSS would be equipped with vehicles, uniforms, weapons, ammunition, night vision goggles, protective vests, and other personal equipment. Of particular note, the last statement of work for the contract dated December 25, 2004 specifically called for the following inventory to equip the EPSS:

- 430 automatic rifles and 105 pistols
- 212 sets of night vision goggles
- 4,020 protective vests
- 60 pick-up trucks and 10 vans

The documentation verifying the receipt of this equipment varied. We were provided with receiving reports documenting 84 vehicles which included an additional 10 pick-up trucks and four vans, 212 sets of night vision goggles, and 4,020 protective vests. The weapons were provided to the contractor as Government Furnished Equipment, however, we were not provided with receiving reports or documentation for the transfer of the weapons to the contractor. As a result, we cannot confirm how many weapons were provided to the contractor to equip the EPSS.

The IRMO Electric Sector determined that this equipment was to be inventoried and turned over to the EPSS when the contract expired on March 9, 2005. An official inventory was conducted for the rest of the equipment by JCC-I/A's Office of the Government Property Administrator, who issued a report on April 21, 2005, that estimated the cost of the entire inventory, except vehicles, at about $3.4 million. This also did not include the 212 sets of night vision goggles, worth $421,880, which remained in the possession of the U.S. government according to a Task Force Shield official. We found that the inventory report was not recorded with the proper forms, the forms that were used were not signed and dated, and the numbers of equipment and cost totals were not specified. Based on this inventory, we calculated that the contractor had 964 automatic rifles and 119 pistols valued at $103,512 in their possession at the Academy. We could not determine, however, how the additional 534 rifles and 14 pistols came into the possession of the contractor due to the lack of receiving reports and transfer documents noted above.

Task Force Shield officials stated that all of the equipment procured for the EPSS program was turned over to the EPSS and the Ministry of Electricity or the Multi-National Security Transition Command-Iraq, but we could not identify, nor were we provided with, all the proper documentation supporting these transfers. We were provided with four "Letter(s) of Authorization for Transportation of Sensitive Items" for the transportation of the inventory to the EPSS, but these documents do not account for all the equipment transferred to the EPSS and do not constitute an official transfer document according to U.S. Army regulations. We also could not locate, nor were we

provided with, any documentation for the transfer of equipment from the contractor or Task Force Shield to Multi-National Security Transition Command-Iraq.

We calculated the cost of the 60 trucks and 10 vans purchased per the last statement of work to be about $1.4 million. The additional 14 vehicles that the contractor purchased cost $278,000 for a total cost of about $1.7 million for the 84 vehicles. The additional 14 vehicles was a change in the scope of the contract that was not reflected in any statement of work or modification of the contract. These 84 vehicles were also to be transferred to the EPSS upon completion of the contract and Task Force Shield officials stated that all of the vehicles were, in fact, transferred to the EPSS. However, we were only provided with documents certifying the transfer of 48 of these vehicles to the EPSS. Task Force Shield officials informed us that the EPSS does not have the ability to track or locate any of the equipment transferred to them. Therefore, given the overall lack of proper U.S. government documentation for these equipment transfers, we could not determine the current status of the equipment procured for the EPSS.

Management Actions

During the course of this audit, we provided JCC-I/A with the EPSS contract documents we collected from the contracting officer representative and notified them of the lack of documentation in their contract file. As a result, JCC-I/A has taken action to reconstruct the contract file to establish the integrity of the documentation for this contract. We also notified IRMO and JCC-I/A that the Academy had not been transferred to either the Multi-National Security Transition Command-Iraq or MNC-I. IRMO and JCC-I/A and have taken steps to address the Academy transfer issue, but this was not resolved at the time of publication of this report.

Conclusion and Recommendations

Conclusion

U.S. efforts to improve the capacity of the Iraqi government to protect its oil and electrical infrastructure, as implemented by Task Force Shield through the programs to train and equip the OPF and EPSS, ultimately proved to be unsuccessful. Although the OPF appeared to have been initially successful, we could only determine that about 11,400 OPF guards were trained and equipped under this program and there is not enough data available to determine if the OPF was effective. The EPSS program barely got underway and only trained a limited amount of guards. As a result, Task Force Shield did not come close to meeting the CPA's requirements for training about 20,000 guards to protect Iraq's oil and electrical infrastructure and both the OPF and EPSS programs were cancelled earlier than originally envisioned. Although most U.S. personnel who worked with Task Force Shield are no longer in Iraq, and few program records exist to document what occurred, the information we gathered generally indicates that the lack of a clear management structure for the U.S. agencies responsible for the protection of Iraq's infrastructure degraded the ability of Task Force Shield to effectively manage the OPF and EPSS programs. We believe that this resulted in the cancellation of the programs earlier than originally envisioned.

We also found little information on what the programs cost, how the money was used, how many guards were actually trained, or the location of the millions of dollars of equipment purchased with Task Force Shield funds. The lack of records and equipment accountability raises significant concerns about possible fraud, waste, and abuse of Task Force Shield programs by U.S. and Iraqi officials. We therefore believe that U.S. agencies cannot provide a reasonable assurance to the leadership of the Department's of Defense and State, and to the Congress, that the $147 million disbursed to train and equip the OPF and EPSS was used for its intended purposes. In addition, we found about $7 million in unexpended IRRF funding that is potentially eligible to be de-committed or de-obligated, and used for other purposes.

Indications of Potential Fraud. During this audit, 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.

Recommendations, Management Comments and Audit Response

We recommend the following:

1. Director, Iraq Reconstruction Management Office, require IRMO management to:
    - In cooperation with JCC-I/A, determine the current status of equipment procured for the OPF and the EPSS programs, including equipment transferred to the Ministry of Oil and the Ministry of Electricity.
    - In cooperation with JCC-I/A, conduct a thorough examination of the performance of the contractor in relation to the construction of the EPSS Training Academy at Taji. A determination needs to be made if the government received what the statement of work called for, and if not, a financial adjustment by the contractor should be made to the government.

- In cooperation with JCC-I/A, ensure that the EPSS Training Academy at Taji, is formally transferred from the Task Force Shield EPSS contracting officer representative to either the Multi-National Security Transition Command-Iraq or MNC-I.
- Determine whether unexpended IRRF funds currently committed or obligated to Task Force Shield contracts can be de-committed and de-obligated and re-allocated for other purposes.

2. Commanding General, Joint Contracting Command-Iraq/Afghanistan, require JCC-I/A management to:
   - In cooperation with IRMO, determine the current status of equipment procured for the OPF and the EPSS programs, including equipment transferred to the Ministry of Oil and the Ministry of Electricity.
   - In cooperation with IRMO, conduct a thorough examination of the performance of the contractor in relation to the construction of the EPSS Training Academy at Taji. A determination needs to be made if the government received what the statement of work called for, and if not, a financial adjustment by the contractor should be made to the government.
   - In cooperation with IRMO, ensure that the EPSS Training Academy at Taji, is formally transferred from the Task Force Shield EPSS contracting officer representative to either the Multi-National Security Transition Command-Iraq or MNC-I.
   - Determine whether unexpended IRRF funds currently committed or obligated to Task Force Shield contracts can be de-committed, de-obligated and re-allocated for other purposes.

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

Appendix A. Scope and Methodology

This audit was initiated on January 30, 2006 (Project No. 6004) with the overall objective of determining whether program managers of Task Force Shield, which was created to provide infrastructure security for Iraq; efficiently and effectively used funds to meet the intended goals of the program. More specifically, we addressed the following questions during the course of the audit:

- What was the role of Task Force Shield and the Iraq Reconstruction Management Office with respect to the training and equipping of security forces for oil and electricity infrastructure?
- Did government officials establish policies, procedures and processes to monitor and manage Task Force Shield projects; particularly for the construction and management of the infrastructure security force training facility at Taji?
- To what extent were equipment purchases and contractor services determined to be within the scope of applicable contracts and projects?
- Did government officials establish controls to ensure the proper accountability of U.S. government-owned property transferred between U.S. government activities or to the Government of Iraq?

Members of the United States Senate Committee on Foreign Relations requested SIGIR to report on the capacity of the Government of Iraq to protect its infrastructure during a hearing on February 8, 2006. Pursuant to the committee members' interest we expanded the scope and methodology of this audit. The methodology for this report does, however, incorporate answers to our initial research objective and questions in the text of this report. These initial findings directly support the report's broader overall findings, conclusions, and recommendations.

To determine the roles and responsibilities of U.S. agencies that directed and supported Task Force Shield, we interviewed the few remaining U.S. officials in Baghdad with knowledge of Task Force Shield. We also contacted several former Task Force Shield and CPA officials located in the United States to better understand who was responsible for the OPF and EPSS programs from August 2003 to June 2005. We then collected and reviewed guidance, fragmentary orders, and other records documenting the roles and responsibilities of U.S. agencies from MNF-I, IRMO, and U.S. government databases. We also met with and obtained documents from the representatives of the OPF and EPSS contractors located in Iraq to get their perspectives on working with Task Force Shield.

To determine the success of the programs to build and operate the OPF, and to train and equip the EPSS, we interviewed current and former U.S. officials and obtained relevant documentation from IRMO, MNF-I, and quarterly reports submitted to the Congress to meet the requirements of Section 2207 of Public Law 108-106. In addition, we retrieved briefings, reports, and other documentation from U.S. government databases for additional information on Task Force Shield program and its results.

We also collected and analyzed documents from JCC-I/A's contract database to assess whether the contracts for the OPF and EPSS programs were executed in accordance with the requirements established by the CPA. This included reviewing available contracts, statements of work, contract modifications, invoices, receiving reports, transfer documents, contractor reports, memoranda, and other documented communications. To better understand the requirements of these contracts we interviewed contracting

personnel from JCC-I/A, the U.S. Army, the Defense Contract Management Agency, and representatives from the OPF and EPSS contractors. Furthermore, we conducted a site inspection of the EPSS Training Academy at Taji on March 12, 2006, to assess whether the core structures built for the Academy met the specifications of the EPSS contract statement of work. Last, we reviewed all available financial data for the programs as provided by the U.S. government agencies in Iraq and contractors to determine the costs of the OPF and EPSS programs.

Audit Limitations. Our audit was limited because the U.S. Army Corps of Engineers Gulf Region Division did not provide appropriate access to the their electronic files for Oil and Electricity sector programs and projects, which we believe included Task Force Shield documents relevant to this audit. Furthermore, we requested a U.S. Army Corps of Engineers report on lessons learned on the restoration of Iraq's oil and electrical infrastructure, which contained a section on Task Force Shield, from several U.S. Army components, but this report was not provided to us. Last, many program documents were reportedly destroyed by a former Task Force Shield commander. This U.S. Army officer did not respond to several requests for information on OPF and EPSS program actions during his command.

This audit was conducted from January 2006 through April 2006, in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. We reviewed Task Force Shield reports that were compiled in spreadsheets and other documents that were based on data taken from reports run in the U.S. Army Corps of Engineers Financial Management System as provided by U.S. government agencies that use the system. We did not audit this financial management system. For more information on the reliability of data drawn from the U.S. Army Corps of Engineers Financial Management System, see the following U.S. Government Accountability Office reports.

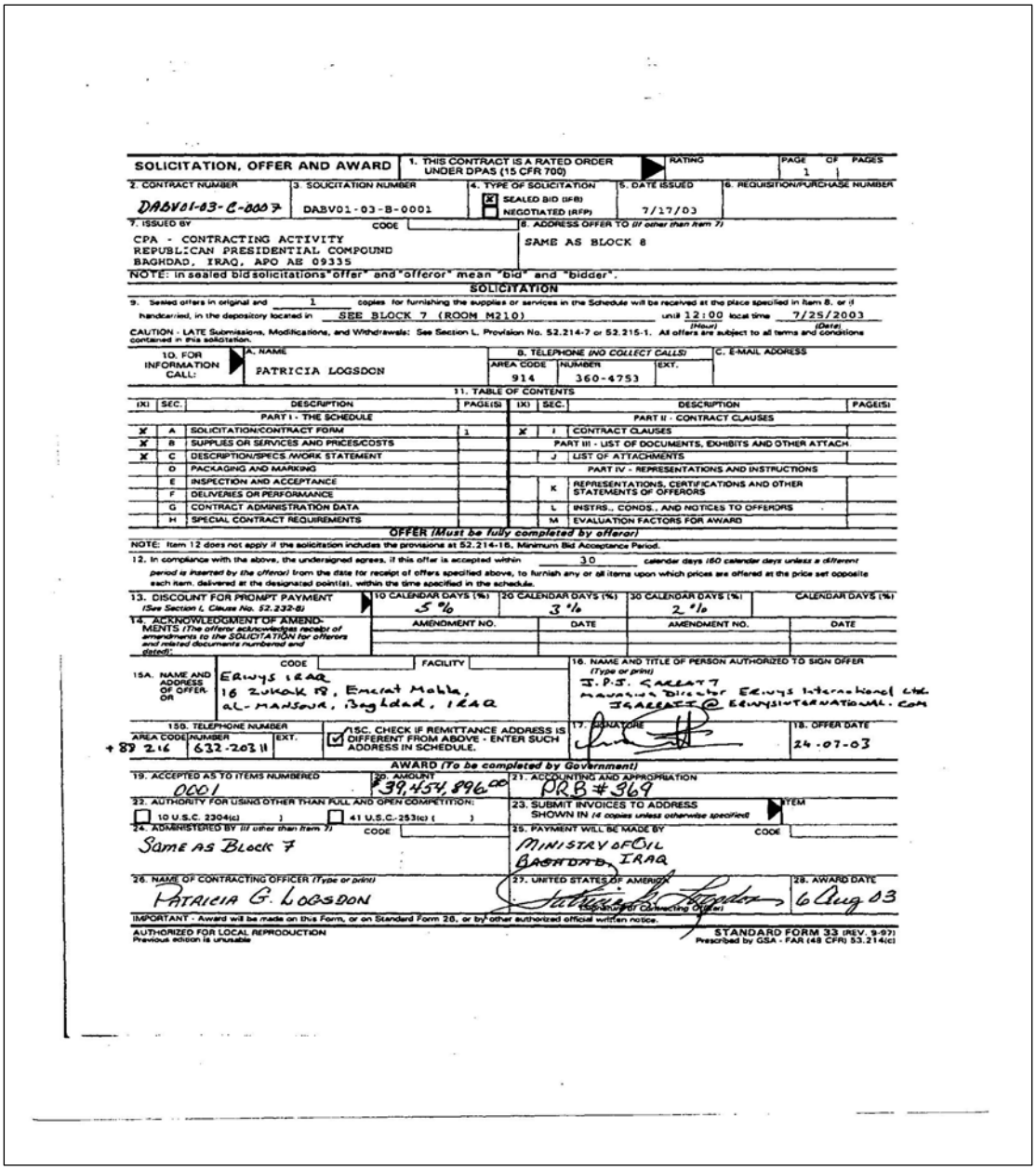
- Financial Management: Significant Weaknesses in Corps of Engineers' Computer Controls (GAO-01-89, October 11, 2000).
- Information Security: Corps of Engineers Making Improvements But Weaknesses Continue (GAO-02-589, June 10, 2002).

Prior Coverage. There have been no audits of Task Force Shield programs to date.

Appendix B. OPF and EPSS Contract Exhibits

Exhibits 1 and 2 are copies of the original OPF and EPSS train and equip contracts. As discussed, specific descriptions with detailed cost estimates per contract line item were not provided in the contract or in other government documents. Therefore, we could not determine the specific costs for services and equipment procured for the OPF and EPSS programs. These contracts were obtained from the JCC-I/A electronic contract database.

Exhibit 1: The contract to train and operate the OPF



SOLICITATION, OFFER AND AWARD

1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 700) — RATING — PAGE 1 OF PAGES

2. CONTRACT NUMBER	3. SOLICITATION NUMBER	4. TYPE OF SOLICITATION	5. DATE ISSUED	6. REQUISITION/PURCHASE NUMBER
DABV01-03-C-0007	DABV01-03-B-0001	[X] SEALED BID (IFB) [ ] NEGOTIATED (RFP)	7/17/03	

7. ISSUED BY — CODE

CPA - CONTRACTING ACTIVITY
REPUBLICAN PRESIDENTIAL COMPOUND
BAGHDAD, IRAQ, APO AE 09335

8. ADDRESS OFFER TO (If other than Item 7)

SAME AS BLOCK 8

NOTE: In sealed bid solicitations "offer" and "offeror" mean "bid" and "bidder".

SOLICITATION

9. Sealed offers in original and 1 copies for furnishing the supplies or services in the Schedule will be received at the place specified in Item 8, or if handcarried, in the depository located in SEE BLOCK 7 (ROOM M210) until 12:00 (Hour) local time 7/25/2003 (Date)

CAUTION - LATE Submissions, Modifications, and Withdrawals: See Section L, Provision No. 52.214-7 or 52.215-1. All offers are subject to all terms and conditions contained in this solicitation.

10. FOR INFORMATION CALL:	A. NAME	B. TELEPHONE (NO COLLECT CALLS) AREA CODE	NUMBER	EXT.	C. E-MAIL ADDRESS
	PATRICIA LOGSDON	914	360-4753		

11. TABLE OF CONTENTS

(X)	SEC.	DESCRIPTION	PAGE(S)
		PART I - THE SCHEDULE	
X	A	SOLICITATION/CONTRACT FORM	1
X	B	SUPPLIES OR SERVICES AND PRICES/COSTS	
X	C	DESCRIPTION/SPECS./WORK STATEMENT	
	D	PACKAGING AND MARKING	
	E	INSPECTION AND ACCEPTANCE	
	F	DELIVERIES OR PERFORMANCE	
	G	CONTRACT ADMINISTRATION DATA	
	H	SPECIAL CONTRACT REQUIREMENTS	

(X)	SEC.	DESCRIPTION	PAGE(S)
		PART II - CONTRACT CLAUSES	
X	I	CONTRACT CLAUSES	
		PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACH.	
	J	LIST OF ATTACHMENTS	
		PART IV - REPRESENTATIONS AND INSTRUCTIONS	
	K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS	
	L	INSTRS., CONDS., AND NOTICES TO OFFERORS	
	M	EVALUATION FACTORS FOR AWARD	

OFFER (Must be fully completed by offeror)

NOTE: Item 12 does not apply if the solicitation includes the provisions at 52.214-16, Minimum Bid Acceptance Period.

12. In compliance with the above, the undersigned agrees, if this offer is accepted within 30 calendar days (60 calendar days unless a different period is inserted by the offeror) from the date for receipt of offers specified above, to furnish any or all items upon which prices are offered at the price set opposite each item, delivered at the designated point(s), within the time specified in the schedule.

13. DISCOUNT FOR PROMPT PAYMENT (See Section I, Clause No. 52.232-8)	10 CALENDAR DAYS (%)	20 CALENDAR DAYS (%)	30 CALENDAR DAYS (%)	CALENDAR DAYS (%)
	5 %	3 %	2 %	

14. ACKNOWLEDGMENT OF AMENDMENTS (The offeror acknowledges receipt of amendments to the SOLICITATION for offerors and related documents numbered and dated):	AMENDMENT NO.	DATE	AMENDMENT NO.	DATE

15A. NAME AND ADDRESS OF OFFEROR	CODE	FACILITY	16. NAME AND TITLE OF PERSON AUTHORIZED TO SIGN OFFER (Type or print)
ERWYS IRAQ 16 ZUKAK 19, Emrat Mahla, al-MANSOUR, Baghdad, IRAQ			J.P.S. GHAREATT Managing Director ERWYS International Ltd. JGHAREATT@ERWYSINTERNATIONAL.COM

15B. TELEPHONE NUMBER AREA CODE	NUMBER	EXT.	15C. CHECK IF REMITTANCE ADDRESS IS [✓] DIFFERENT FROM ABOVE - ENTER SUCH ADDRESS IN SCHEDULE.	17. SIGNATURE	18. OFFER DATE
+89 216	632-203 11				24-07-03

AWARD (To be completed by Government)

19. ACCEPTED AS TO ITEMS NUMBERED	20. AMOUNT	21. ACCOUNTING AND APPROPRIATION
0001	$39,454,896.00	PRB #369

22. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION:	23. SUBMIT INVOICES TO ADDRESS SHOWN IN (4 copies unless otherwise specified)	ITEM
[ ] 10 U.S.C. 2304(c) ( ) [ ] 41 U.S.C. 253(c) ( )		

24. ADMINISTERED BY (If other than Item 7)	CODE	25. PAYMENT WILL BE MADE BY	CODE
SAME AS BLOCK 7		MINISTRY OF OIL BAGHDAD, IRAQ	

26. NAME OF CONTRACTING OFFICER (Type or print)	27. UNITED STATES OF AMERICA (Signature of Contracting Officer)	28. AWARD DATE
PATRICIA G. LOGSDON		6 Aug 03

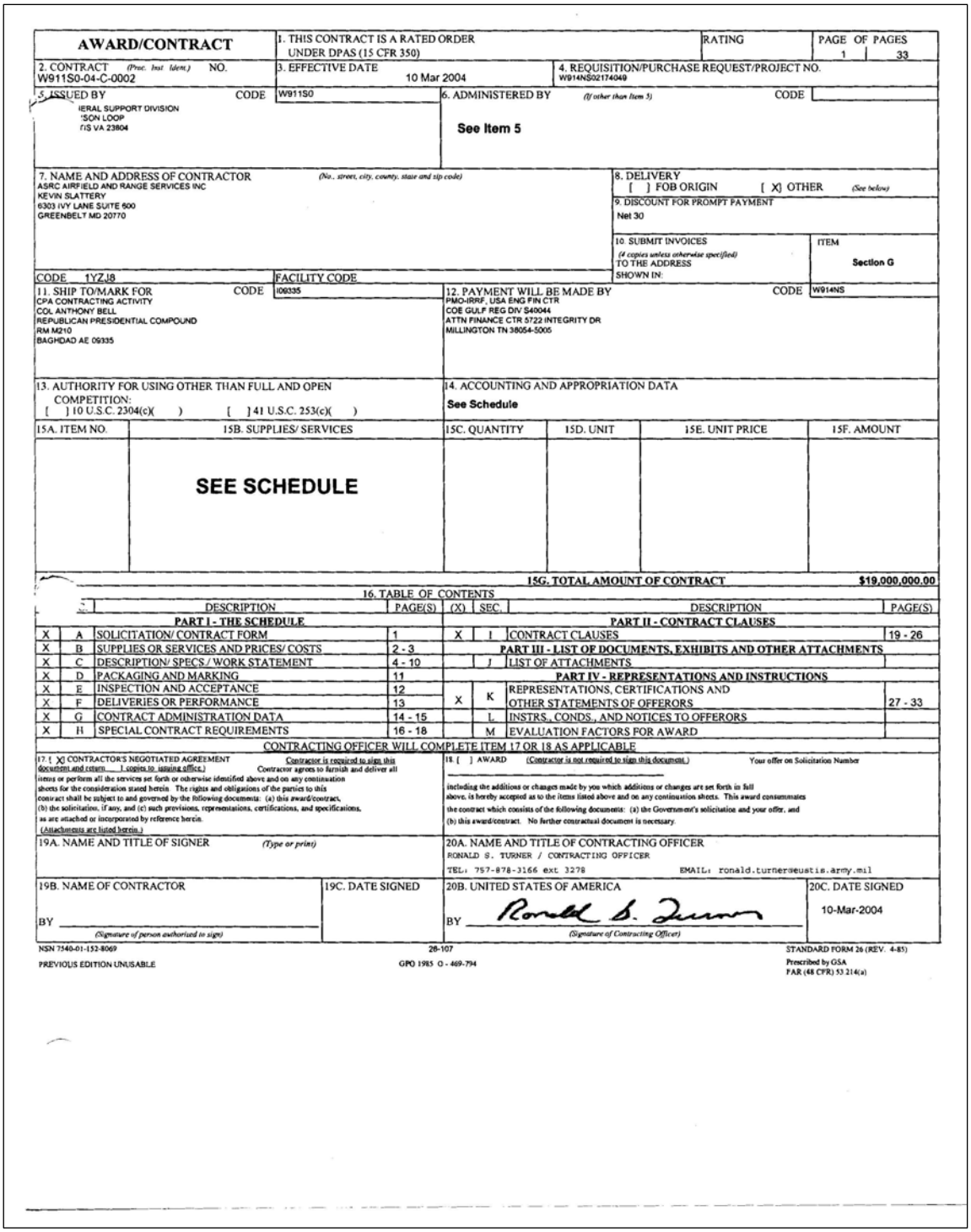
IMPORTANT - Award will be made on this Form, or on Standard Form 26, or by other authorized official written notice.

AUTHORIZED FOR LOCAL REPRODUCTION
Previous edition is unusable

STANDARD FORM 33 (REV. 9-97)
Prescribed by GSA - FAR (48 CFR) 53.214(c)

	MATERIALS, TRANSPORTATION, COMMUNICATIONS, AND TRAINING TO PROTECT THE PETROCHEMICAL INDUSTRY THROUGHOUT THE COUNTRY OF IRAQ IN ACCORDANCE WITH THE INCORPORATED STATEMENT OF WORK PROPOSED BY ERINYS DATED 24 JUL 2003 AND COST PROPOSAL DATED 30 JUL 2003 INCORPORATED BY REFERENCE. PERIOD OF PERFORMANCE IS 6 AUG 2003 THROUGH 5 AUG 2004 WITH A ONE-YEAR OPTION PERIOD AVAILABLE UPON NOTICE FROM THE CONTRACTING OFFICER 30 DAYS IN ADVANCE.				
0001AA	LABOR - SECURITY	12	MO	$2,089,250.00	25,071,000
0001AB	LABOR - ADMINISTRATIVE	12	MO	$75,450.00	905,400
0001AC	LABOR - PROJECT	12	MO	$757,000.00	9,084,000
0001AD	EQUIPMENT AND MATERIAL	12	MO	$366,208.00	4,394,496

Exhibit 2: The contract to train and equip the EPSS



AWARD/CONTRACT

1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 350) — RATING — PAGE OF PAGES: 1 / 33

2. CONTRACT (Proc. Inst. Ident.) NO.: W911S0-04-C-0002

3. EFFECTIVE DATE: 10 Mar 2004

4. REQUISITION/PURCHASE REQUEST/PROJECT NO.: W914NS02174049

5. ISSUED BY — CODE: W911S0
IERAL SUPPORT DIVISION
'SON LOOP
I'IS VA 23804

6. ADMINISTERED BY (If other than Item 5) — CODE:
See Item 5

7. NAME AND ADDRESS OF CONTRACTOR (No., street, city, county, state and zip code)
ASRC AIRFIELD AND RANGE SERVICES INC
KEVIN SLATTERY
6303 IVY LANE SUITE 500
GREENBELT MD 20770

8. DELIVERY: [ ] FOB ORIGIN [X] OTHER (See below)

9. DISCOUNT FOR PROMPT PAYMENT: Net 30

10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN: — ITEM: Section G

CODE 1YZJ8 — FACILITY CODE

11. SHIP TO/MARK FOR — CODE: I09335
CPA CONTRACTING ACTIVITY
COL ANTHONY BELL
REPUBLICAN PRESIDENTIAL COMPOUND
RM M210
BAGHDAD AE 09335

12. PAYMENT WILL BE MADE BY — CODE: W914NS
PMO-IRRF, USA ENG FIN CTR
COE GULF REG DIV S40044
ATTN FINANCE CTR 5722 INTEGRITY DR
MILLINGTON TN 38054-5005

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION:
[ ] 10 U.S.C. 2304(c)( ) [ ] 41 U.S.C. 253(c)( )

14. ACCOUNTING AND APPROPRIATION DATA
See Schedule

15A. ITEM NO.	15B. SUPPLIES/ SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
	SEE SCHEDULE				

15G. TOTAL AMOUNT OF CONTRACT: $19,000,000.00

16. TABLE OF CONTENTS

		DESCRIPTION	PAGE(S)	(X)	SEC.	DESCRIPTION	PAGE(S)
		PART I - THE SCHEDULE				PART II - CONTRACT CLAUSES	
X	A	SOLICITATION/ CONTRACT FORM	1	X	I	CONTRACT CLAUSES	19 - 26
X	B	SUPPLIES OR SERVICES AND PRICES/ COSTS	2 - 3			PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS	
X	C	DESCRIPTION/ SPECS / WORK STATEMENT	4 - 10		J	LIST OF ATTACHMENTS	
X	D	PACKAGING AND MARKING	11			PART IV - REPRESENTATIONS AND INSTRUCTIONS	
X	E	INSPECTION AND ACCEPTANCE	12	X	K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS	27 - 33
X	F	DELIVERIES OR PERFORMANCE	13		L	INSTRS., CONDS., AND NOTICES TO OFFERORS	
X	G	CONTRACT ADMINISTRATION DATA	14 - 15		M	EVALUATION FACTORS FOR AWARD	
X	H	SPECIAL CONTRACT REQUIREMENTS	16 - 18				

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. [X] CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return 1 copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)

18. [ ] AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____ including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

19A. NAME AND TITLE OF SIGNER (Type or print)

20A. NAME AND TITLE OF CONTRACTING OFFICER
RONALD S. TURNER / CONTRACTING OFFICER
TEL: 757-878-3166 ext 3278 EMAIL: ronald.turner@eustis.army.mil

19B. NAME OF CONTRACTOR — 19C. DATE SIGNED
BY _____ (Signature of person authorized to sign)

20B. UNITED STATES OF AMERICA — 20C. DATE SIGNED: 10-Mar-2004
BY Ronald S. Turner (Signature of Contracting Officer)

NSN 7540-01-152-8069 — 26-107 — STANDARD FORM 26 (REV. 4-85)
PREVIOUS EDITION UNUSABLE — GPO 1985 O - 469-794 — Prescribed by GSA FAR (48 CFR) 53.214(a)

Section B - Supplies or Services and Prices

DESIGN BUILD REQUIREMENTS
Design Build Requirements:

Note: The government shall utilize the Corps of Engineer's Guidance for Firm Fixed-Price "Design-Build Construction Contracts", revised 5 January 2004 as a guide for a complete design-build contract.

Scope of Work:

The design-build contractor shall provide and ensure the technical adequacy of all design/drawings, milestones, labor, material, equipment, quality control and supervision necessary to:

(Phase 1). Build a Training Facility

(Phase 2). Train the EPSS

(Phase 3). Equip the EPSS

Proposal Submittal Requirements:

The contractor shall submit with the proposal submittals to accomplish all phases of the scope of work. The proposal submittals shall include but not be limited to milestones (design and construction), preliminary facility drawings/sketches and preview of training and equipment concepts for EPSS.

Design Build Format:

1. Site Investigations: Perform site investigations as required for gathering of information needed for design effort.
2. Preliminary Concept Design Phase (35%): Submit a preliminary design package for review for the three requirement phases. Provide preliminary design/specifications for selections and drawings for the three phases of the requirement.
3. Pre-final Design Phase (95%): Submit a pre-final design package for review, consisting of 95% compete drawings
4. Final Design (100%): Submit final design package for complete Scope of Work including but not limited to all drawings, specifications, cost, schedules, equipment, milestones etc.

Construction/Services phase: In accordance with the approved final design.
Scheduled Delivery - The contractor shall work on all aspects of the project concurrently to accomplish the required schedule for a complete product.

WEAPON CONTROL
Any weapons acquired within the United States, territories or its possessions will be acquired, handled, and distributed in accordance with the applicable state and federal law.
No weapons will be acquired in any manner that violates federal law.

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001		19,000,000	Lot	$1.00	$19,000,000.00

FFP
To provide all labor, transportation, tools, training aids, equipment, weapons and ammunition, facilities, and life support required to perform the requirements of the SOW. NOTE: SEE THE LIMITATIONS AT FAR CLAUSE 52.216-24.
PURCHASE REQUEST NUMBER: W914NS02174049

NET AMT	$19,000,000.00
ACRN AA Funded Amount	$19,000,000.00

FOB: Destination

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0002			Lot		
OPTION	Option Year 1				

FFP
To provide all labor, training aids, equipment, weapons and ammunition and life support required to perform the requirements of the SOW.
PURCHASE REQUEST NUMBER: W914NS02174049

NET AMT	$0.00
ACRN AA Funded Amount	$0.00

FOB: Destination

Appendix C. Task Force Shield Programs Funding Detail

Task Force Shield Funding Activity between August 2003 and September 2005 (Dollars in Millions)

Purpose	Obligated and Committed	Expended	Funds De-obligated by U.S.	Funds Returned to Iraqi Government	Potential De-Commitment or De-Obligation
OPF: DFI Funds					
Total DFI: Train & Equip contract for OPF	**$98.6**	**$73.3**	**$ 0**	**$25.0**	***$ 0**
OPF: IRRF Funds					
CPA allocation to Task Force Shield to support OPF activities (includes the EPSS Training Academy)	$32.8	$26.9	$ 0	n/a	$5.9
Oil Security Transition Contract	$5.0	$3.9	$ 0	n/a	$1.1
Total IRRF – OPF	**$37.8**	**$30.8**	**$ 0**	**n/a**	**$7.0**
Total OPF	**$136.4**	**$104.1**	**$ 0**	**$25.0**	**$7.0**
EPSS: IRRF Funds					
CPA allocation for the training and equipping of the EPSS	$50.0	$42.8	$7.2	n/a	$ 0
Total IRRF – EPSS	**$50.0**	**$42.8**	**$7.2**	**n/a**	**$0.0**
TOTAL IRRF FUNDS					
Total IRRF (OPF and EPSS)	**$87.8**	**$73.6**	**$7.2**	**n/a**	**$7.0**
TOTAL ALL FUNDS					
Total DFI and IRRF	**$186.4**	**$146.9**	**$7.2**	**$25.0**	**$7.0**

* A $387,000 payment is pending to the contractor.
Source: SIGIR analysis of available U.S. program and funding data.

Appendix D. Acronyms

CJTF-7	Combined Joint Task Force-7
CPA	Coalition Provisional Authority
DFI	Development Fund for Iraq
EPSS	Electrical Power Security Service
IRMO	Iraq Reconstruction Management Office
IRRF	Iraq Relief and Reconstruction Fund
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
OPF	Oil Protection Force

Appendix E. Report Distribution

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
    Mission Director-Iraq, U.S. Agency for International Development
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
Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Director, Defense Contract Management Agency

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
    Commanding General, 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 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
President, Overseas Private Investment Corporation
President, U.S. Institute for Peace

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 F. Audit Team Members

This report was prepared and the review was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed to the report include:

Glenn Furbish

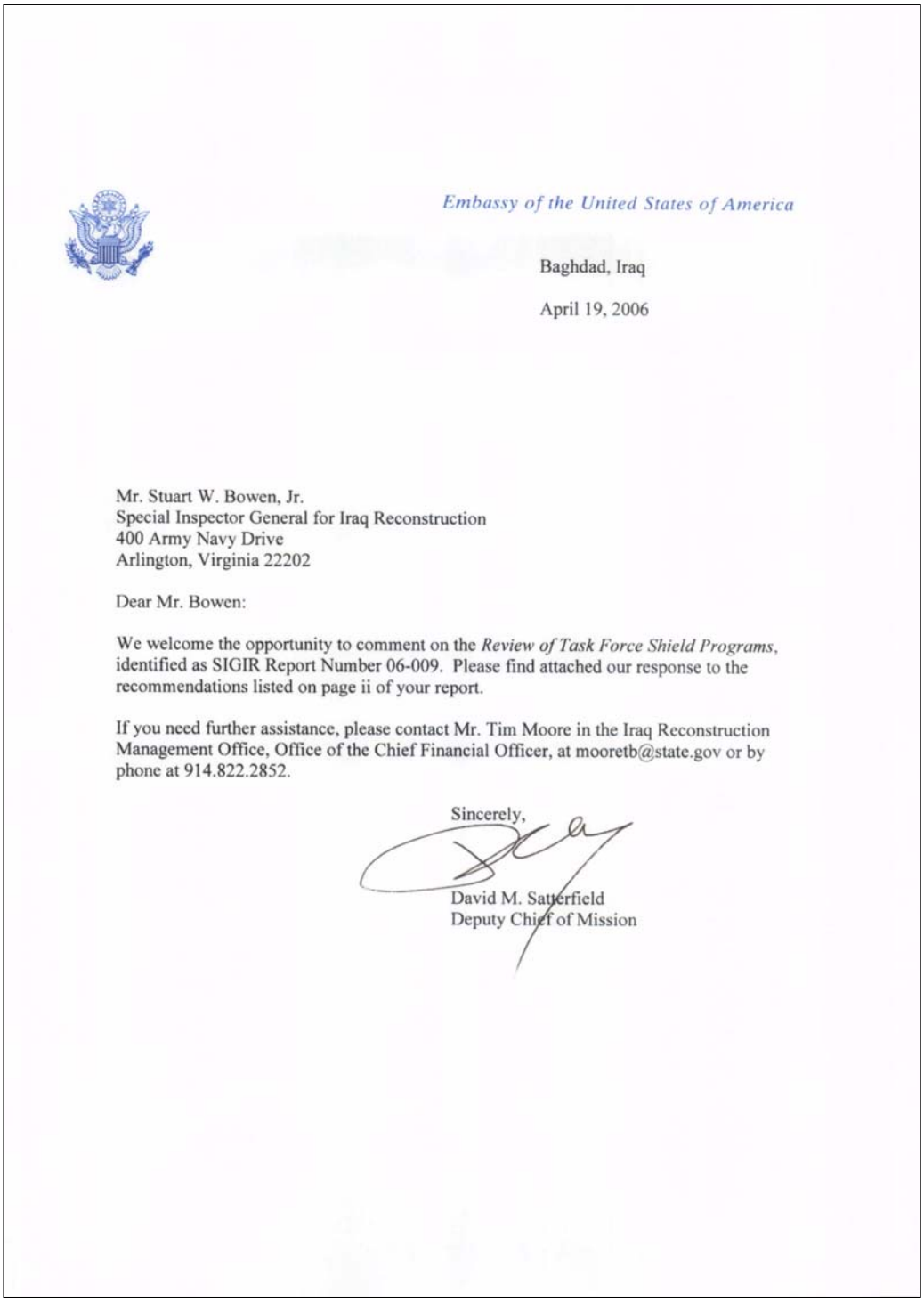
Nelson Reyes

Michael Stanka

Jason Venner

Ralph White

Management Comments
Iraq Reconstruction Management Office



Embassy of the United States of America

Baghdad, Iraq

April 19, 2006

Mr. Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction
400 Army Navy Drive
Arlington, Virginia 22202

Dear Mr. Bowen:

We welcome the opportunity to comment on the *Review of Task Force Shield Programs*, identified as SIGIR Report Number 06-009. Please find attached our response to the recommendations listed on page ii of your report.

If you need further assistance, please contact Mr. Tim Moore in the Iraq Reconstruction Management Office, Office of the Chief Financial Officer, at mooretb@state.gov or by phone at 914.822.2852.

Sincerely,

David M. Satterfield
Deputy Chief of Mission

Note: Attachment is Sensitive But Unclassified, and therefore, not reproduced in this report.

Management Comments
Joint Contracting Command-Iraq/Afghanistan

HEADQUARTERS
JOINT CONTRACTING COMMAND-IRAQ/AFGHANISTAN
BAGHDAD, IRAQ
APO AE 09316

Reply to
JCC-IA-R

17 April 2006

MEMORANDUM FOR Office of the Special Inspector General for Iraq Reconstruction

SUBJECT: Draft Audit Report on Review of Task Force Shield Programs (Report No. 06-009)

1. The draft audit report of the Task Force Shield Programs was provided to JCC-IA for response to recommendations. The recommendations with responses are as follows.

Recommendation: In cooperation with IRMO, determine the current status of equipment procured for the OPF and the EPSS programs, including equipment transferred to the Ministry of Oil and the Ministry of Electricity.

JCC-IA Response: Concur and JCC-IA will work with IRMO, the JCC-IA property administrator and the authorized representative of the contracting officer to determine what property can be located and identified as well as its disposition. There will, however, be some items which will be virtually impossible to identify due to the way early contracts were written as "lots" of equipment with no description in the SOW or CLINs to describe what was to be purchased.

Recommendation: In cooperation with IRMO conduct a thorough examination of the performance of the contractor in relation to the construction of the EPSS Training Academy at Taji. A determination needs to be made if the government received what the statement of work called for, and if not, a financial adjustment by the contractor should be made to the Government.

JCC-IA Response: Concur. This will require a review of the solicitation and the contract documents to determine whether a design was submitted to the USG for approval, and if so, what was actually approved. After this action is taken, a site visit by an engineer, possibly from Gulf Region Division, Corps of Engineers should be required to verify exactly what was constructed for the USG before the contracting officer can make a decision on what type of financial adjustment may be necessary.

Recommendation: In conjunction with IRMO, ensure that the EPSS Training Academy at Taji is formally transferred from the Task Force Shield EPSS contracting officer representative to either the MNSTC-I or the MNC-I.

JCC-IA Response: Concur. This is currently in process.

1

Recommendation: Determine whether unexpended IRRF funds currently committed or obligated to Task Force Shield contracts can be de-committed, de-obligated and re-allocated for other purposes.

JCC-IA Response: Concur. Approximately $3.0M has already been de-committed or de-obligated with the remaining actions to be complete within 30 days.

2. My point of contact for additional information is Ruth Anne Ijames, 703-544-6979, e-mail: ruth.ijames@pco-iraq.net.

DOUGLAS W. PACKARD
Principal Assistant Responsible
for Contracting