IRAQ COMMANDER'S EMERGENCY RESPONSE PROGRAM GENERALLY MANAGED WELL, BUT PROJECT DOCUMENTATION AND OVERSIGHT CAN BE IMPROVED

SIGIR 10-003
OCTOBER 27, 2009

SIGIR

Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 10-003

Why SIGIR Did this Study

In April 2008, the Multi-National Force-Iraq (MNF-I) and the Government of Iraq (GOI) signed a memorandum of understanding (MOU) establishing the Iraq Commander's Emergency Response Program (I-CERP). Since then, approximately $229 million of the initial $270 million allocated for I-CERP has been obligated. Under I-CERP, MNF-I executes GOI funds for reconstruction and other projects for the benefit of Iraqi citizens.

The objectives of this report are to examine the extent to which MNF-I met the terms of the MOU with GOI and the extent to which Multi-National Corps-Iraq (MNC-I) has maintained I-CERP project records in accordance with requirements. The Special Inspector General for Iraq Reconstruction (SIGIR) and Iraq's Board of Supreme Audit (BSA), agreed to conduct a joint review of I-CERP; however, in July 2009, BSA issued a separate I-CERP report.

What SIGIR Recommends

SIGIR recommends that the Commanding General, MNF-I, improve I-CERP program management by 1) requiring major subordinate commands to provide comprehensive information on all completed I-CERP projects with a value of at least $50,000, and 2) determining if there is a continuing need to train Iraqi security forces and provincial government personnel to manage the I-CERP program, as required in the MOU.

SIGIR also recommends that the Commanding General, MNC-I, improve I-CERP accountability and oversight by 3) clarifying the 2010 guidance revision and specifying which documents must be included in I-CERP project files; and 4) requiring MNC-I to review I-CERP project files for compliance with existing guidance.

Management Comments and Review Response

MNF-I deferred comments to MNC-I. MNC-I concurred with four of the report recommendations but did not concur with a draft recommendation that it establish a system for tracking I-CERP project file location. MNC-I stated that such guidance was in its budget execution guidance. SIGIR dropped this recommendation.

October 27, 2009

IRAQ COMMANDER'S EMERGENCY RESPONSE PROGRAM GENERALLY MANAGED WELL, BUT PROJECT DOCUMENTATION AND OVERSIGHT CAN BE IMPROVED

What SIGIR Found

MNF-I has generally managed the I-CERP program in accordance with the terms in the MOU by allocating projects to provinces as required and building the type of infrastructure stipulated in the MOU. Moreover, MNC-I data indicates that MNF-I is accounting for how the funds are used and disbursed. Nevertheless, MNF-I can improve the thoroughness of the quarterly reports it is providing GOI, particularly for those projects valued at $50,000 or more. In these cases, MNF-I provided detailed project information, called storyboards, on only 206 of the 347 projects and some of these lacked detailed project information, such as funds obligated and expended, project number to help identify the activity, and U.S. and GOI officials. Moreover, sustainment letters, which MNF-I and GOI sign at project initiation and document GOI support for a project, were missing in 13 storyboards. When sustainment letters were included, over 20 lacked a GOI signature and over 30 lacked a U.S. military signature. In addition, MNF-I has not met the MOU requirement to train GOI officials to manage the program and transfer I-CERP management to them. Officials cite the lack of additional GOI funding to maintain the program in the long term as a reason why this training has not and should not take place.

Despite efforts to improve accountability and documentation of the I-CERP program, numerous MNC-I project files lack critical internal control documentation due to insufficient MNC-I oversight and unclear and incomplete guidance on document requirements. In some cases, project files lacked essential internal control documents such as receipts for cash payments and electronic funds transfers. To illustrate, of the 103 files we sampled, 89 lacked receipts for payments made in cash. Moreover, MNC-I has not provided the oversight necessary to ensure that U.S. military units are documenting these critical management actions and decisions and including them in project files. These inconsistencies are caused by unclear guidance. As a result, these projects are vulnerable to fraud, waste, and abuse.

Iraq's BSA also reported U.S. data to be incomplete, thereby hindering GOI's oversight of U.S.-managed programs like I-CERP. SIGIR did not review the BSA report for accuracy.

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

October 27, 2009

MEMORANDUM FOR COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, MULTI-NATIONAL CORPS-IRAQ

SUBJECT: Iraq Commander's Emergency Response Program Generally Managed Well, but Project Documentation and Oversight Can Be Improved (SIGIR 10-003)

We are providing this report for your information and use. The report discusses our review of the Iraq Commander's Emergency Response Program (I-CERP). We performed this review in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq, and for recommendations on related policies designed to promote economy, efficiency and effectiveness and to prevent and detect waste, fraud, and abuse. This audit was conducted as SIGIR Project 9018.

The Multi-National Force-Iraq deferred comments to the Multi-National Corps-Iraq. We considered comments from the Chief of Staff, Multi-National Corps-Iraq when preparing this report. The comments are addressed in the report where applicable, and the letter is included in Appendix F of this report.

We appreciate the courtesies extended to our staff. For additional information on the report, please contact David Warren, Assistant Inspector General for Audits, (703) 604-0982/ david.warren@sigir.mil, or Glenn Furbish, Principal Deputy Assistant Inspector General for Audits, (703) 604-1388/ glenn.furbish@sigir.mil.

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Secretary of State
U.S. Ambassador to Iraq
U.S. Secretary of Defense
Commander, U.S. Central Command

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**Iraq Commander's Emergency Response Program
Generally Managed Well, but Project Documentation and
Oversight Can Be Improved**

SIGIR 10-003   **October 27, 2009**

Introduction

In April 2008, the Multi-National Force-Iraq (MNF-I) and the Government of Iraq (GOI) signed a memorandum of understanding (MOU) initiating the Iraq Commander's Emergency Response Program (I-CERP). Under the MOU, MNF-I is to complete urgent reconstruction projects to aid Iraqi citizens in the 15 provinces not under the Kurdish Regional Government using GOI funds and existing coalition spending mechanisms managed by the Multi-National Corps-Iraq (MNC-I). Initially, GOI indicated it would provide $300 million for I-CERP-related projects, but decreased that amount by 10% ($30 million)[1] at the time it signed the MOU. In May 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) and Iraq's Board of Supreme Audit (BSA), agreed to conduct a joint review of I-CERP. On July 16, 2009, BSA issued a report titled, "Review and Audit of the Projects Executed by the U.S. [Corps] of Engineers." See Appendix C for a copy of this report.

Background

The I-CERP MOU between MNF-I and Iraq's Supreme Reconstruction Council of the Secretariat of the Council of Ministries defines the purpose of the program and the responsibilities of both MNF-I and GOI. It requires that MNF-I expend I-CERP funds using the procedures, project purchasing officers,[2] paying agents,[3] and accountability mechanisms already established for the Commander's Emergency Response Program (CERP). In addition, the MOU requires that I-CERP funds be distributed among the provinces commensurate with the population of each province. Finally, the MOU requires that MNF-I report the I-CERP program status to GOI on a quarterly basis and train Iraqi security forces to enable them to manage I-CERP.

I-CERP projects are to be executed using the procurement, disbursement, and accountability mechanisms in the existing CERP program. The CERP program is guided by the policy and procedures manual titled *Money as a Weapon System* (MAAWS) issued by MNC-I for the first time in October 2005. In May 2008, MNC-I issued a revised version of the MAAWS that included standard operating procedures for I-CERP, supplementing the CERP guidance that also applies to I-CERP. The MAAWS was subsequently revised in January 2009 and again in

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[1] This amount remains subject to transfer under the supervision of the Iraq Supreme Reconstruction Council.
[2] A project purchasing officer has the authority to procure services and supplies and is responsible for managing the individual I-CERP projects and maintaining project files.
[3] A paying agent receives and disburses I-CERP project funds and cannot also serve as the project purchasing officer.

September 2009. MNC-I officials told us that they plan another revision to the MAAWS, with an expected release of January 2010. The manual lists five types of projects eligible, without exception, for I-CERP funding. An additional four project types are eligible by exception if approved by the commanding general of the responsible major subordinate command (MSC), as shown in Table 1. No other project types are eligible for I-CERP funds.

Table 1—Project Types Available for I-CERP Funds

Projects Allowed Without Exception

Water purification plants
Schools – projects to repair or reconstruct schools
Health clinics – projects to repair or reconstruct hospitals or clinics
City planning facilities – ministry offices, local government offices
Protective measures necessary to secure otherwise permissible I-CERP projects such as fencing, light, berms, or barriers[a]

Projects Allowed by Exception

Roads
Sewers
Irrigation
Nonreconstruction projects that promote small business

Notes:

[a] The protective measures category was added in January 2009, but as of September 2009, no I-CERP projects have been completed under this project category.

Source: MAAWS, September 2009.

MNC-I's MAAWS encourages U.S. military personnel to obtain the participation of Iraqi Provincial Reconstruction and Development Committees and U.S. Provincial Reconstruction Teams (PRT) for I-CERP projects. I-CERP differs from CERP in several ways, including (1) all I-CERP payments are to be made in Iraqi dinars, while CERP allows for payments in U.S. dollars, and (2) I-CERP has fewer allowable project types available for funding. MNF-I is required by the MOU and an MNF-I directive, called a fragmentary order,[4] to provide various internal and external reports. The MOU requires that MNF-I provide GOI a quarterly report on I-CERP projects. MNF-I quarterly reports to GOI should include a list of all I-CERP projects as well as a storyboard for each project valued at $50,000 or more completed during the quarter. Storyboards are one-slide summaries of project details, including titles, descriptions, photographs or maps, completion dates, funding data, and names of GOI officials associated with

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[4] Fragmentary Order 08-166 provides I-CERP implementation guidance and includes the MOU as an annex to the order. The order was modified on September 8, 2008, to provide additional detail on reporting requirements and to change the recipient of reports from MNF-I's Strategic Stewardship Council to MNF-I's Chief of Staff.

projects, required by both fragmentary and MAAWS guidance. Storyboards also include a sustainment letter signed by a GOI and an MNF-I official.[5]

MNF-I requires that MSCs, which manage and implement I-CERP projects, provide internal reports to MNC-I on their progress. These reports must contain project tracking information on I-CERP projects, including a unique requirement identifier, unit, project category, and funding data.

Responsible Organizations

MNF-I, headquartered in Baghdad, negotiated the terms of the MOU with GOI, coordinates with GOI on I-CERP issues, and provides GOI quarterly reports. MNF-I also develops guidance for I-CERP through orders to subordinates.

MNC-I, also headquartered in Baghdad, coordinates and oversees projects and documentation of I-CERP with its four MSCs headquartered throughout Iraq: Multi-National Division – South (MND-S), Multi-National Division – North (MND-N), Multi-National Division – Baghdad (MND-B), and Multi-National Force – West (MNF-W). Each MSC is responsible for proposing and executing I-CERP projects in its area of responsibility, and Brigade Combat Teams, assigned to the MSCs, are responsible for day-to-day management of I-CERP projects. MNC-I also is responsible for revising MAAWS guidance.

Objectives

The objectives of this report are to examine the extent to which MNF-I met the terms of the MOU with GOI and the extent to which MNC-I has maintained I-CERP project records in accordance with requirements. This report also contains results of the BSA review of the I-CERP program.

For a discussion of the scope and methodology, see Appendix A. For a complete list of SIGIR's review of I-CERP project files, see Appendix B. For a copy of BSA's report, see Appendix C. For a list of acronyms used in the report, see Appendix D, and for a list of the review team members, see Appendix E. For a copy of MNC-I's comments, see Appendix F. For the SIGIR mission and contact information, see Appendix G.

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[5] The sustainment letter is to be signed by an Iraqi official before a project commences and include a statement that the relevant Iraqi official acknowledges the need for the project and intends to operate and maintain the facility after completion.

MOU Requirements Generally Met, but Documentation and Training Issues Remain

MNF-I is generally managing the I-CERP program as required in the MOU with Iraq by allocating projects to provinces and building the types of infrastructure projects stipulated in the MOU. Moreover, MNC-I data indicates that MNF-I is accounting for how the funds are used and disbursed. Nevertheless, MNF-I's quarterly reports to GOI lack detailed project information about funds obligated and expended for specific activities and U.S. and GOI officials responsible for the program. Further, MNF-I has not trained GOI officials to manage the program and transferred I-CERP management to them as required by the MOU. Officials cite the lack of additional GOI funding to maintain the program in the long term as a reason why this training has not and should not take place.

MOU Terms Are Generally Being Met

MNF-I has met several key terms of the April 2008 MOU with GOI as demonstrated by MNC-I's data, which indicates that it properly allocated funds, is using funds for the intended purposes, and is accounting for how the funds are expended. The MOU requires MNF-I to distribute funds according to population among the 15 provinces that do not fall under the Kurdish Regional Government and to focus on specific types of reconstruction projects. To ensure that funding would be appropriately divided, MNF-I established a percentage of I-CERP funding for each province, and how much money would therefore be allocated to each province. The distribution and allocations of I-CERP are shown in Table 2 below.

Table 2—I-CERP Project Allocations, by Province

Province	Agreed upon I-CERP Allocation	Share of $270M Allocation
Anbar	5.5%	$14,850,000
Babylon	6%	16,200,000
Baghdad	26.5%	71,550,000
Basrah	9.2%	24,840,000
Diyala	5%	13,500,000
Kerbala	3.5%	9,450,000
Missan	3.6%	9,720,000
Muthanna	2.5%	6,750,000
Najaf	4.3%	11,610,000
Ninewa	10.7%	28,890,000
Qadissiya	4%	10,800,000
Salah al Din	4.4%	11,880,000
Tameem	4.3%	11,610,000
Thi Qar	6.5%	17,550,000
Wassit	4%	10,800,000
Total	**100%**	**$270,000,000**

Source: MNF-I FRAGO 08-166, 4/16/2008, and MNC-I data, 5/20/2009.

In addition, MNF-I focused I-CERP projects on reconstruction as required in the MOU. The MOU provides examples of approved project categories, including schools, health clinics, and roads. It also states that I-CERP projects should create small business opportunities for Iraqis. MNF-I's fragmentary order for I-CERP established approved categories and listed some prohibited categories such as direct or indirect benefit to U.S., coalition, or other supporting personnel, entertainment, and weapons buyback programs.[6] Table 3 provides information on total I-CERP funding, project type, and number of projects.

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[6] MNF-I's fragmentary order established seven approved categories for I-CERP projects. MNC-I's May 2008 MAAWS added an additional category to include opportunities for small businesses. In January 2009, the MNC-I added a category for protective measures to ensure the security of ongoing I-CERP projects.

Table 3—I-CERP Funding and Projects by Category

Project type	Committed	Obligated	Disbursed	Number of Projects
City Planning Facilities	$9,850,757.24	$9,843,592.24	$4,811,783.61	63
Health Clinics	8,655,634.08	8,384,384.08	5,664,297.70	60
Irrigation	4,527,786.79	4,527,786.79	3,376,102.55	27
Protective Measures	-	-	-	-
Roads	70,882,991.07	69,920,711.07	37,738,025.01	134
Schools	86,991,108.55	82,183,312.36	55,370,618.09	373
Sewer	9,129,008.98	9,093,008.98	4,512,934.97	21
Small Business Grants	4,458,574.43	4,259,889.35	3,787,511.63	233
Water Treatment Facilities	42,193.462.43	40,731,582.43	24,102,853.17	199
Total	**$236,689,323.57**	**$228,944,267.30**	**$139,364,126.73**	**1,110**

Source: SIGIR Analysis of MNC-I data, 9/1/2009.

MNF-I is also accounting for I-CERP funds through a tracking spreadsheet. As of September 1, 2009, MNF-I had obligated approximately $229 million of the $270 million available for I-CERP and reports completing over 800 I-CERP projects. MNC-I's tracking spreadsheet is based on monthly reports from the MSCs and includes financial tracking data, funding details, and project status for all I-CERP projects. MNC-I's tracking system accounts for all of the approximately $229 million obligated as well as the approximately $140 million that has been disbursed.

Figures 1 through 4 illustrate some of the I-CERP projects MNF-I has implemented.

Figure 1 shows before and after photos of an I-CERP educational warehouse refurbishment project in Ramadi, Anbar. This project costing approximately $170,439 consisted of renovating the interior and exterior of a five-room warehouse measuring 10,000 square feet and four office spaces measuring 3,000 square feet. The warehouse is now available for the Director General of Education to store supplies for the school system in Ramadi. This project also included a backup generator as well as sanitation and potable water systems tied into the municipal system.

Figure 1—Refurbished Ramadi Educational Warehouse

Source: MNF-I storyboard, September 2008.

Figure 2 shows the refurbishment of an elementary school in Sadr City. MNF-I spent $106,460 in I-CERP funds to refurbish the school that serves 425 boys. The project included the renovation of all rooms, replacement of doors and windows, and connection of the building to the national power grid.

Figure 2—Al Nahreen School Refurbishment

Source: MNF-I storyboard, December 2008.

As shown in Figure 3, I-CERP projects have also included improvements in infrastructure. The construction of the water culvert in Tameem province cost $76,500. The culvert provides a faster route to markets along the road above for Shia Turkomen and Sunni Arabs in the area.

Figure 3—Qassabat Bashaar Water Culvert

After

Source: MNF-I storyboard, March 2009.

Figure 4 illustrates the I-CERP project to purchase and install pumps, electrical equipment, and a water pipe as well as repair to the existing pipe. This facility in Salah al Din will provide the local population with potable drinking water, improve the water distribution infrastructure, aid against the continuing drought, and decrease the risk of infection and disease during the summer months.

Figure 4—Al Fadoos Water Treatment Plant

During

After

Source: MNF-I storyboard, June 2009.

Quarterly Reports Provided to GOI but Could Be More Complete

MNF-I addressed the MOU reporting requirements by establishing a progress report format in September 2008. Each quarter, MNF-I provides GOI with a list of all I-CERP projects. In October 2008, MNF-I submitted to GOI the first quarterly report, which contained a database of all I-CERP projects as well as some storyboards for completed projects valued at $50,000 or more. Since then, MNF-I has submitted three more reports, and it is required to submit a fifth report to GOI in October 2009.

Although MNF-I provides quarterly reports to GOI, not all of them have included the information that is stipulated in guidance. The MOU requires MNF-I to provide a quarterly I-CERP status report but does not specify what these reports must contain. In September 2008, MNF-I modified their fragmentary order requiring MSCs to provide storyboards along with its quarterly reports to GOI. Storyboards are required for projects costing at least $50,000 and completed in the current quarter. Moreover, a sustainment letter signed by both a GOI and U.S. official must accompany each storyboard.

While MNF-I meets the requirement to provide GOI a comprehensive list and status of I-CERP projects, MNF-I has not provided all the storyboards for completed projects with a value of at least $50,000 in the time required. SIGIR found that as of July 2009, MNF-I should have provided a total of 347 storyboards to GOI but provided only 206, of which only 156 represented completed projects valued at $50,000 or more. MNC-I was able to provide SIGIR an additional 42 storyboards that were missing from the quarterly reports but was unable to provide detail for the rest. MNC-I officials told us that the storyboards were missing because of high turnover in units and action officers, and they plan to provide the 42 previously missing storyboards to MNF-I to include in their next quarterly report for the quarter ending September 30, 2009.

In addition, the storyboards submitted to GOI did not consistently provide sufficient information to permit necessary U.S. and GOI oversight of the projects. SIGIR's review of the 206 storyboards submitted to GOI shows that some required information was missing. Over 140 storyboards did not include telephone numbers for GOI points of contact, and of those more than 50 did not include the name of a GOI official point of contact. Information on funds committed, obligated, and disbursed was missing from 28 of the storyboards. Moreover, 15 storyboards cited incorrect project numbers, called unique requirement identifiers, which would allow both the United States and GOI to accurately identify the project. Sustainment letters were missing from 13 storyboards. Of the storyboards that included sustainment letters, over 20 lacked a GOI signature and over 30 lacked a U.S. military official's signature.

Plans to Meet MOU Training and Transition Requirements Are Uncertain

MNC-I and MSC officials informed us that they have not begun to train Iraqi officials to assume responsibility for the management of the I-CERP program and do not know if this training will ever begin. One official suggested that the program may originally have been envisioned as a long-term joint effort with GOI to include more GOI funding. However, to date, additional GOI funding has not materialized, and the United States has already obligated most of the $270 million provided. This official suggested that it is not clear if the I-CERP program will

continue and therefore whether training GOI and transitioning management responsibilities of the program to GOI is necessary. In written comments on a draft of this report, MNC-I stated that the original agreement between the U.S. government and GOI was to encourage additional GOI funding beyond the $270 million provided and U.S. officials would provide training in executing those additional funds. According to MNC-I, no training has or should take place, since no new funds were provided.

Project Documentation and Oversight Need Improvement

Despite efforts to improve accountability and documentation of the I-CERP program, project files are missing critical internal control documentation. In some cases project files lacked documents such as receipts for cash payments and electronic funds transfers. Moreover, MNC-I has not provided the oversight necessary to ensure that U.S. military units are documenting these critical management actions and decisions and including them in project files. These inconsistencies are caused by unclear guidance. As a result these projects are vulnerable to fraud, waste and abuse.

Project Files Lack Documentation

SIGIR judgmentally selected for review more than 10% of all completed project folders and more than 25% of project dollars for each MSC. Although MNC-I provided files on almost all projects, SIGIR found that those files provided were generally incomplete. Moreover, SIGIR found similar results in the files for the top three highest value ongoing I-CERP projects at each MSC. MNC-I's MAAWS guidance contains a checklist and other required documentation for I-CERP project files. This guidance applies to all four MSCs; however, a checklist review of files reveals missing documentation in a variety of categories at each MSC.[7]

SIGIR's review sample included 103 of the 688 projects completed as of June 1, 2009 and $37 million of the $89 million obligated for those projects. Of the 103 files SIGIR reviewed, MNC-I was able to provide some required documentation for all but one completed project. This is an improvement from prior SIGIR reviews of CERP. For example, SIGIR issued a report in April 2007, noting that of the 173 files requested for the sample, MNC-I could provide only 122, or approximately 70%, of the files.[8]

From the files reviewed, SIGIR analyzed the extent to which each contained the documents required in the MAAWS checklist. Table 4 illustrates the documentation most frequently missing from the I-CERP files.

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[7] See Appendix A for a description of SIGIR's scope and methodology of the project sampling and file review process.
[8] *Management of Commander's Emergency Response Program in Iraq for Fiscal Year 2006*, SIGIR 07-006, 4/26/2007.

Table 4—Required Information Most Often Missing from Project Files

	MND-B	MND-N	MND-S	MNF-W
Sample Size	34	38	17	14
Required by Checklist				
Electronic Funds Transfer	31	36	12	13
Cash Receipts[a]	28	37[b]	11	13
Contract Completion Statement	12	23	14	13
MSC Comptroller Clearance	31	1	12	0
Legal Review	0	16	7	12
Appointment Letter	22	4	13	14
Appointment Record	20	5	10	14

Notes:

[a] Cash receipts are forms signed by the paying agent showing his or her receipt of cash on advance and proof of vouchers for payments made and any unused cash on return. SIGIR has combined those two instances into one record of whether or not files had these forms because most the MSCs had the same number missing on advance as on return.

[b] MND-N files had more cash receipt records signed when cash was returned than when it was provided on advance. MND-N files lacked 37 signed cash receipt forms on advance, and just 33 signed cash receipt forms on return.

Source: SIGIR review of I-CERP project files, as of 6/1/2009.

The project files lacked some of the documentation for electronic funds transfer payment requests, cash advances, and cash receipts, which is necessary to ensure proper cash accountability controls over project payment. SIGIR also found that in some instances, paying agents had used U.S. dollars for payments contrary to MAAWS guidance requiring electronic transfers, bank checks, or Iraqi dinars. Also missing from files were documents that attest that the contract was completed (completion memorandum signed by the project purchasing officer) and that all fiscal requirements were met (MSC clearance memorandum signed by the MSC comptroller). Without such documentation, MNC-I cannot easily ensure that projects were complete upon transfer, files were properly closed, or nonliquidated obligations were deobligated. Moreover, many files lacked any indication that a legal review of the appropriateness of the project was completed. Lastly, appointment letters and records of appointment certifying that the project purchasing officers and paying agents received proper authorization for their positions and agreed to the responsibilities involved, including necessary training, were often not included. Without this documentation, commands risk having unauthorized personnel managing Iraqi funds and project oversight.

SIGIR's project file review included a list of 35 categories for verification, including those required by the I-CERP project file checklist, the MAAWS, and the MOU. See Appendix B for the results of our review of all 35 categories.

MNC-I Has Not Provided Timely Oversight

MNC-I has not provided the oversight necessary to ensure that files are completed as required and that accurate project data is maintained in the Iraq Reconstruction Management System as required by the MAAWS. MNC-I and the MSCs did not meet the January 2009 MAAWS

guidance to send all closed project files from the MSCs to MNC-I on a quarterly basis. None of the MSCs submitted closed I-CERP files to MNC-I, and MNC-I did not request that they do so. As a result, MNC-I was unable to review closed project files to determine whether the necessary information was included and provide timely feedback to the MSCs to make the necessary corrections. Moreover, the MAAWS requires that MSC officials input accurate project information in the Iraq Reconstruction Management System, but MSC officials told SIGIR that the system has not been kept up to date. SIGIR has documented the inaccuracy of the data in the Iraq Reconstruction Management System in a number of previous SIGIR audit reports.[9]

While an MNC-I official stated project files are now to be maintained at the MSCs for one year and then sent directly to storage, the most recent version of the MAAWS, released in September 2009, did not reflect such a change in guidance and still requires files to be sent to MNC-I on a quarterly basis upon completion. The latest guidance did reflect a revision stating MNC-I will review closed project files by making quarterly trips to each of the MSCs to review their files. According to an MNC-I official, MNC-I has already completed one such trip to MND-S.

Some MAAWS' Accountability Requirements Remain Unclear

Compounding the documentation difficulty, MNC-I's MAAWS is unclear about what documentation is necessary to meet required I-CERP processes and internal control requirements. MNC-I revised the MAAWS in May 2008 to include guidance on managing the I-CERP program, and in January and September 2009 made some additional clarifications. MNC-I plans further modifications in January 2010. Nevertheless, the guidance remains unclear in critical areas related to criteria, such as the level of authority required to approve a project on an exception basis, who should sign GOI sustainment letters, file accountability, and checklist completeness.

Approval Process for Exception Categories

The MAAWS empowers MSC Commanders to approve some types of I-CERP projects included in the exception categories. However, the MAAWS does not provide criteria for approving projects, nor does it address delegation of authority to approve these exceptions. As discussed earlier, the MOU stipulates that I-CERP is to focus primarily on projects relating to water, schools, health, city planning, and protective measures. MSC Commanding Generals have the authority to approve a second tier of projects discussed in the MOU, which includes roads, sewers, irrigation, and small business (micro-grants) on an exception basis. However, the MAAWS does not discuss the criteria for determining whether to fund one of these projects, so the distinction between project categories allowed without exception and those allowed only by exception is limited. Additionally, while the MAAWS authorizes the delegation of project approval for those projects valued below $500,000, it does not specifically state if the exceptions approval previously discussed delegates automatically as well.

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[9] *Comprehensive Plan Needed to Guide the Future of the Iraq Reconstruction Management System,* SIGIR 08-021, 7/26/2008 and *Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System,* SIGIR 06-001, 4/24/2006.

Project Sustainment Letters

The MAAWS requires that prior to project approval, units must obtain letters signed by GOI officials in which GOI agrees to accept the project and commits to maintain it. However, the MAAWS guidance does not specify the format of these letters or the level at which they should be signed. As a result of this lack of specificity, letters could be signed by an official lacking the authority to budget GOI funds for project sustainment upon completion. Moreover, during a review of individual project sustainment letters, SIGIR found letters missing signatures altogether, written entirely in Arabic, lacking accurate project titles, and containing various other inconsistencies. Such sustainment letter weaknesses limit the U.S. government's ability to support the claim that proper officials agreed to the responsibility of project sustainment prior to project approval.

Project File Accountability

Although MNC-I was able to locate and provide files for all but one project requested by SIGIR, MNC-I currently does not have a system to track files as they are sent from MSCs to MNC-I and then to U.S. Army Central Command. The MAAWS does not outline a system or emphasize the need to be accountable for the location of files. Best practices suggest that record accountability is critical to reduce the risk of errors, fraud, misuse, or unauthorized alteration and to provide information necessary for future audits.[10] In written comments on a draft of this report, MNC-I stated they are following fiscal year 2009 budget execution guidance from U.S. Army Central Command. According to MNC-I, this guidance requires the MSCs to keep their closed files until November 1, 2009 before shipping them to U.S. Army Central Command. MNC-I acknowledged that this guidance was not incorporated into the MAAWS but stated it would be included in the next revision to the guidance.

Project File Checklist

Though the MAAWS guidance requires units to obtain specific documents, it does not require that those documents be included in the project file. The project file checklist, which units use as a guide to populate the files, does not require that key documentation such as coordination with PRTs and GOI project receipts be included in project files. The MAAWS requires that projects valued over $50,000 be coordinated with PRTs and that this coordination be shown in project documentation. Additionally, both the MAAWS and the MOU require documentation of the date, time, and value of a project at the time it is transferred to GOI. Without such documentation, MNC-I cannot easily ensure project transfer completion.

Table 5 shows the extent to which these required documents were missing from the 103 project files SIGIR reviewed. As illustrated, all the MSC files, with the exception of MND-N, failed to meet these key documentation requirements over 85% of the time. MSC officials explained they did not include these documents in the files because the checklist did not stipulate that they do so.

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[10] *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1, 11/1999.

Table 5—Key MAAWS Required Documents Missing from Project Files

Required by MAAWS:	MND-B	MND-N	MND-S	MNF-W
PRT Coordination	97%	24%	88%	100%
Project Transfer Receipt (Date, Time, and Value)	100%	0%	94%	100%

Source: SIGIR review of I-CERP project files, as of 6/1/2009.

Although MNC-I's September 2009 MAAWS revision included a clarification of the checklist to align file requirements by project amount, the PRT coordination and project receipt documentation were not among the added documents.

BSA Reports Incomplete Data Provided by United States

SIGIR and BSA agreed to jointly review the management of the I-CERP program. The preceding sections of this report present SIGIR's findings with regard to the I-CERP program. The results of the independent work conducted by BSA are presented in a separate letter and contained in Appendix C. The contents of that letter are summarized below.

Iraq's BSA finds U.S. data to be incomplete, which hinders GOI oversight of U.S.-managed programs like I-CERP. BSA issued a report on July 16, 2009, reviewing I-CERP projects conducted under an agreement signed between the Iraqi Higher Reconstruction Council and MNF-I. The review was conducted by the BSA offices in Baghdad and the provinces (except Kurdistan region). Detailed spending information was requested by BSA and reports were received from multiple U.S. government sources. The report covered $270 million in funds transferred from the Government of Iraq to MNF-I. The funds are managed by MNF-I per the signed agreement. BSA conducted a review of the information in the conflicting reports.

In regards to the project management, BSA found that project documentation did not always include all GOI requirements for oversight of the projects. BSA identified the following inconsistencies in regards to project documentation provided by the U.S. government:

- Lack of complete information to verify project spending and/or location;
- Contract names and description did not match project information;
- Details describing the project did not agree with project category; and
- Project category did not agree with the actual work performed.

BSA provided support for each of the conditions above, identifying specific projects and descriptive information to support their findings. BSA stated the inconsistencies identified above led to confusion during their audit in identifying projects.

SIGIR made a cursory review of the BSA report but did not evaluate the validity of BSA's conclusions or findings discussed in the report. SIGIR is appending BSA's report for the use of MNF-I and MNC-I officials (Appendix C).

Conclusion and Recommendations

Conclusion

Overall, MNF-I has met critical GOI requirements for I-CERP by initiating the type of projects GOI wants and in the areas GOI wants them. Moreover, MNF-I developed guidance on managing and reporting on these projects and has met the MOU requirement that it keep GOI informed of its activities on a quarterly basis. Nevertheless, MNF-I could improve its reporting and oversight of project activities. Such improvements could provide greater assurances to GOI that the United States is a good steward of its funds and has established the internal controls necessary to avoid fraud, waste and abuse. Unless MNF-I adheres to existing requirements and clearly communicates those requirements to subordinate units, MNF-I will continue to provide GOI with incomplete reports. In addition, without a clear process in place to transition the I-CERP program to GOI, MNF-I cannot ensure that U.S. efforts to date will be sustained over the long term.

Without clear defined guidance that is consistently adhered to, MNC-I will be unable to ensure the accuracy of project documentation and maintain visibility over the I-CERP program. This will be increasingly important as remaining I-CERP funds are obligated. Further, without detailing specific documentation requirements, the MSCs will continue to apply requirements inconsistently, resulting in incomplete project files. Moreover, without consistent adherence to guidance, MNC-I cannot review project files for accuracy. Thus, unless MNC-I takes action to clarify I-CERP documentation requirements, the MSCs will continue to interpret requirements inconsistently, files will continue to be incomplete, and MNC-I will continue to lack visibility over the I-CERP program.

Recommendations

SIGIR recommends that the Commanding General, MNF-I take the following actions to improve I-CERP program management:

1. requiring MSCs to provide comprehensive information on all completed I-CERP projects with a value of at least $50,000, in accordance with current guidance; and

2. determining if there is a continuing need to train Iraqi security forces and provincial government personnel to manage the I-CERP program, as required in the MOU.

SIGIR also recommends that the Commanding General, MNC-I take the following actions to improve I-CERP accountability and oversight:

3. clarifying and specifying in the 2010 MAAWS revision which documents must be included in I-CERP project files; and

4. requiring MNC-I to review I-CERP project files in accordance with existing guidance.

Management Comments and Review Response

In written comments on a draft of this report, MNC-I concurred with four and did not concur with one of the recommended actions. MNC-I's comments are reprinted in their entirety in Appendix F. MNC-I also provided technical comments, which we have incorporated as appropriate.

MNF-I deferred comments in response to a draft of this report to MNC-I who concurred with both recommendations directed to MNF-I. MNC-I concurred with our recommendation that MNF-I require MSCs to provide comprehensive information on all completed I-CERP projects with a value of at least $50,000, in accordance with current guidance. MNC-I stated the MAAWS already includes such guidance. While MNC-I agreed with this recommendation, its response did not state if the guidance would be changed to ensure this guidance is adhered to by the MSCs. SIGIR's review found that not all project information has been communicated to GOI, in accordance with guidance. Therefore we encourage MNF-I and MNC-I to ensure that existing guidance is adhered to so that information on completed I-CERP projects is communicated to GOI.

MNC-I also concurred with our recommendation that MNF-I determine if there is a continuing need to train Iraqi security forces and provincial government personnel to manage the I-CERP program, as required by the MOU. In its comments, MNC-I stated the original agreement between the U.S. government and GOI was to encourage GOI to add additional funds beyond the original $270 million and U.S. officials would train Iraqi officials in executing these additional funds. Since no additional funds were added, training has not and should not occur, according to MNC-I.

MNC-I concurred with two recommendations addressed to MNC-I, but did not concur with one recommendation to improve I-CERP accountability and oversight. First, MNC-I concurred with our recommendation that it clarify and specify in the 2010 MAAWS revision the documents that must be included in I-CERP project files. In its comments, MNC-I stated that the MAAWS will be updated to include an I-CERP checklist that includes all required documents. Although MNC-I agreed with this recommendation, its response did not indicate whether the revised checklist will include clarification related to criteria, such as the level of authority required to approve a project on an exception basis, who should sign GOI sustainment letters, and which documents not currently required by the checklist, but required by the MAAWS, will be included. Since guidance is necessary to ensure complete project file documentation and sufficient oversight, we encourage MNC-I to include clarification on these requirements in revising the checklist.

Second, MNC-I concurred with our recommendation requiring MNC-I to review I-CERP project files in accordance with existing guidance. MNC-I stated they conduct random audits with respect to project selection, payment, and execution. MNC-I also stated they conduct quarterly visits to each MSC, and the MSCs are required to conduct quarterly visits to each Brigade Combat Team. The MSCs randomly select projects to review for adherence to the January 2009 version of the MAAWS. As stated in our report, however, MNC-I and the MSCs did not meet the January 2009 MAAWS guidance, which requires that MSCs send all closed project files to

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MNC-I on a quarterly basis for review. While the September 2009 MAAWS revision states MNC-I will review project files at each MSC, it still includes a requirement that the MSCs submit files to MNC-I quarterly. Without specific guidance on how project files will be reviewed, MNC-I cannot ensure the files include the necessary information and provide timely feedback to the MSCs to make the necessary corrections.

MNC-I did not concur with SIGIR's recommendation to establish a system for tracking I-CERP project file location. MNC-I stated all closed I-CERP files were stored at the MSCs in accordance with fiscal year 2009 budget execution guidance from U.S. Army Central Command. According to MNC-I, this guidance requires the MSCs to keep their closed files until November 1, 2009 before shipping them to U.S. Army Central Command. MNC-I acknowledged that this guidance was not incorporated into the MAAWS but stated it would be included in the next revision to the guidance. We agree that MNC-I guidance should reflect MNC-I's practices. Therefore, SIGIR removed this as a recommendation.

Appendix A—Scope and Methodology

In May 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 9018 to examine U.S. government spending of Iraqi funds provided under the Iraq Commander's Emergency Response Program (I-CERP). SIGIR's objectives for this report were to examine the extent to which Multi-National Force-Iraq (MNF-I) met the terms of the Memorandum of Understanding (MOU) with the Government of Iraq (GOI) and the extent to which Multi-National Corps-Iraq (MNC-I) has maintained I-CERP project records in accordance with requirements. This review was performed by SIGIR under the authority of Public Law 108-106, as amended, which incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work during May through October 2009 in Baghdad, Iraq.

To review the extent to which MNF-I met the terms of the MOU with GOI, we:

- Met with officials from MNF-I.

- Examined criteria in the MOU between GOI and MNF-I, MNF-I Fragmentary Order 08-166 regarding guidance on the administration of I-CERP projects and funds, and relevant Commander's Emergency Response Program (CERP) guidance.

- Evaluated MNC-I's data to determine I-CERP funds committed, obligated, and disbursed, by approved project category and by province.

- Reviewed 206 storyboards from MNF-I's quarterly reports to GOI for compliance with I-CERP reporting criteria in the MOU.

- Compared the quarterly report storyboards to MNC-I's internal project records database for accuracy and completeness.

To review the extent to which MNC-I has maintained I-CERP project records in accordance with requirements, we:

- Met with officials from MNC-I, all four Major Subordinate Commands (MSC), and the four related Provincial Reconstruction Teams (PRT). The four MSCs are headquartered throughout Iraq: Multi-National Division – South (MND-S), Multi-National Division – North (MND-N), Multi-National Division – Baghdad (MND-B), and Multi-National Force – West (MNF-W).

- Examined criteria in MNC-I's *Money as a Weapons System* (MAAWS).

- Requested and reviewed a sample of completed (or closed) project files from each of the four MSCs to determine completeness in meeting 35 requirements established in the I-CERP project file checklist and the MAAWS.

- Requested and reviewed a sample of the top three dollar value open project files from each of the four MSCs to determine completeness, as applicable, in meeting 35 requirements established in the I-CERP project file checklist and the MAAWS.

- Conducted a file review where we sampled more than 10% of all completed project folders for each MSC and more than 25% of all completed project dollars obligated at each MSC. In all, the sample included 103 of 688 completed projects and approximately $37 million of the approximately $89 million completed project dollars.

Table 6—Completed and Sampled I-CERP, by Project

	MND-B	MND-N	MND-S	MNF-W	Total
Total Completed	255	297	83	53	688
Total Sample	34	38	17	14	103
Sample Percentage of Total	13%	13%	20%	26%	15%

Source: SIGIR analysis of MNC-I data, as of 6/1/2009.

Table 7—Completed and Sampled I-CERP, by Dollar

	MND-B	MND-N	MND-S	MNF-W	Total
Total Completed	$53,338,293	$12,003,648	$10,289,187	$13,315,704	$88,946,832
Total Sample	$22,570,153	$3,009,463	$4,577,083	$6,801,861	$36,958,560
Sample Percentage of Total	42%	25%	44%	51%	42%

Source: SIGIR analysis of MNC-I data, as of 6/1/2009.

- Reviewed MNC-I's comprehensive spreadsheet comprising MSC monthly project reports to ensure accountability of all I-CERP funds disbursed.

- Compared MNC-I's checklist for I-CERP projects with the four MSC's project files to determine completeness and compliance with established guidance.

In July 2009, Iraq's Board of Supreme Audit (BSA) issued a report reviewing I-CERP projects. BSA's report was completed independent of SIGIR's evaluation of I-CERP and does not fall under generally accepted government auditing standards. SIGIR did not provide input to BSA's independent report and has not evaluated any conclusions therein. The BSA summary and appendix included in this review are merely informational and do not represent SIGIR's views or conclusions.

This review was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Use of Computer-processed Data

To achieve the assignment's objectives, we extensively relied on computer-processed data contained in MNC-I's I-CERP project tracker. We assessed the reliability of this data, including relevant general controls, and found it to be adequate. We also conducted sufficient tests of the data. Based on these assessments and tests, we conclude that the data were sufficiently reliable to be used in meeting the assignment's objectives.

We also relied on computer-processed data contained in the Iraq Reconstruction Management System. Previous SIGIR reviews of the system controls and results of data tests indicate limitations in the data's completeness or accuracy; however, the data are the best available for purposes of our review.

Internal Controls

In conducting the review, we assessed certain internal controls to administer and oversee I-CERP projects and funds. Specifically, we examined the internal and management control procedures and documents that MNF-I and MNC-I require and use to manage I-CERP.

Related Reports by SIGIR

SIGIR has issued six reports on the management controls and accountability of the CERP. SIGIR has also issued several reports that include analysis of the Iraq Reconstruction Management System. This report is SIGIR's first review of I-CERP funds.

- *Commander's Emergency Response Program: Muhallah 312 Electrical Distribution Project Largely Successful*, SIGIR 09-025, 7/23/2009.

- *Commander's Emergency Response Program: Hotel Construction Completed, But Project Management Issues Remain Unresolved*, SIGIR 09-026, 7/23/2009.

- *Asset-transfer Process for Iraq Reconstruction Projects Lacks Unity and Accountability*, SIGIR 09-016, 4/26/2009.

- *Comprehensive Plan Needed to Guide the Future of the Iraq Reconstruction Management System*, SIGIR 08-021, 7/26/2008.

- *Commander's Emergency Response Program in Iraq Funds Many Large-scale Projects*, SIGIR 08-006, 1/25/2008.

- *Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006*, SIGIR 07-006, 4/26/2007.

- *Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System*, SIGIR 06-001, 4/24/2006.

- *Management of the Commander's Emergency Response Program for Fiscal Year 2005*, SIGIR 05-025, 1/23/2006.

- *Management of the Commanders' Emergency Response Program for Fiscal Year 2004*, SIGIR 05-014, 10/13/2005.

Appendix B—File Review Checklist Results

Table 8—I-CERP Documentation Missing from Project Files

	MND-B	MND-N	MND-S	MNF-W	Total
Sample Size	34	38	17	14	103
Required by MAAWS Checklist					
Electronic Funds Transfer Payment Request	31	36	12	13	92
Cash Receipt on Advance	28	37	11	13	89
Cash Receipt on Return	28	33	11	13	85
Project Performance Metrics	4	34	16	12	66[a]
Contract Completion Statement	12	23	14	13	62
Paying Agent Appointment Letter	22	4	13	14	53
Paying Agent Appointment Record	20	5	10	14	49
MSC Comptroller Clearance Memo	31	1	12	0	44
Legal Review	0	16	7	12	35
Sustainment Letter	6	5	10	9	30
MSC Endorsement	1	7	10	9	27
Project Purchasing Officer Appointment Letter	[b]	2	14	2	18
Commander's Clearance Memo	5	0	8	4	17
Standard Letter of Justification	0	3	8	4	15
Modifications	0	10	5	0	15
Project Proposal or Statement of Work	0	4	6	3	13
Project Purchasing Officer Appointment Record	[c]	1	10	2	13
Inspection and Receiving Report	4	1	2	5	12
Signed Memorandum of Agreement	0	6	2	3	11
Completed Contract	6	1	3	0	10
Funds Increase Memo	0	0	3	3	6
Vouchers	4	0	2	0	6
Purchase Request and Commitment	1	0	1	3	5
Memorandum of MSC concurrence	0	0	0	1	1
No Classified Documents	0	0	0	0	0

	MND-B	MND-N	MND-S	MNF-W	Total
SIGIR Added Checklist Categories					
Document Site Visits	31	36	16	14	97
PRT Coordination	33	9	15	14	71
Project Transfer Receipt (Date, Time, Value)	34	0	16	14	64
Iraqi Recipient (Name and Title)	34	0	15	14	63
Provincial Reconstruction and Development Council Coordination	7	26	14	14	61
Bidding Process	16	3	11	13	43
Project Purchasing Officer and Paying Agent differ	21	0	0	2	23
Paid in Dinar	[d]	9	6	1	16
MSC Commanding General Approval for "Exception" Projects	0	0	2	7	9
Iraqi Firm	0	1	1	0	2

Notes:

[a] SIGIR's review did not initially include checking that Project Performance Metrics were implemented. After reviewing MND-B files, SIGIR changed its methodology to review files for Project Performance Metrics as well as some evidence or statement that metrics were achieved. SIGIR did not reexamine MND-B files to determine if they met this requirement. The methodology change led to inconsistent results among the MSCs, so SIGIR has included its findings in this appendix, but removed references to missing Project Performance Metrics in the body of this report.

[b] SIGIR's review did not initially differentiate between Project Purchasing Officer and Paying Agent appointment letters because the MAAWS checklist included them as one requirement for the file. After reviewing MND-B files, SIGIR changed its methodology because SIGIR found that this is a requirement for two different documents. SIGIR did not reexamine MND-B files for compliance and instead summarized only letters present in files as Paying Agent appointment letters and left blank the entry for Project Purchasing Officer appointment letters.

[c] SIGIR's review did not initially differentiate between appointment record for Project Purchasing Officer and those for Paying Agent because the MAAWS checklist included them as one requirement for the file. After reviewing MND-B files, SIGIR changed its methodology because SIGIR found that this is a requirement for two different documents. SIGIR did not reexamine MND-B files for compliance and instead summarized only forms present in files as Paying Agent appointment record and left blank the entry for Project Purchasing Officer appointment record.

[d] SIGIR's review did not initially gather information on whether contracts were paid in Iraqi dinar. After reviewing MND-B files, SIGIR began gathering this information for the other MSCs, but did not reexamine MND-B files.

Source: SIGIR analysis of I-CERP Project Files, as of 6/1/2009.

Appendix C—BSA Report

IN THE NAME OF GOD THE BENEFICIAL THE MERCIFUL

REPUBLIC OF IRAQ
BOARD OF SUPREME AUDIT
OFFICE OF THE PRESIDENT
NUMBER: 1/1/3/8949
DATE: 7/16/2009

TO: HIGHER RECONSTRUCTION COUNCIL / OFFICE OF THE PRESIDENT
SUBJECT: REVIEW AND AUDIT OF THE PROJECTS EXECUTED BY THE U.S. CORE OF ENGINEERS

Regards:--

In regards to the Council of Ministers' General Secretary Memorandum number (shz/10/1/5/42/605) dated 3/4/2008 that included a signed agreement between the Higher Reconstruction Council and the Multi National Forces for the purpose of completion of the special projects of reconstruction. GOI contribute $300 million and the U.S.A. contributes $700 million, a total of $1.00 billion. We refer to our Memorandum, numbered (5682) dated 10/6/2008 and (8579) dated 4/8/2008, on the details of the projects that the transfer of funds had taken place. After the continuous requests of the BSA of the detailed spending on those projects, we were provided, with more than one report from different agencies and with more than just one report, through the Americans who are in charge of the reconstruction and spending on these projects in the presence of the anticorruption office at the U.S. Embassy. Our offices in Baghdad and the provinces (except Kurdistan region) audited and reviewed these completed projects by the Core of Engineers in accordance with the agreement between your office and the Multi National Forces; we note that till now, we haven't received a final report on the expenditure of the funds and its related documents in accordance with your agreement as it was noted in your Memorandum number (26) dated 15/1/2009 and (1400) dated 26/10/2008.

After we informed the American side of the bank account number that was used to deposit the GOI share in spending on the projects, we haven't received from the American side what prove the deposit of $700 million in respect to this expenditure, either in the same account or in an independent account authorized to use by the authorized users on these projects. BSA was afraid not to put up this amount with the mechanism that can check and audit the contracts and that is not proved otherwise till now.

Below are notes on the audit from what we received up till the preparation of this report.

1. General Remarks

a. Not all documents contained listings of all what is needed as your office had it as a condition for these projects.
b. Lack of complete information to verify spending on these projects and their locations.

c. In some contracts the name and description of the projects did not match.
d. For few contracts, disharmony between the name of the project and its specifications and the type of project.
e. Lack of consensus between the work of the person responsible for the project and project type.
f. Lack of proper title of the project that led to confusion in audit.

2. Special Audit Results

According to what we had, the total number of executed projects by the Core of Engineers (855) projects distributed in Baghdad and the provinces. Table numbered (1) explains the number of projects, divided by type of project where the total allocated for these projects $211 million with expanded amount of $16 million rate of (7.6%).
On a later date, received a list of projects showing total projects (581) with an audit from the American side of total expenditure till January, 2009 of ($149 million), table numbered (2) explains that.
Through BSA audit, according to the information available to us, and through comparison of different reports, the following was found:--
a. Total projects with similar information that was in all the statements we received (261) projects rate of (%45) from the grand total of the projects.
b. Lack of listings of some of the projects in the first findings, and showing in the second findings in the rate of (%10) that is (59) projects for the year 2008.
c. In regards to the findings for the 2009 projects that did not show in the first findings, but showed in the second finding was in the rate of (%7) or (40) projects.
d. There is a difference in the location of the projects (province) despite the similarities in the project description and that is in the rate of (%6).
e. There is a repetition for the same projects in the rate of (%1.5).
f. We noted from comparing the first findings to the second findings, that some projects under the same name and in the in the same province, however, it list different cost. That shows the lack of resolution to the amounts. Noting that the first findings received without project number, therefore, we used the project description for our audit, for example:--

Project Number	Province	Cost after First Findings ($)	Cost after Second Findings ($)
84163	Baghdad	188825	1400000
79335	Baghdad	88050	1390000
112269	Ninewa	1544000	1515562
81399	Baghdad	1509000	1010000
84161	Baghdad	997500	970000
111384	Anbar	600000	591260
79066	Baghdad	25000 89000	498829
82792	Baghdad	24625	491000
83813	Baghdad	250000	472000
79336	Baghdad	14400	445000

83801	Baghdad	98241	437000
81105	Baghdad	3267000	436281
81180	Basrah	385735	420000

g. Some projects have the same specifications and title, however, in two different provinces and different cost. For example:--

Project Number	Province (1)	Province (2)	Cost after First Findings ($)	Cost after Second Findings ($)
83391	Salah Al-Din	Baghdad	912000	997500
83756	Salah Al-Din	Baghdad	389200	806316
82003	Salah Al-Din	Baghdad	1625800	350000
82004	Salah Al-Din	Baghdad	14253	350000
82000	Salah Al-Din	Baghdad	66000	318215
79214	Diyala	Baghdad	180960	296600
83196	Diyala	Baghdad	51817	290295
119300	Diyala	Salah Al-Din	27000	244917
81732	Tameem	Salah Al-Din	274800	170100
82342	Babylon	Baghdad	195000	136229
81021	Baghdad	Anbar	95418	98418

g. Lack of consensus of the project address and it specification with type of project, for example:--

Project Address	Project Type	Cost ($)
School Reconstruction	Irrigation projects	378350
Renovation al-Azamiah Station	Water solution station	87400
Renovation of city council bldg.	Water solution station	194000
Micro grant/Butcher	Medical Clinics	220650
Micro grant/Barber	Medical Clinics	25510
Micro grant/Day care	Medical Clinics	158244
Micro grant/sport area	Irrigation	199583
School renovation (Ma'az bn Jabal)	Streets	3267000
School renovation (al-Hariri)	Streets	2210000
School renovation (al-Doha)	Streets	1960000

h. Lack of consensus between the work of the person responsible for the project and project type.

Project Title	Project Type	Province	Name of Responsible Person
Irrigations channels at al-Karma	Irrigation	Anbar	Engineer Hamad Fisal/al-Karma
Set Irrigation System	Irrigation	Anbar	Engineer Fisal Hamed/al-Karma
Building al-Wadi School	Schools	Tameem	Fouzeha Abd Allah/Kirkuk
Building 7 April School	Schools	Tameem	Fouzeha Abd Allah/Kirkuk
Rehabilitation al-Masoudi School	Medical Clinics	Baghdad	Al-Zahabiah Municipality
Reconstruction al-Manahi School	Schools	Baghdad	Al-Zahabiah Municipality
Rehabilitation Belal al-Habashi School	Schools	Baghdad	Al-Zahabiah Municipality

i. Few schools were renovated in Baghdad, and after our review we found that the name of these schools does not exist in the directorate of education listings.

School Name	Address	Cost ($)
Renovation al-Mashtal School	Baghdad/al-Thawra city	106450
Renovation al-Zouhour School	Baghdad/al-Thawra city	90950
Renovation al-Ebin School	Baghdad/al-Thawra city	119931
Renovation Sa'id School	Baghdad/al-Thawra city	491000
Renovation al-Hakam School	Baghdad/al-Thawra city	192000
Renovation al-A'awad school	Baghdad/al-Thawra city	389200
Renovation Abou al-awssar School	Baghdad/al-Thawra city	441000
Renovation al-Eithar School	Baghdad/al-Thawra city	105000
Renovation Jabal Hamarein School	Baghdad/al-Mansour	174000 (Doesn't exist in the directory)

j. Repainting of Ka'ab school in the amount of $326600, contracted by Baratha Comapny, despite the no existence of record at the directorate of al-Rusafa. That is according to al-Katea'a engineer where reconstruction of this school happened more than once.

k. We noted the difference in completion percentages between the American report and the GOI reports. For example: water sewage/Baghdad/al-Mansour completion rate of (%10) as was noted in the directorate of sewage memorandum number (Baghdad, 2/2/628 dated 28/1/2009). However, the American side in their report noted rate of completion (%90) in the amount of $150000.

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3. Audit results in accordance with stages of implementation

a. Number of good projects and meets all specifications (26) projects in Anbar and Ninewa.
b. Number of good projects defects in completion (110) projects in Qadissiya, Babylon, Ninewa, and Anbar.
c. Number of projects where the recipient did not know about (125) projects in Ninewa, Babylon and Anbar.
d. Number of projects the recipient did not acknowledge its existence (14) projects in Thi-Qar, Babylon, and Ninewa.

Table (3) explains in details.

4. Other/ Micro Grants

Total Micro Grants (149) projects with total obligations ($2514116), mainly in Baghdad, Diyala, and Salah Al-Din. It is used for Barber shop, Slater house, Day care, Sport arena, welding shop, Market, Computers, Internet and copiers, and Women design. Where spending was done outside the specification of the agreement. Since, the agreement stated the use for social improvement where Iraqis are hard to get to, because of the security situation, as shown below:--

Province	Number of projects	Cost ($)
Baghdad	14	650861
Diyala	80	1379555
Salah Al-Din	55	483700
Total	149	2514116

Table (4) shows details of that.

5. We received later another report, finding number (5) includes (12318) projects with total obligation ($1024 million) for security, education, electricity, transportation, cleaning, and water. Our findings shows that there are projects implemented in 2007 (3271 projects) including the above projects. That show a lack in clear audit, that is in addition, to what was mentioned at the beginning of the report, we need to know the account number that the funds deposited in from the American side. We think there is confusion in the report, since it includes projects from 2007 and the agreement was signed in April 2008. BSA believe to widen the scope of its audit, and we see the need for your office to provide us with the details since the agreement is a year old.

Urging you look over this and inform us , so we can do the necessary….with respect

Signed by: Dr. Bassit 16/7/2009

cc. General Secretary/ Cabinet of Ministers
    Ministry of Finance

Appendix D—Acronyms

Acronym	Description
BSA	Board of Supreme Audit
CERP	Commander's Emergency Response Program
GOI	Government of Iraq
I-CERP	Iraq Commander's Emergency Response Program
MAAWS	Money as a Weapon System
MNC-I	Multi-National Corps-Iraq
MND-B	Multi-National Division-Baghdad
MND-N	Multi-National Division-North
MND-S	Multi-National Division-South
MNF-I	Multi-National Force-Iraq
MNF-W	Multi-National Force-West
MOU	Memorandum of Understanding
MSC	Major Subordinate Command
PRT	Provincial Reconstruction Team
SIGIR	Special Inspector General for Iraq Reconstruction

Appendix E—Review Team Members

This report was prepared and the review conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the review and contributed to the report include:

Meredith P. Baumeister

W. Dan Haigler

J.J. Marzullo

Whitney H. Miller

P. Hayden Morel

Nancee K. Needham

Appendix F—Management Comments

SIGIR DRAFT REPORT
SIGIR 10-003

IRAQ COMMANDERS EMERGENCY RESPONSE PROGRAM GENERALLY MANAGED
WELL, BUT PROJECT DOCUMENTATION AND OVERSIGHT
CAN BE IMPROVED

COMMENTS
TO THE DRAFT REPORT

SIGIR recommends that the Commanding General, MNF-I take the following actions to improve I-CERP program management (see page 16 of the draft report):

1. Require MSCs to provide comprehensive information on all completed I-CERP projects with a value of at least $50,000, in accordance with current guidance

RESPONSE: Concur. The MAAWS already requires information.

2. Determine if there is a continuing need to train ISF and provincial government personnel to manage the I-CERP program, as required in the MOU.

RESPONSE: Concur. We do not expect to have a need for this training since no additional funds are likely to be put in I-CERP and the current funding is getting very low.

SIGIR also recommends that the Commanding General, MNC-I take the following actions to improve I-CERP accountability and oversight (see page 16 of the draft report):

3. Clarify and specify in the 2010 MAAWS revision the documents that must be included in I-CERP project files

RESPONSE: Concur. The MAAWS will be updated to include an I-CERP checklist that includes all required documents.

4. Require MNC-I to review I-CERP project files in accordance existing guidance

RESPONSE: Concur. MNC-I conducts random audits with respect to project selection, payment, and execution. MNC-I conducts quarterly staff assistance visits (SAVs) to each division. Additionally, the divisions are required to conduct quarterly SAVs with each BCT and randomly select projects to review for adherence to the MNC-I standard operating procedures as written in change 1 to the Jan 09 edition of the MAAWS.

5. Establish a system for tracking I-CERP project file location.

RESPONSE: Non-concur. All closed I-CERP files were stored at the divisions as required in USARCENT FY09 budget execution guidance dated 23 Sep 09. This guidance requires the divisions to keep their closed files until after 1 Nov 09. Then they are to ship them to ARCENT. The MAAWS was not updated with this new guidance. It will be updated to reflect ARCENT's new guidance.

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GENERAL COMMENTS ON THE REPORT

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1. (U) Summary page. Recommend that SIGIR change the last sentence in the first paragraph titled "What SIGIR Found" to read "Officials cite the lack of additional GoI funding to maintain the program in the long term as the reason that this training has not and should not take place. The original agreement between the U.S. Government and the GoI was to encourage the GoI to add additional funds beyond the original $270M; provided this would occur, training of the GoI would be started to help execute those follow-on funds. Since the follow-on funds were never provided by the GoI, no follow-on training is required."

In the second paragraph of this same section the report refers to "insufficient oversight by MNC-I as well as unclear and incomplete guidance." The 26 Jan 09 and 15 May 08 versions of the MAAWS contain a list of project file contents for CERP/I-CERP projects as well as a chapter dedicated to I-CERP projects. In particular, the list of file contents for CERP/I-CERP projects shall contain a DD Form 250 receiving report before providing the project file to MNC-I C8. Additionally, monthly program review boards are held with all the MND/Fs and the MNC-I Staff to review CERP/I=CERP executions including the review of storyboards from each MND/F to ensure good examples of storyboards are discussed with all the program participants. Training of PPO/Pas is provided by both the MNC-I and division level staff on the proper execution of CERP projects and proper documentation. The level of oversight of the programs is sufficient with quarterly audits of projects in addition to MNC-I training of division-level staff. Increasing command discipline and training will be a focus for ongoing project execution.

2. (U) Page 4. Recommend that SIGIR change the last sentence in the first paragraph to read "Officials cite the lack of additional GoI funding to maintain the program in the long term as the reason that this training has not and should not take place. The original agreement between the U.S. Government and the GoI was to encourage the GoI to add additional funds beyond the original $270M; provided this would occur, training of the GoI would be started to help execute those follow-on funds. Since the follow-on funds were never provided by the GoI, no follow-on training is required."

3. (U) Page 11, Table 4. In some cases the project metrics may be embedded in the LOJ and difficult to find when auditing the project files. SIGIR should ensure that the LOJs have been properly reviewed for the project metrics prior to publishing this data.

4. (U) Page 12. Last paragraph states " However, the MAAWS does not discuss the criteria for determining whether to fund one of these projects, so the distinction between project categories allowed without exception and those allowed only by exception is limited." I-CERP is a commander's program and each division decides on their own criteria to prioritize which projects to fund.

5. (U) Page 13. Second paragraph states "MNC-I does not currently have a system to track files as they are sent from MSCs to MNC-I and then to U.S. Army Central Command." All closed I-CERP files were stored at the divisions as required in USARCENT FY09 budget execution guidance dated 23 Sep 09. This guidance requires the divisions to keep their closed files until after 1 Nov 09, then they are to ship them to USARCENT. The MAAWS will be updated to reflect this new guidance.

6. (U) Page 22. The BSA report states that the GoI contributed $300 million. The GoI contributed on $270 million to I-CERP.

Additionally, BSA says the USG will contribute $700 million to I-CERP. The MOU states "Since 2003, coalition CF-CERP contributions have totaled more than three billion dollars,

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and 2008 contributions alone will exceed $750 million. I-CERP seeks eventually to match 2008 coalition CF-CERP contributions." From the MOU it is clear that the USG has contributed more than 10 times what the GoI has contributed.

BSA states they have not received a final I-CERP report from MNF-I. The reason is quite simple. We have not spent all of the I-CERP funds and therefore we cannot issue a final report.

7. General Comments. I-CERP has been and will continue to be a critical enabler for commanders in our strategy to improve and maintain fragile and potentially reversible security gains in Iraq. Our strategy in coordination with the Department of State Office of Provincial Affairs and Provincial Reconstructions Teams is to identify key shortcomings in provincial civil capacity required to strengthen newly elected provincial governments. Due to funding shortfalls, these provincial governments are challenged to provide essential services to their Iraqi citizens. We have and will continue to help instill the needed confidence by Iraqis in their elected leaders' abilities to govern and provide these essential services in order to improve upon hard won security gains. These goals support of our strategy objective to work by, with and through our Iraqi partners to build a long-term mutually beneficial strategic partnership.

APPROVED BY:

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Appendix G—SIGIR Mission and Contact Information

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR's Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
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