

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features an eagle with wings spread, holding an olive branch and arrows. The eagle's chest is covered by a shield with vertical stripes. Above the eagle's head is a sunburst with stars. The seal is surrounded by text in both English and Arabic. The English text reads "SPECIAL INSPECTOR GENERAL" at the top and "OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION" at the bottom. The Arabic text reads "مفتش العام" at the top and "مكتب المفتش العام لإعادة إعمار العراق" at the bottom.

**USACE IS MEETING CUSTOMER
NEEDS, BUT DOCUMENTATION OF
PROJECT DECISIONS COULD IMPROVE**

**SIGIR 11-016
APRIL 27, 2011**



SIGIR

Special Inspector General for IRAQ Reconstruction

April 27, 2011

USACE IS MEETING CUSTOMER NEEDS, BUT DOCUMENTATION OF PROJECT DECISIONS COULD IMPROVE

Summary of Report: SIGIR 11-016

Why SIGIR Did This Study

As part of the U.S.-Iraq Security Agreement, all U.S. military forces will plan to withdraw from Iraq by December 31, 2011. Among the U.S. military units withdrawing from Iraq is U.S. Army Corps of Engineers (USACE). However, as of February 17, 2011, USACE's Gulf Region District (GRD) was still managing many projects in Iraq for U.S. Forces-Iraq (USF-I) and the U.S. Embassy. USACE plans to keep some staff in Baghdad to manage these projects through 2011 and into 2012.

SIGIR's objectives for this report are to determine the status of ongoing USACE construction projects; whether USACE's recommendations to complete or cancel projects meet customers' needs; and the extent to which USACE is involved in transferring completed projects to the GOI.

Recommendations

This report does not contain recommendations.

Management Comments and Audit Response

USACE provided technical comments to the report that were addressed, as appropriate.

What SIGIR Found

As of February 17, 2011, USACE was managing 150 Iraq projects for its customers. The value of these projects was \$902.9 million. USACE plans to complete 119 of the 150 projects (79%) by June 30, 2011; 21 additional projects are planned for completion between July 1, 2011 and December 31, 2011, and the remaining 10 projects are planned for completion in 2012.

SIGIR has identified two related risk factors to USACE's project completion plans. First, SIGIR's analysis shows that many recently completed projects have experienced delays. There is little latitude in the time remaining to complete projects, and further delays could affect the number of projects completed. Second, the timetable for the withdrawal of U.S. Forces may further limit USACE's ability to respond to delays.

USACE has developed guidelines for working with its customers and making recommendations on whether to complete or terminate contracts. These guidelines consider whether the contractor is able to perform the work within the time specified in the contract, is making progress, and meeting quality standards. USACE also considers 1) the need for the project; 2) the estimated period of performance of the project; 3) whether the customer will be in country for the duration of the project in order to accept it; and 4) the availability of funds.

SIGIR examined the 20 contract files of projects completed between October and December 2010 and found that USACE used the criteria it established to arrive at its recommendations. SIGIR also interviewed USACE's customers and found that they were satisfied with USACE's management processes for their projects. SIGIR notes that four projects were terminated for default after significant funding had been expended because USACE, in part, did not believe sufficient time remained to re-award and complete them. The funds invested in these projects may potentially be wasted depending on whether the Government of Iraq completes them. SIGIR will continue to review these projects to assess their outcomes.

One area that SIGIR noted as in need of improvement is that key project decisions were often not documented in contract files. USACE officials said they are working to improve documentation of key project decisions.

Finally, SIGIR looked at the process for transferring completed projects to the Government of Iraq. In prior reports, SIGIR has noted problems particularly in documenting the number of projects transferred and who in the Government of Iraq received them. In November 2009 the Embassy and the Government of Iraq (GOI) signed a memorandum of agreement that formalized a process for transferring completed projects. USACE is part of this process and provides project data and information important to the sustainment of the projects.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 27, 2011

MEMORANDUM FOR COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: USACE Is Meeting Customer Needs, but Documentation of Project Decisions Could Improve (SIGIR 11-016)

We are providing this audit report for your information and use. The report discusses the U.S. Army Corps of Engineers' management of its ongoing projects in Iraq and its plans for withdrawal. We performed this audit 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 fraud, waste, and abuse. This audit was conducted as SIGIR Project 1017.

We considered technical comments from the U.S. Army Corps of Engineers when preparing this final report. The comments are addressed in the report, as appropriate.

We appreciate the courtesies extended to the SIGIR staff. For additional information on the report, please contact Glenn Furbish, Assistant Inspector General for Audits (Washington, DC), (703) 604-1388/ glenn.furbish@sigir.mil or Jason Venner, Principal Deputy Assistant Inspector General for Audits (Washington, DC), (703) 607-1346/ jason.venner@sigir.mil.

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Secretary of State
U.S. Ambassador to Iraq
Director, Iraq Strategic Partnership Office
U.S. Secretary of Defense
Commander, U.S. Central Command
Commanding General, U.S. Forces-Iraq

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USACE Is Meeting Customer Needs, but Documentation of Project Decisions Could Improve

SIGIR 11-016

April 27, 2011

Introduction

As part of the U.S.-Iraq Security Agreement, all U.S. military forces will plan to withdraw from Iraq by December 31, 2011. Among the U.S. military units withdrawing from Iraq is U.S. Army Corps of Engineers (USACE). As of February 17, 2011 USACE was managing 150 projects for U.S. Forces-Iraq and the U.S. Embassy. USACE plans to keep some staff in Baghdad to manage these projects through 2011 and into 2012. The report discusses the status of ongoing USACE-managed projects, USACE recommendations to complete or cancel projects, and its involvement in the transfer of completed projects to the Government of Iraq (GOI).

Background

USACE provides construction management and contracting support to U.S. agencies involved in the reconstruction of Iraq. As of January 1, 2011, USACE stated that it completed more than 4,982 projects in Iraq that cost more than \$8.2 billion. Its projects include the renovation and construction of hospitals, primary healthcare facilities, municipal buildings, water and wastewater treatment facilities, police stations, border forts, courthouses and prisons, electrical power generation, transmission, distribution systems, roads, and seaports and airports.

USACE's operational structure for Iraq has changed as the U.S. mission has evolved. Currently, USACE operates in Iraq through the Gulf Region District (GRD), under the command of USACE's Transatlantic Division. GRD is located at Camp Wolfe at the Victory Base Complex in Baghdad (see Figure 1). However, USACE's Middle East Division (MED) will take over operations on July 1, 2011 and establish an Iraq Area Office. According to USACE officials, the transition will occur over a period of months. MED has already taken over responsibility for some of GRD's projects and will assume full responsibility over the next few months. The Iraq Area Office is expected to be fully operational in early June. USACE officials do not expect an interruption in services during this transition because GRD and MED will overlap for a month. GRD officials also told SIGIR that 75% of MED's Iraq-based staff will have prior experience working in Iraq, and other MED staff will visit Iraq to learn how USACE operates in country. Given this transition, SIGIR will refer to GRD and MED generically as "USACE" throughout this report unless otherwise noted.

Figure 1—USACE’s Gulf Region District Headquarters at Camp Wolfe



Source: SIGIR photograph taken during site visit, 2/23/11.

USACE continues to directly manage construction projects and provides full contract oversight services for its customers during this transition. As the U.S. presence draws down, an important facet of project management is deciding whether or not projects not yet completed should be continued or canceled. To assist customers in making this decision, USACE projects managers follow established criteria in determining whether to recommend to their customers that they complete or cancel an ongoing project. The criteria are:

- USACE will seek to complete projects when they are on schedule and the contractor is performing well. As part of this, USACE will monitor quality, cost, and schedule by providing project quality assurance and on-site project engineers who monitor safety, quality, and progress. In certain situations, such as when a project is delayed, USACE project managers may recommend a reduction in the scope of the project to the customer. However, the guidelines state that USACE’s recommendation will be balanced against the customer’s continuing need for the project.
- USACE may recommend cancelling a project when the contractor fails to perform the work within the time specified in the contract, fails to make progress, or does not meet

quality standards. USACE guidelines require project managers to review a project for possible termination if the project is 75% or more through the period of performance and is not on track to meet the estimated completion date or if the contracting officer has issued one or more letters of concern for performance-related issues. USACE's guidelines also include processes for terminating the project's contract if the customer agrees to cancel the project.¹

- USACE will consider several factors when formulating a recommendation to the customer to continue a project with a new contract in order to complete it. This includes steps to "re-award" a contract to a different contractor if the customer chooses to restart a project. The factors include 1) the need for the project; 2) the estimated period of performance of the project; 3) whether the customer will be in country for the duration of the project in order to accept it; and 4) the availability of funds.

USACE also supports a new, unified U.S. Embassy-led process for transferring projects to the Government of Iraq (GOI), pursuant to a November 10, 2009 bilateral agreement between the U.S. and the GOI. As projects are completed, USACE provides relevant project data to the U.S. Embassy. The Embassy then compiles the information into a database and transfers it to the GOI.

Objectives

SIGIR's objectives for this report are to determine the status of ongoing USACE-managed projects; whether USACE's recommendations to complete or cancel projects meets customers' needs; and the extent to which USACE is involved in transferring completed projects to the GOI.

For a discussion of the audit scope and methodology and a summary of prior coverage, see Appendix A. For more information about individual projects SIGIR reviewed, see Appendix B. For a list of acronyms used, see Appendix C. For the audit team members, see Appendix D. For management comments, see Appendix E. For the SIGIR mission and contact information, see Appendix F.

¹ The guidance for terminating a project is based upon the Federal Acquisition Regulation, part 49 "Termination of Contracts."

USACE Estimates That Most Projects Will Be Completed by the End of 2011

As of February 17, 2011, USACE reports that it is managing 150 projects for customers, valued at approximately \$902.9 million. Of these, 144 projects are underway, and 6 are in development. USACE expects to complete all but 10 projects by December 31, 2011, the current planned date for the withdrawal of all U.S. military forces.

SIGIR has identified two related risk factors to USACE's project completion plans. First, SIGIR's analysis shows that many recently completed projects have experienced delays. There is little latitude in the time remaining to complete projects, and further delays will impact the number of projects completed. Second, the timetable for GRD closing as part of the withdrawal of U.S. Forces may further limit USACE's ability to respond to delays.

Projects Remain for Both USF-I and the U.S. Embassy

USACE's remaining projects support USF-I and U.S. Embassy programs and activities and are funded by several different U.S. and GOI funds. The majority of remaining projects support USF-I activities in Iraq (61%), with the largest group of projects (71) funded by the Iraq Security Forces Funds (ISFF) in support of the Iraqi police and military. The Economic Support Fund pays for 49 U.S. Embassy projects that support DoS programs to develop Iraq's economy and civil society. Table 1 shows the number of projects remaining by funding source.

Table 1—Fund Type, Number, and Value of Remaining USACE Projects as of February 17, 2011

Fund	Customer	Number of Projects	Total Contract Value
Iraq Security Forces Fund	USF-I	71 ^a	\$295,355,169
Economic Support Fund	Embassy	49 ^b	111,376,183
Foreign Military Sales	USF-I	13	223,310,959
Iraq Commander's Emergency Response Program	USF-I	6	5,588,159
Iraq Relief and Reconstruction Fund	Embassy	5	99,849,430
International Narcotics and Law Enforcement	Embassy	3 ^c	3,328,490
Diplomatic & Consular Programs	Embassy	2	163,281,314
Commander's Emergency Response Program	USF-I	1	850,000
Total		150	\$902,939,704

Notes:

^a Four projects in development.

^b One project in development.

^c One project in development.

Source: SIGIR analysis of GRD data, as of February 17, 2011.

Most Projects Will Be Completed by June 2011

Table 2 shows GRD's estimated completion dates for its remaining projects. As shown, USACE is planning to complete 119 of the 150 projects (79%) by June 30, 2011, and another 21 by December 31, 2011, the current planned date for U.S. troop withdrawal. Only 10 projects will remain incomplete beyond December 31, 2011.

Table 2—Number of GRD Projects by Scheduled Construction Completion Date, as of February 17, 2011

Scheduled Quarter of Completion	Number of Projects Estimated To Be Completed
February–March, 2011	40
April–June, 2011	79
Projects to be completed by June 30 2011	119
July–September, 2011	15
October–December, 2011	6
Projects to be completed by December 31, 2011	21
Projects to be completed in 2012	10
Total	150

Source: SIGIR analysis of USACE data.

Two Risk Factors May Affect USACE’s Schedule

SIGIR’s analysis shows two risk factors that may affect USACE’s planned project completion schedule: project delays and the timetable for withdrawal of combat forces.

Project Delays

In conducting this audit, SIGIR selected a sample of 20 USF-I projects that ended between October and December 2010. Of the 20 projects, SIGIR found that 10 had been completed and 10 were canceled. Of the 10 completed projects, all experienced delays from their planned completion dates averaging about 13 months per project. Some of the delays were the result of customers adding requirements to the project and other delays resulted from contractors’ inability to adhere to project schedule. The delays for the 10 completed projects are shown in Table 3.

Table 3—Length of Delays for Projects Completed between 10/1/2010 and 12/31/2010

Project Name	Actual Start Date	Estimated Completion Date	Actual Completion Date	Delay (Months)
Fallujah Sewer Pump Stations	9/22/2006	11/30/2007	10/30/2010	35
Construct Taji Location Command	9/17/2008	05/14/2009	11/30/2010	18
Construct Regional Commando Base Baquba	11/20/2008	05/11/2009	10/12/2010	17
NIIA Regional Training Center	5/16/2009	08/25/2009	10/16/2010	14
Design & Construct MI-17 Hangar	4/17/2009	12/12/2009	12/31/2010	12
Hyyaniya Vocational Training Center Services	2/16/2009	11/02/2009	10/14/2010	11
Sheik Amer Police Station	10/15/2009	05/26/2010	12/29/2010	7
Balda Local Police Station	9/30/2009	06/07/2010	12/14/2010	6
Division Signal Platoon–Rustamiyah	1/28/2010	08/04/2010	10/26/2010	4
Renovate Iraq Media Network	10/17/2009	06/19/2010	10/05/2010	3
Average Delay of Project Completion				12.7

Note:

NIIA = National Iraqi Intelligence Agency Regional Training Center

Source: SIGIR Analysis of GRD data.

SIGIR discussed the possibility of delays with USACE officials, who stated that they had considered the history of project delays when calculating completion dates for current projects. The official told us that USACE’s planning includes efforts to mitigate past problems associated with delays so that ongoing projects should be completed by their estimated completion dates. However, given the delays experienced over the past year, SIGIR continues to believe that potential delays will continue to be a risk for the remaining projects.

Withdrawal of U.S. Forces

As of March 31, 2011 USACE’s plan was to reduce its Iraq office staffing from its February 2011 level of 331 to a July 2011 level of 48. According to USACE’s schedule, 31 projects will remain at that time, and the 48 remaining staff will manage those projects, along with any other projects that may experience delays. However, on April 25, 2011, a USACE official stated its staffing projections fluctuate, and USACE could not project an exact number for July 2011. USACE’s guidelines for assisting customers in making decisions to complete or terminate projects do not explicitly address the issue of USACE staffing. However, SIGIR believes that it is likely that reduced USACE staffing levels will ultimately become part of the decision-making process and will be a factor in making these decisions.

USACE Recommendations Are Meeting Customer Needs, but Documentation Could Improve

SIGIR reviewed 20 USACE projects and the decision-making process for completing or cancelling projects that were made between October and December 2010 to determine whether USACE followed its guidelines and considered its customer's needs in making its decisions. Overall, SIGIR found that USACE followed its criteria to arrive at its recommendations, and that its customers were generally satisfied with USACE's management of the process. However, SIGIR found that documentation of the process could be improved.

USACE Is Following Its Criteria To Recommend To Complete or Cancel Projects but Needs to Better Document Some Decisions

SIGIR's analysis of the contract files for 20 projects found that USACE followed its criteria in making recommendations to its customers on completing or cancelling projects. However, not all decisions were captured in USACE's contract files, which serve as the repository for project management decision documentation. USACE officials stated that while their project managers make recommendations to customers about projects, customers make the final decisions about continuing or cancelling projects.

SIGIR's sample of 20 contract files completed or canceled between October and December 2010 represents about 48% of the 42 USF-I projects that were concluded in this timeframe. The sample includes the two largest completed projects during the period and eight other completed projects chosen from the groups of projects funded from the Iraq Security Forces Fund, or funds allocated to the Commander's Emergency Response Program or the Iraq-Commander's Emergency Response Program. It also included all ten projects whose contracts were terminated during the period to analyze whether USACE followed its guidelines for recommending project cancellations and contract terminations. The projects and their results are displayed in Table 4.²

² More information on these projects can be found in Appendix B.

Table 4—Results of USACE Project Actions October–December 2010

Project Name	Completed	Canceled
Alkhosefi Road		X
Jadida Village Road		X
Fallujah Sewer Pump Stations	X	
Renovate Iraqi Media Network	X	
Construct Al Dakhel Class School		X
Hyyaniya Vocational Training Center Services	X	
Construct Police Station Shehabi Balad		X
Signal Maintenance Platoon Facility Al Asad		X
Al Nagasiyah Police Station		X
Tal Eswad Small Police Station ^a		X
Division Signal Platoon–Rutamiyah	X	
Al Haffar Police Station		X
Al Garap Permanent Police Station		X
Balda Local Police Station	X	
Sheik Amer Local Police Station	X	
Al Kut Force Protection Base		X
NIIA Regional Training Center ^b	X	
Design & Construct MI-17 Hangar	X	
Construct Taji Location Command	X	
Construct Regional Commando Base Baquba	X	

Note:

^a This contract was re-awarded in December 2010 at the request of USF-I.

^b NIIA = National Iraqi Intelligence Agency.

Source: SIGIR analysis of GRD contracting files.

SIGIR’s analysis of records contained in the files found that USACE was actively monitoring projects so that it would be in a position to assess whether projects met the criteria for completion or cancellation. For example, regarding the National Iraqi Intelligence Agency Regional Training Center project, on July 7, 2010, the USACE sent a notice to the contractor that it was failing to construct the project in accordance with approved plans. The notice attached a list of 15 deficiencies with photos indicating what was to be corrected, and the contractor was given five days to provide a corrective action plan. Ultimately, the project was successfully completed three months later on October 16, 2010. This appears to meet USACE criteria that it will recommend completing projects when they are on schedule and the contractor is performing well.

However, it is unclear from the contract files if USF-I and USACE took contractor performance into consideration given the extended schedule delays of some of these projects. USACE’s guidelines state that USACE should review whether it should recommend that a project be canceled if it is 75% or more through the contractual period of performance and is not on track to meet the estimated completion date. However, SIGIR did not find documentation of such a

review occurring, with the exception of the Regional Commando Base project in Baquaba. This lack of documentation may not have directly impacted USF-I projects because USF-I J7 officials stated that USACE project managers have weekly and sometimes daily discussions with USF-I officials about projects, so potential project cancellations and contract terminations were likely discussed, despite the lack of a written record of these decisions. It appears that other factors outweighed the schedule delays, or these delays were not due to poor performance, but this is not documented in the file.

The decisions to terminate the contracts for the ten canceled projects are more clearly documented than the decision to cancel the projects. Contract files generally contained documentation capturing the results of project cancellations and contract termination decisions in the form of notices to contractors and contract modifications. An exception is the Al Kut Force Protection Base project, which was canceled. On December 18, 2010, the Contracting Officer for the Al Kut Force Protection Base contract terminated the contract for convenience, stating in the termination letter that, "This action is due to the Government no longer needing this requirement." The contract file did not offer any other explanation as to why the decision was made to terminate the contract, despite spending approximately \$986,000 on the project. In response to SIGIR's request, USACE provided additional information from the project manager's email record that indicated the Iraqis were planning to construct their own facility to accomplish the same objectives. Capturing this information in the contract files would provide a better record of the decision-making process.

The decisions to recommend continuing a canceled project with a new contract were also more clearly documented in contract files than the decisions to complete projects. Our review showed that USACE guidance requires project managers to consider several factors before making these recommendations. In almost all cases where USACE considered this option, it decided to recommend not to restart projects or re-award the contracts. USACE's criteria for these decisions includes the likely estimated period of performance for a re-award, whether the customer would still be in Iraq when the project was completed, the need for the project, and other issues.

However, records of USACE's internal deliberations and analysis, and the resulting discussions with USF-I, were not always in the contract files. Where this occurred, SIGIR was able to obtain evidence of these actions through conversations with USACE project management personnel or emails provided by USACE demonstrating that these discussions occurred. While these emails reflected a deliberative process and good communication between USF-I and USACE, the record of these projects remains incomplete without the regular inclusion of these emails and other supporting documentation in the contract files. For example, some of the project record information not available in the contract files includes the following:

- Three police station projects (Al Nagasiyah, Al Haffar, and Al Garap), were canceled and USACE recommended not re-awarding the contracts for several reasons. First, the period of performance for construction completion will be approximately 400 days, and USF-I will have departed country before completion of the project. Also, due to the significant reduction in personnel, USACE will be unable to provide adequate construction oversight. Further, there were delays in securing the deeds to the property for the police

stations. Last, the projects are located in dangerous areas, limiting USACE's ability to oversee the project.

- The Al Dakhel school project was canceled because it was never started. Therefore, the project would not be finished before the end of 2011. The project site was also located in an unsafe area in Mosul, and the Iraqi Army was not allowing USACE staff access to the project site. USACE provided email correspondence that cited these details that were not in the contract file.

SIGIR discussed these concerns with USACE. As SIGIR has previously reported,³ lack of documentation coupled with shortages of contracting and management personnel and high turnover can result in loss of institutional knowledge negatively impacting project outcomes. Therefore, as USACE continues to downsize in Iraq, a lack of transparent documentation of historical recommendations and decisions might create risks that residual USACE staff will not have the best understanding of the projects to bring them to successful conclusions. USACE officials acknowledged there has sometimes been incomplete documentation about key decisions in files but stated they would attempt to improve documentation of key project decisions.

SIGIR notes that 4 of the 10 canceled projects were terminated for default after \$2.1 million was expended because, in part, USACE did not believe sufficient time remained to re-award and complete them.⁴ The funds invested in these projects may potentially be wasted depending on whether the Government of Iraq ultimately completes them. SIGIR will continue to review these projects to assess their outcome.

USACE Customers Are Satisfied with USACE Project Management

USF-I's J7 (Engineering) division serves as the interface between the USF-I program managers, such as those that run the training programs for the Iraq military and police, and USACE project management teams. According to a senior USF-I official USF-I and USACE project managers discuss projects daily and participate in a weekly teleconference discussing the status and progress of all projects. Overall, USF-I officials stated that USACE has met their needs and done so while managing the inconsistent quality of work performed by local contractors and the persistent security challenges faced in Iraq.

Similarly, USACE's customers in the U.S. Embassy stated that the USACE-Embassy working relationship on ongoing projects is generally good. The Embassy officials also stated that USACE management meets weekly with Embassy officials and that USACE established a liaison for Embassy projects in March 2011 that is dedicated to Embassy projects. However, officials stated there has been occasional conflict when USACE recommended not finishing projects that the Embassy wanted to continue. Agreement on decisions to complete or cancel projects was eventually reached, but this slowed the decision-making process which delayed the completion of the projects.

³ *Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts*, SIGIR 08-020, 7/27/2008.

⁴ The four projects are the Al Haffar, Al Garap, Al Nagasiyah, police stations; and the Signal Maintenance Platoon Facility Al Asad.

USACE Uses Embassy Process To Transfer Projects to the GOI

USACE no longer directly transfers its completed projects to the GOI, according to USACE and Embassy officials. Instead, USACE provides project data and supporting documentation to the U.S. Embassy who has responsibility for managing the transfer of assets from the U.S. to the GOI.

SIGIR previously reported that as of December 2008, about \$9.7 billion (72%) of \$13.5 billion in assets were transferred to local Iraqi governments.⁵ This often occurred without a complete or accurate database or list of what was been turned over, and no assurance that the Iraqis had received all necessary documentation and training, or that the GOI accepted responsibility for the project, or its operation, maintenance, and capital replacement. At the time USACE and the Embassy had separate processes for transferring completed projects, but recordkeeping was poor and neither USACE nor the Embassy had a complete record of what had been transferred. SIGIR made several recommendations to correct these problems, including a recommendation that the Embassy and the USF-I develop a single process.

The Embassy finalized an asset transfer process with the GOI in November 2009. The goal of this process is to provide a single, comprehensive method for transferring projects to the GOI that would result in better assurance that the GOI would sustain and maintain the projects. This includes all reconstruction projects valued in excess of \$250,000 which have an expected life of more than five years. The thresholds were created to eliminate minor procurements, though, according to an ISPO official, the U.S. can package some similar projects together and transfer the combined package as one project in excess of \$250,000. The U.S. Ambassador to Iraq and GOI's Minister of Planning and Development signed a memorandum of understanding that outlined the roles and responsibilities of each party for this process on November 10, 2009.

While there is no interagency agreement outlining USACE's role in this process, USACE provides data and information to the Embassy as its projects are completed. This includes the project's name, cost, purpose and location, the entity the project is intended to help, and the project's serial number. USACE also provides information needed by the GOI to plan for project sustainment, such as estimated annual operating costs, operation manuals, and warranties for project equipment. ISPO compiles the information and gives it to the GOI when projects are transferred. ISPO officials told us that they were pleased with this effort and that it helps the GOI accept and maintain U.S.-funded reconstruction projects.

⁵ *Asset-Transfer Process for Iraq Reconstruction Projects Lacks Unity and Accountability* SIGIR 09-016, 4/26/2009.

Concluding Observation

The downsizing and planned withdrawal of U.S. forces presents challenges for USACE, chief among them is completing its project workload in a manner that meets its customers' needs. Overall, USACE appears to be successfully following its guidance for making recommendations, and its customers are generally satisfied with the project management services that USACE is providing. Moreover, the U.S. Embassy is satisfied with the support USACE is providing to the process to facilitate the bilateral transfer of completed projects to the GOI.

However, as with most activities in Iraq, successfully closing out the project workload faces risks. Among them are the potential of project delays and maintaining sufficient staff to manage ongoing projects in the event projects are delayed beyond their estimated completion dates. As the end of the U.S. military presence approaches, USACE's ability to manage delays will become more difficult, and SIGIR believes that it is likely that a small number of projects may have to be terminated to meet the withdrawal schedule. Overall, it appears that USACE is working well with its customers to address these issues and meet their needs in a manner that will minimize waste.

SIGIR noted one area of project management that we believe could be improved. We looked at 20 projects to confirm that USACE was following its project management process in a manner that met customer needs. As stated, USACE's customers were happy with its management services, but the contracting files we reviewed often failed to fully document some key project decisions and customer recommendations. Without this documentation it becomes difficult for USACE personnel remaining in Iraq to manage and closeout these projects. SIGIR brought these concerns to the attention of USACE management during the course of the audit, and USACE officials agreed with SIGIR's concerns. USACE officials stated they are aware that documentation of some key decisions is missing from contract files, and they are working to improve the situation.

Given USACE's actions, SIGIR is not making any recommendations.

Management Comments and Audit Response

We considered technical comments from the U.S. Army Corps of Engineers when preparing this final report. The comments are addressed in the report, as appropriate.

Appendix A—Scope and Methodology

Scope and Methodology

In August 2010, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 1017 to examine United States Army Corps of Engineers' (USACE) management of its ongoing projects in Iraq. SIGIR's objectives for this report are to determine the status of ongoing USACE construction projects; whether USACE's recommendations to complete or cancel projects meets customers' needs; and the extent to which USACE is involved in transferring completed projects to the GOI. This audit was performed by SIGIR under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work during August 2010 through March 2011 in Baghdad, Iraq.

To determine the status of ongoing USACE construction projects, SIGIR interviewed USACE program management officials and U.S. Forces–Iraq (USF-I) J7 (Engineering) officials. SIGIR also obtained and reviewed USACE data identifying the number of ongoing projects, project funding, and USACE's project completion schedule. SIGIR also obtained the current and projected USACE staffing levels relative to the number of ongoing projects for various timeframes during 2011. SIGIR obtained information about USACE plans to complete projects throughout 2011. This included ongoing and planned projects for USF-I and the U.S. Embassy.

To determine if USACE is meeting its customer's needs, SIGIR interviewed program and project management staff at USACE, USF-I, and the U.S. Embassy to Iraq. To test whether USACE is following its processes in meeting customer needs, SIGIR selected a judgmental sample of 20 of 42 DoD-funded projects (about 48%) managed by USACE that were completed or terminated during October through December 2010. SIGIR analyzed contract files and other documentation of key decisions regarding completing or cancelling projects, terminating contracts, and decisions to restart projects and/or re-award contracts. SIGIR compared USACE guidelines with USACE actions on the selected projects.

This audit was coordinated with ongoing work of the U.S. Department of State Inspector General, which is also reviewing the status and transfer of projects that USACE manages for the U.S. Embassy. Therefore, SIGIR conducted testing of only DoD-funded projects including those funded with the Iraq Security Forces Fund (ISFF), Commander's Emergency Response Program (CERP) funds, or Iraq Commander's Emergency Response Program (I-CERP) funds. SIGIR's sample included all 10 projects terminated during the period and both projects valued at over \$10 million to determine whether USACE was following its processes for terminating projects. The remaining eight projects in the sample were randomly chosen from three pools of projects separated by funding type. SIGIR obtained and reviewed the contract file for each project. SIGIR also analyzed project information to determine schedule slippage for a judgmental sample of projects.

To determine the extent to which USACE is involved in the transfer of projects to the Government of Iraq, SIGIR interviewed officials at USACE and the U.S. Embassy. SIGIR

obtained a copy of the memorandum of understanding and a copy of a U.S. Embassy action memorandum, which codify the current process for transferring the projects.

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

Use of Computer-processed Data

SIGIR used data generated by USACE's Resource Management System. SIGIR used this data to determine the outcomes of USF-I projects completed or terminated between October and December 2010. SIGIR also used the data to compare planned project completion dates with actual completion dates for these projects. SIGIR conducted substantive testing and was able to crosscheck some of the data with source documents in contract files. Based on this testing, SIGIR determined that the data was sufficiently reliable to address the audit's objectives.

Internal Controls

In conducting the audit, SIGIR assessed certain internal controls pertinent to the audit objectives with respect to USACE processes and procedures for completing, terminating, and transferring USF-I reconstruction projects to the Government of Iraq. The results of this review are presented in the body of the report.

Prior Coverage

We reviewed the following reports by SIGIR and the Government Accountability Office:

Special Inspector General for Iraq Reconstruction

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

Iraq Reconstruction Project Terminations Represent a Range of Actions, SIGIR 09-004, 10/27/2008.

Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts, SIGIR 08-020, 4/27/2008.

Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed to Avoid Waste, SIGIR 08-017, 4/28/2008.

Interim Report on Iraq Reconstruction Terminations, SIGIR 08-013, 4/28/2008.

Transferring Iraq Relief and Reconstruction Fund Capital Projects to the Government of Iraq, SIGIR 07-004, 7/25/2007.

Transition of Iraq Relief and Reconstruction Fund Projects to the Iraq Government, SIGIR 06-017, 7/28/2006.

U.S. Agency for International Development Management of the Transfer of Iraq Relief and Reconstruction Fund Projects to the Iraqi Government, SIGIR 06-007, 4/29/2006.

Government Accountability Office

Army Corps of Engineers: Organizational Realignment Could Enhance Effectiveness, but Several Challenges Would Have to Be Overcome, GAO-10-819, 9/10.

Appendix B— Summary of 20 USACE Projects for October–December 2010

Project	Fund	Status	Amount Expended ^a
Construct Regional Commando Base in Baquba	ISFF	Completed	\$10,749,035
Construct Taji Location Command Phase II	ISFF	Completed	10,191,545
Design and Construct MI-17 Hangar	ISFF	Completed	9,615,418
Fallujah Sewer Pump Stations F1, F2, and F3	ISFF	Completed	7,214,095
National Iraqi Intelligence Agency Regional Training Center	ISFF	Completed	4,987,130
Hayyaniya Vocational Training Center	I-CERP	Completed	2,522,655
Sheik Amer Local Police Station	ISFF	Completed	1,164,350
Balda Local Police Station	ISFF	Completed	789,001
Rustamiyah Signal Maintenance Platoon Facility	ISFF	Completed	699,000
Renovate Iraqi Media Network	I-CERP	Completed	441,576
Total, Completed Projects			48,373,805
Al Kut Force Protection Base	ISFF	Canceled, contract terminated for convenience	986,090
Al Haffar Police Station	ISFF	Canceled, contract terminated for default	755,505
Tal Eswad Police Station	ISFF	Canceled, contract terminated for default ^b	693,969
Al Garap Police Station	ISFF	Canceled, contract terminated for default	600,766
Al Nagasiyah Police Station	ISFF	Canceled, contract terminated for default	594,282
Signal Maintenance Platoon Facility Al Asad	ISFF	Canceled, contract terminated for default	152,340
Jedida Village Road	CERP	Canceled, contract terminated for default	81,111
Alkhosefi Road	CERP	Canceled, contract terminated for default	65,095
Shehabi Balad Police Station	ISFF	Canceled, contract terminated for convenience	54,538
Al Dakhel 18 Class School	ISFF	Canceled, contract terminated for default	0
Total, Canceled Projects			3,983,696
Total, All Projects			\$52,357,501

Note:

^a Numbers are rounded to the nearest dollar.

^b This project was restarted and the contract re-awarded. It was not completed as of 2/17/2011.

Source: SIGIR analysis of USACE contract documents, as of 1/04/2011.

Appendix C—Acronyms

Acronym	Description
CERP	Commander's Emergency Response Program
GOI	Government of Iraq
GRD	Gulf Region District
I-CERP	Iraq Commander's Emergency Response Program
ISFF	Iraq Security Forces Fund
MED	Middle East Division
SIGIR	Special Inspector General for Iraq Reconstruction
USACE	United States Army Corps of Engineers
USF-I	U.S. Forces-Iraq

Appendix D—Audit Team Members

This report was prepared and the audit conducted under the direction of Glenn D. Furbish, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

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

Angelina Johnston

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Appendix E—Management Comments

Appendix F—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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