



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 8, 2005

MEMORANDUM FOR COMMANDER, JOINT CONTRACTING COMMAND - IRAQ

SUBJECT: Reconciliation of Reporting Differences of the Source of Funds Used on Contracts After June 28, 2004 (Report No. 05-009)

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

This report discusses the accuracy and support of data for contracts identified as funded by the Development Fund for Iraq (DFI).

The overall objective of this audit was to determine whether contracts awarded after June 28, 2004, and identified as funded by the DFI, were actually funded by the DFI or were instead funded by the Iraq Relief and Reconstruction Fund (IRRF). A secondary objective was to report to the fund managers the necessary actions that may be needed to correct the obligation amounts, the current data files, and other actions as appropriate.

However, during the course of our audit, we found we could not fully address the overall objective because not all contracts could be located by government officials.

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

On June 15, 2004, in a memorandum to the Director, Project Management Office (PMO), "Administration of Development Fund for Iraq (DFI)-Funded Contracts," the Iraqi Interim Government Minister of Finance designated the Director of the PMO with the responsibility to monitor and confirm performance, certify and/or make payments, and otherwise administer contracts or grants that ". . . were awarded on or before June 30, 2004, by the CPA [Coalition Provisional Authority] or the MNF-I [Multi-National Force-Iraq] in accordance with United Nations Security Council Resolution 1483 and implementing regulations . . ." The memorandum outlined the specific roles and responsibilities for the administration of DFI-funded contracts by the PMO. However, because the CPA (which included the PMO) was dissolved on June 28, 2004, the requirements of the memorandum were subsequently applied to the Project and Contracting Office.

We reviewed data obtained from the Joint Contracting Command – Iraq, (JCC-I) Contract Management Information System provided to us on March 4, 2005, to identify instances in which DFI contracts were reported as awarded after June 28, 2004. Our review identified 69 of these contracts totaling \$106.2 million. Except for the 21 contracts that could not be located, we compared the reported JCC-I Contract Management Information System contract award data for the remaining 48 contracts with supporting documentation in the contract award files to determine whether contracts were awarded with DFI funds after the cut-off date. Contracts funded with DFI funds after June 28, 2004, would constitute a potential liability to the United States.

The following table summarizes the results of our review.

Results of Reconciliation of Reporting Differences of the Source of Funds Used on Contracts After June 28, 2004				
Category of Data Entry Errors	Number of Contracts	Percent of Total Contracts	Obligated Amount	Percent of Obligated Total
Award Date Incorrect	39	57	\$44,226,213	42
Multi-National Corps-Iraq Funded	6	9	\$12,835,964	12
IRRF Funded	<u>3</u>	<u>4</u>	<u>\$7,221,240</u>	<u>7</u>
Subtotal Data Entry Errors	48	70	\$64,283,417	61
Contract Missing (See Attachment)	<u>21</u>	<u>30</u>	<u>\$41,905,747</u>	<u>39</u>
Totals	69	100	\$106,189,164	100

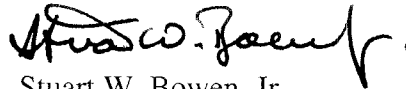
We concluded that the 48 contracts reviewed disclosed no instances of incorrect obligations of DFI funds. In 39 contracts, the obligations of DFI occurred before June 28, 2004. Obligations for the remaining 9 contracts did not cite DFI funds but rather U.S. funds appropriated by the Congress. The obligation documents for the 6 contracts identified as the Multi-National Corps-Iraq cited Commanders' Emergency Response Program funds and the other 3 contracts cited the IRRF as the source of the funding.

We also concluded that the JCC-I current contract data files were not accurate and not adequately supported. Our review showed that 48 of the 69 contracts contained data entry errors in documenting the date of the contract award or the source of the funding.

The contract numbers for the 21 contracts that could not be located by JCC-I officials are shown in the Attachment. The JCC-I officials stated that these contracts may have been destroyed by a rocket that struck the Presidential Palace in January 2005 or that some of these contracts were turned over to Iraqi ministry officials after contract completion and final review by contracting officials. However, JCC-I had no records to support these conjectures.

During the audit, JCC-I corrected the Contract Management Information System reporting errors identified by the audit. We believe these actions sufficiently corrected the identified deficiencies. We did not make any recommendations in this report because we previously made recommendations to the JCC-I to improve contract file data management.¹

This report does not contain recommendations; therefore no written response to this report is required. We appreciate the courtesies extended to our staff. For additional information on this report, please contact Mr. Mickey McDermott at (703) 343-9440 or Mr. James Carrera at (703) 343-9231.



Stuart W. Bowen, Jr.
Inspector General

Attachment:
As stated

¹Office of the Special Inspector General for Iraq Reconstruction, Report Number 05-007, "Administration of Iraq Relief and Reconstruction Fund Contract Files," April 30, 2005
Office of the Special Inspector General for Iraq Reconstruction, Report Number 05-008, "Administration of Contracts Funded by the Development Fund for Iraq," April 30, 2005

List of Missing Contracts

We reviewed data obtained from the Joint Contracting Command – Iraq, Contract Management Information System, provided to us on March 4, 2005, to identify instances in which Development Fund for Iraq contracts were reported as awarded after June 28, 2004. The contract numbers for the 21 contracts that could not be located by Joint Contracting Command – Iraq are shown below.

1. DABV01-03-D-1008
2. DABV01-03-M-0054
3. DABV01-04-1-0015
4. DABV01-04-1-0016
5. DABV01-04-1-0018
6. DABV01-04-1-0019
7. DABV01-04-1-0020
8. DABV01-04-1-0021
9. DABV01-04-1-3009
10. DABV01-04-C-0076
11. DABV01-04-C-3546
12. DABV01-04-C-3582
13. DABV01-04-M-8226
14. DABV01-04-M-8240
15. SKW01A-03-C-0008
16. W914NS-04-C-0121
17. W914NS-04-D-0116
18. W914NS-04-M-2375
19. W914NS-04-M-2383
20. W914NS-05-M-9025
21. CPA GRANT 0001