

# SIGIR OVERSIGHT

SIGIR AUDITS	104
SIGIR SPECIAL REPORTS	118
SIGIR INVESTIGATIONS	120
SIGIR HOTLINE	135
SIGIR WEBSITE	136
LEGISLATIVE UPDATE	137

SECTION

---

# 5

## SIGIR AUDITS

Since March 2004, SIGIR has issued 214 audit reports. From May 1 to July 30, 2012, SIGIR issued four audits addressing the following reconstruction issues:

- SIGIR’s forensic audits of more than \$51 billion appropriated for Iraq reconstruction
- the status of obligations and expenditures of the Iraq Security Forces Fund (ISFF)
- the extent to which the business systems of contractors in Iraq were assessed
- the status and viability of the Department of State (DoS)-managed Iraq Police Development Program (PDP)

For a list of these audit products, see Table 5.1.

SIGIR currently has four announced or ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

### SIGIR Audits Completed This Quarter

#### *Final Forensic Audit Report of Iraq Reconstruction Funds (SIGIR 12-017, 7/2012)*

#### Introduction

Public Law 108-106, as amended, requires SIGIR to perform forensic audits and issue a final report on all funding appropriated for the relief and reconstruction of Iraq. A forensic audit involves the systematic examination of a program’s internal controls over expenditures and financial data for indications of fraudulent, wasteful, or abusive activities. This report summarizes the results of SIGIR’s forensic audits and investigations of five major Iraq reconstruction funds—the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 5/1/2012

REPORT NUMBER	REPORT TITLE	DATE ISSUED
12-017	Final Forensic Audit Report of Iraq Reconstruction Funds	7/2012
12-018	Status of Fiscal Years 2011–2012 Iraq Security Forces Fund	7/2012
12-019	Gaps in Business System Reviews of Contractors with Generally Less Than \$100 Million Annually in Contracts in Iraq Increase U.S. Government Vulnerabilities to Fraud, Waste, and Abuse	7/2012
12-020	Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program	7/2012

Forces Fund (ISFF), Economic Support Fund (ESF), Commander's Emergency Response Program (CERP), and International Narcotics Control and Law Enforcement (INCLE) account—and satisfies the requirement for a final forensic audit report.

The Congress has appropriated about \$51.46 billion to these five funds through FY 2011 for Iraq reconstruction. The funds were appropriated or allocated to the Department of Defense (DoD), DoS, and the U.S. Agency for International Development (USAID).

## Results

SIGIR audits and investigations have found serious weaknesses in the government's controls over Iraq reconstruction funds that put billions of U.S. taxpayer dollars at risk of waste and misappropriation. The precise amount lost to fraud and waste may never be known, but SIGIR believes it is significant. As of April 30, 2012, SIGIR audit reports had questioned \$635.8 million in costs, and as of March 31, 2012, SIGIR investigations had resulted in \$175.3 million in fines collected, forfeitures, and other monetary results.

SIGIR audit reports identified internal control weaknesses such as inadequate reviews of contractors' invoices, insufficient numbers of or inadequately trained oversight staff, poor inventory controls, high staff turnover, poor recordkeeping, insufficient price competition by subcontractors, and weak oversight of cash disbursements. For example, SIGIR's audit of a DoS contract for Iraqi police-training program support found that more than \$2.5 billion in U.S. funds was vulnerable to fraud and waste as a result of poor DoS oversight. Another SIGIR audit of a DoD contract for warehousing and distribution services found that the contractor's business systems had not been adequately reviewed. Business system reviews are the government's primary control to ensure that prices paid are reasonable and allowable.

Weaknesses in internal controls open the door to opportunities for fraud and other illegal activities. As of June 30, 2012, SIGIR investigators, working with investigators from other agencies, have developed information used to indict 87 individuals and convict 71 for fraudulent activities including bribery, kickbacks, theft of government funds and property, inflated invoices, delivery of insufficient or inferior goods, and bid rigging. For example, a U.S. Army captain was convicted of stealing \$690,000 intended for security contracts and relief and reconstruction programs. In another case, a regional vice president of a logistics company was convicted for a scheme to inflate invoices for military shipments to Baghdad through the firm's contract. The estimated loss to the U.S. government was approximately \$1 million.

SIGIR found few problems in the agencies' invoice payment processes. SIGIR tested 180,000 DoD, DoS, and USAID payment transactions totaling about \$40 billion. SIGIR looked for problem transactions such as duplicate payments, payments to fictitious vendors, or inappropriate separation of duties of individuals in the payment process. Overall, SIGIR's tests found that once invoices were approved for payment, the payments were essentially processed correctly and to valid vendors. However, because of the internal control weaknesses discussed above, government agencies cannot be certain that the payments were for goods and services that (1) were received, (2) met contractual specifications, (3) were in accordance with the contract prices, or (4) were competitively priced.

## Recommendations

This report contains no recommendations.

## Management Comments

Management did not provide comments. The final report can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

**Status of Fiscal Years 2011–2012  
Iraq Security Forces Fund  
(SIGIR 12-018, 7/2012)**

**Introduction**

As of July 2012, the Congress had appropriated \$20.54 billion to the ISFF. This includes \$1.50 billion the Congress appropriated in April 2011 for use in FY 2011 and FY 2012. For each ISFF appropriation, the Congress made the funds available for specified periods between 12 and 19 months during which time the funds would have to be obligated. Any funds not obligated within the designated period would be considered expired and, therefore, not available for new obligations. However, unobligated funds can be used for up to five years after they expire to pay for authorized increases to existing obligations made from the same appropriation. Any unobligated funds remaining after the five-year period must be returned to the U.S. Treasury.

In April 2012, SIGIR issued an interim report that detailed how the \$1.5 billion appropriated to the ISFF through the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Public Law 112-10) was being used to train, equip, and maintain Iraq's security forces. This report provides updated information and, in particular, addresses:

- the status of 2011/2012 ISFF obligations made as of June 26, 2012
- the Office of Security Cooperation-Iraq's (OSC-I) plan to obligate the remaining appropriated funds before they expire
- the Government of Iraq (GOI) cost-sharing contributions to these purchases

**Results**

OSC-I plans to use only \$1.15 billion of the \$1.50 billion appropriated for ISFF for 2011/2012 because the U.S. Forces-Iraq (USF-I) Commanding General informed the Secretary of Defense that, having reviewed the Iraq security forces requirements and other fiscal conditions, the

full \$1.50 billion was not needed, and it would be difficult to get the GOI to certify that it would sustain and maintain the equipment provided. Subsequently, DoD requested, and then received, congressional approval to reprogram \$345.0 million of the ISFF to meet the Department's higher priority needs.

As of March 20, 2012, OSC-I had obligated and committed about \$342.09 million of the \$1.15 billion ISFF on 30 purchases. By June 26, 2012, it had obligated and committed about \$765.33 million on 52 purchases. These purchases included items such as an air-defense missile system, radios, generators, ammunition, night-vision goggles, fire trucks, armored vehicles, small arms, spare parts, training, maintenance and sustainment packages, and travel, among other items. The majority of ISFF funds obligated—about \$676.97 million—has been used to support Iraq's Ministry of Defense security forces: \$404.58 million to purchase equipment, \$206.79 million to maintain equipment, and \$65.60 million for training. About \$34.15 million has been obligated to support Ministry of Interior (MOI) forces: \$30.23 million to purchase electronic surveillance equipment and training, and \$3.91 million to purchase machine guns and armored security vehicles. OSC-I plans to use the remaining \$380 million of 2011/2012 ISFF that has not yet been obligated to purchase aircraft logistics support, armored vehicles, a reconnaissance and surveillance system, training, and other items.

The sharp increase in ISFF obligations and commitments between March and June 2012 was not accompanied by similar gains in the GOI's cost-share contributions. The GOI provided about \$125.21 million on 7 of the 52 purchases made as of June 2012. These cost-share contributions ranged from 48% to 72% of the total purchase amount. However, six of these seven purchases were completed prior to March 2012, and only one purchase was completed between March and June 2012. As such, while the U.S. government obligated and committed \$423.24 million in ISFF during that three-month period, the GOI

provided only \$540,000 in counterpart funds for one purchase. According to OSC-I officials, cost sharing should be viewed as a long-term strategy. That is, the ISFF will be used to buy some items that support the GOI's purchases of other major and more expensive items.

Additionally, the FY 2011 National Defense Authorization Act limits the amount of ISFF available for obligation to \$1.0 billion of the ISFF appropriated funds unless the Secretary of Defense certifies to the Congress that the GOI has shown commitment to build the logistics and maintenance capacity of the Iraqi Security Forces, develop the institutional capacity to manage such forces, and develop a culture of sustainment of ISFF-funded equipment. At this time, SIGIR cannot determine if the Secretary has certified that these conditions exist because DoD and OSC-I officials stated that the certification process is in the "pre-decisional" stage; therefore, information on the ongoing assessment will not be provided to SIGIR. SIGIR has reported numerous times on the need to ensure that the GOI fully supports and plans to sustain U.S.-provided goods and projects and the failure of the GOI to do so. SIGIR reported that, without adequate maintenance, monies spent on equipment and weapons will have been wasted. Additionally, SIGIR previously pointed out that the GOI needed to take significant steps to adequately support its forces once direct U.S. funding ended. The current certification requirement is another opportunity for DoD to thoughtfully assess the GOI's progress in these areas and to provide the Congress an in-depth analysis of the GOI's commitment to do so.

## Recommendations

This report contains no recommendations.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## *Gaps in Business System Reviews of Contractors with Generally Less Than \$100 Million Annually in Contracts in Iraq Increase U.S. Government Vulnerabilities to Fraud, Waste, and Abuse*

(SIGIR 12-019, 7/2012)

### Introduction

Since 2003, the U.S. government has awarded billions of dollars to contractors to support relief and reconstruction activities in Iraq. Appropriate government oversight of contractors supporting these efforts is critical in reducing the risk that U.S. taxpayer funds are wasted or susceptible to fraud or other abusive practices. Government program management, contracting, contract administration, and audit personnel, as well as contractors, play important roles in monitoring and overseeing contracts. Agencies awarding contracts for work in Iraq, such as the U.S. Central Command, have contracting officers who, in accordance with the Federal Acquisition Regulation, are responsible for ensuring performance of all necessary actions for effective contracting and compliance. These contracting officers can request and consider the advice of specialists in other fields, as appropriate, to carry out their duties.

The Defense Contract Management Agency (DCMA) and the Defense Contract Audit Agency (DCAA) provide key support to contracting offices. Specifically, DCMA is charged with, among other things, contract administration when delegated that authority by the procuring contracting office, and DCAA provides audit and financial advisory services. Both agencies play a role in performing business system reviews. DCAA is responsible for reviewing accounting, billing, and estimating systems; while purchasing system reviews are DCMA's responsibility. Such reviews of contractors' business systems and associated internal controls are considered the first line of defense in the fight to reduce the risk of fraud, waste, and abuse. The Commission on Wartime Contracting in Iraq and Afghanistan (CWC) and the Government Accountability

Office (GAO) found widespread weaknesses in the government's contracting oversight processes and emphasized the need for systemic improvements. In response, congressional legislation was recently introduced to improve the contracting process in high-risk overseas contingency operations.

In this report, SIGIR focuses on the extent to which the U.S. government has performed business-system reviews of those DoD contractors that operated in Iraq from 2004 to 2011 and performed less than \$100 million in annual work. SIGIR focused on four key contractor business systems—accounting, billing, estimating, and purchasing. The report follows up on SIGIR's July 2011 audit that identified weaknesses in the government's oversight of Anham, LLC. SIGIR found in that audit that Anham had weak billing and purchasing systems, and one estimating system had not been reviewed, leaving the government vulnerable to overcharges.

## Results

SIGIR's review of 35 sampled contractors showed that either DCAA or DCMA reviewed one or more of four key business systems—accounting, billing, estimating, and purchasing—for 21 of them. For these 21 contractors, SIGIR found only 5 contractors had all 4 systems reviewed, and 17 of the latest reviews for 11 contractors were more than four years old. This raises concerns as to whether the controls were still adequate to reduce the risk of overcharges. Most of the 21 contractors had their accounting and billing systems reviewed, but less than a third had their estimating and purchasing systems reviewed. Many of the issues SIGIR found with its prior review of the Anham contract pertained to Anham's relationship with its subcontractors and the subcontractors' pricing of goods—areas that should be included in purchasing system reviews. For the remaining 14 contractors, SIGIR found that 12 had none of their business systems reviewed, but 10 were contractors with firm fixed-price contracts. The remaining two contractors were a foreign contractor and a joint

venture; neither was found in DCAA and DCMA contractor databases. The gaps in review coverage and the presence of reviews that are several years old raise the risk of fraud, waste, and abuse.

DoD recognizes the importance of contractors' business systems and internal controls as the first line of defense against fraud, waste, and abuse, and has recently initiated actions intended to strengthen the oversight process. DoD amended the Defense Federal Acquisition Regulation Supplement (DFARS) in February 2012 to set forth the elements of, and process for, determining the acceptability of contractors' business systems, to withhold a percentage of payments if deficiencies in contractors' business systems continue, and to require that there be no remaining deficiencies before the contractors' systems are approved and contractors are authorized further work. DoD also directed DCAA to focus its efforts on higher-risk, higher-cost contracts; and, in an effort to reduce overlap, DCMA now has sole responsibility for performing purchasing system reviews, which are conducted primarily at the request of an administrative contracting officer. Finally, both DCMA and DCAA told SIGIR that they are continuing to increase their staffing levels to help address the increasing workload demands on their missions.

SIGIR acknowledges that the task of performing business-system reviews on the large number of contractors performing billions of dollars of work in contingency areas is a huge challenge, especially given DCMA's and DCAA's resource constraints. SIGIR further recognizes that DoD's focus on larger contractors with contracts exceeding \$100 million annually is an appropriate focus of its limited resources. However, SIGIR found that some of the smaller contractors also have sizeable contracts with DoD and believes that increased attention is warranted for smaller contractors that work in high-risk contingency areas, such as Iraq and Afghanistan. SIGIR's belief is based on the findings of this review, the large DoD business base of contractors classified

as small or non-major, and on SIGIR's previous findings in the Anham audit. In the latter audit SIGIR questioned the appropriateness of contractor and subcontractor relationships and all contract costs, issues which should have been uncovered in a purchasing system review. SIGIR further believes that opportunities may exist to improve this oversight and thus reduce the risk for further fraud, waste, and abuse.

DCAA has informed SIGIR that DoD is working on a proposed approach intended to strengthen the oversight of contractors' business systems and that this proposal addresses smaller-scale contingency contractors as well as larger contractors. These officials told SIGIR that the proposal includes recommended revisions to the DFARS to require contractors to report and document their compliance with business-system criteria set forth in DFARS on May 18, 2012. SIGIR believes that such an effort is a step in the right direction toward reducing contracting risks to the government in contingency areas in the future.

## Recommendations

1. SIGIR recommends that the Director, DCMA, and the Director, DCAA jointly develop action plans to increase their oversight of business systems for smaller-scale contractors performing work in high-risk contingency areas, such as Iraq and Afghanistan. Recognizing that resources are limited in the near term, these actions could include more limited reviews of specific aspects of business systems for smaller contractors that are deemed to be high-risk. For example, these actions could entail reviews of small contractors' business relationships with subcontractors when these appear to be questionable or reviews of contractor and subcontractor pricing when it appears to be inflated, as identified in SIGIR's prior Anham audit.
2. SIGIR also recommends that DCMA explore with administrative contracting officers ways to put more attention on the purchasing systems of smaller contingency contractors.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### *Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program*

(SIGIR 12-020, 7/2012)

## Introduction

On October 1, 2011, the Department of State assumed responsibility for training Iraqi police forces. The purpose of the PDP is to assist the MOI and its police services in developing and maintaining capabilities needed to lead, manage, and sustain internal security and the rule of law. As originally conceived, the program was to be a five-year multibillion dollar investment—the largest single DoS program worldwide.

On October 24, 2011, SIGIR reported serious weaknesses with DoS's planning, including the absence of a current assessment of Iraqi police force capabilities, high security costs, and the lack of a written commitment from the GOI for the program. This report reviews the current programmatic and financial status of the program.

## Results

DoS wisely is reducing the PDP's scope and size in the face of weak MOI support. In July 2012, the number of in-country advisors was reduced to 36: 18 in Baghdad and 18 in Erbil, down from the 85 advisors supporting the program in January. These latest reductions stemmed, in part, from the MOI's rejection of some planned PDP training that was to be the centerpiece of the DoS program. DoS is currently refocusing its training on five technical areas requested by the MOI.

Along with Iraqi disinterest, security concerns also affected the program. The Embassy's Regional Security Office deemed it unsafe for advisors to

travel to Iraqi-controlled facilities in Baghdad without security details. Thus, the PDP's managers conducted more training at the U.S.-controlled Baghdad Police Academy Annex (BPAX). DoS constructed significant training and housing facilities at BPAX at a cost of about \$108 million. But DoS has decided to close the facility, just months after PDP started, due to security costs and program revisions. Although BPAX's facilities will be given to the Iraqis, its closure amounts to de facto waste of the \$108 million invested in its construction. In addition, DoS contributed \$98 million in PDP funds toward construction of the Basrah consulate so it could be used for PDP training. It too will not be used because of MOI-directed reductions. This brings the total amount of de facto waste in the PDP—that is, funds not meaningfully used for the purpose of their appropriation—to about \$206 million.

With the PDP's downsizing, available funding exceeds current costs. DoS has about \$118.2 million in unspent FY 2010 and FY 2011 funds. More FY 2010 and FY 2011 funds will become available as more reductions are implemented. Further, DoS officials noted that none of the \$76.3 million in requested FY 2012 funds will be needed until FY 2013. As a practical matter, until the program stabilizes and an updated spend-plan is developed, it is unclear how much will be needed to fund FY 2013 activities.

In its October 2011 PDP audit, SIGIR noted that support costs comprised 88% of program funding. Further, the average cost per advisor totaled about \$2.1 million per advisor per year. SIGIR's analysis of DoS's FY 2013 budget request shows that PDP support costs would go up to 94% of program funding and the per advisor costs would double to about \$4.2 million per year.

In *Hard Lessons: The Iraq Reconstruction Experience*, SIGIR emphasized that host country buy-in to proposed programs is essential to the long-term success of relief and reconstruction activities. The PDP experience powerfully underscores that point. While obtaining the MOI's commitment to the

planned PDP program has clearly been difficult, the decision to embark on a major program absent Iraqi buy-in has been costly. Further, without the MOI's written commitment to the program, there is little reason to have confidence that the training program currently being planned will be accepted six months from now.

## Recommendations

SIGIR makes two recommendations to the Secretary of State:

1. Obtain a written agreement with the MOI on the training to be provided, with concurrence on mutually acceptable locations for conducting that training.
2. Develop a spend plan that accounts for all available funding from all program changes, showing how much prior-year funds will be available for fiscal year 2013 program activities and beyond.

## Matters for Congressional Consideration

SIGIR believes that the Congress may want to consider requiring DoS to provide a written certification that there is Iraqi buy-in for the new PDP classes to be presented in the first three months of implementation, before any additional U.S. funds are committed to the program.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## Final Audits Planned

Since 2004, SIGIR has conducted performance audits that assessed the economy, efficiency, effectiveness, and results of Iraq reconstruction programs. Such assessments often concentrated on the adequacy of internal controls and the potential for fraud, waste, and abuse. SIGIR's work also included a series of focused contract audits of major Iraq



reconstruction contracts, which supported SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction. Additionally, SIGIR conducted in-depth assessments of the reasonableness, allowability, and allocability of contract or grant costs charged to the United States. As SIGIR draws down, it is planning to complete a number of audits of programs or activities that merit a final or additional review, and one or more capping reports that will highlight the lessons learned in auditing Iraq reconstruction activities.

## Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1205: Audit of the U.S. Government's Accounting of Projects Implemented in Iraq
- Project 1203: Audit of State Department's Efforts To Address Quick Response Fund Management Controls
- Project 1112d: Audit of the Adequacy of U.S. Army Corps of Engineers Efforts To Account for Funds from the Development Fund for Iraq
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq

SIGIR's final audit capping efforts will capture those lessons that SIGIR has learned as a Special Inspector General auditing in a contingency environment. They will encompass a wide range of issues from lessons learned in providing reconstruction assistance in a dangerous environment to management and oversight issues that would need to be addressed in any future similar reconstruction scenarios.

## SIGIR Audits: 2004–2012

Since March 2004, SIGIR has published 214 audits addressing a wide range of topics, such as oversight

of contracts and specific reconstruction programs, as well as the cost and oversight of private security contractors. Throughout its tenure, SIGIR audits have identified deficiencies in the management of contracts and reconstruction activities; made recommendations to improve economy and efficiency of U.S. operations and make activities less vulnerable to fraud, waste, and abuse; and provided lessons learned for use in other reconstruction endeavors.

Moreover, SIGIR has made 482 recommendations to improve reconstruction activities in Iraq. SIGIR has been able to close 447 recommendations either because management has already agreed to and implemented them, the recommendations were overcome by events such as an agency reorganization or program change, or agency managers disagreed with, and therefore did not implement, a recommendation. These recommendations are discussed in depth in the next subsection.

Many of SIGIR's audit results can be attributed to SIGIR's presence in Iraq. This presence has enabled SIGIR to provide real-time audits—often starting and completing within six months—that address critical reconstruction issues. SIGIR's in-country audit activities also enabled face-to-face communication and relationship building with DoD, DoS, USAID, and GOI officials, and provided an in-depth and historical knowledge of the reconstruction program in the country. The number of SIGIR auditors in Iraq has decreased significantly, in line with the overall downsizing of the agency.

SIGIR has worked proactively with previous and current U.S. ambassadors and commanding generals, providing insights on issues that need to be addressed. In addition, SIGIR and the Office of the Under Secretary of Defense (Comptroller) have coordinated and worked together throughout SIGIR's seven most recent audits of the Development Fund for Iraq (DFI). For example, in commenting on a draft report entitled "Development Fund for Iraq: The Coalition Provisional Authority's Financial Controls for Electronic Fund Transfer Payments Diminished over Time"

(SIGIR 12-013), dated April 13, 2012, the DoD Comptroller stated:

I appreciate the collaborative effort extended by your team throughout the series of audits on the Development Fund for Iraq. Through this collaborative effort, DoD obtained CPA records from the U.S. National Archives that included information about the Hajj-related payments to Iraqi officials highlighted in the draft report. The Department will continue to support SIGIR audit efforts to ensure transparency and proper accountability.

SIGIR coordinates regularly with the Comptroller's office regarding actions taken to address DFI report recommendations.

## Major Issues Addressed in Audits

In the course of its work, SIGIR has identified broad, recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audits and, in July 2008, issued an audit report that discussed four persistent issues affecting the management of reconstruction activities in Iraq:

- the need to better understand the problems associated with implementing reconstruction programs in an unstable security environment (For example, security issues and their costs were often not adequately taken into consideration in designing and implementing reconstruction activities and estimating costs.)
- the impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects (The lack of such unity of command led to situations where the U.S. government could not determine the full extent of all agencies' activities on a single issue, such as anticorruption or capacity development.)
- the importance of anticipating staffing needs and reducing staff turnover
- the importance of working closely with host governments to ensure the long-term success of U.S. investments in reconstruction projects

This quarter, SIGIR issued its final forensic report which provided additional lessons that were learned in audits of contracts and other activities.

## SIGIR Recommendations To Improve the Management of Reconstruction Activities

SIGIR made recommendations to deal with these management problems. In a number of cases, a single recommendation addressed more than one of the issues outlined above. To illustrate, SIGIR has provided:

- more than 190 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover
- nearly 80 recommendations to improve inter-agency coordination and cooperation and to better share information
- more than 205 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 200 recommendations to improve accountability and internal control weaknesses (These involve deficiencies such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing.)
- more than 40 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that U.S. efforts will not be wasted

Additionally, SIGIR has provided recommendations to improve the management, efficiency, and outcome of significant and high-cost programs that will continue in Iraq even as the U.S. reconstruction effort scales back. Moreover, these recommendations provide important lessons learned in implementing reconstruction activities in other contingency operations. To illustrate:

- SIGIR has issued 12 reports on the **Commander's Emergency Response Program (CERP)** and Iraqi-funded (**I-CERP**) projects administered through the U.S. program, making 29 recommendations that address the need to improve management. This program authorizes U.S. field commanders to use CERP funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. In July 2011, SIGIR completed a review of the uses and management of FY 2011 CERP-funded projects and concluded that the emphasis to concentrate on capacity-development projects likely does not meet DoD CERP objectives, and that there are no meaningful metrics to measure these projects' impact. Another related report looked at DoD's management of the funds the GOI provided for I-CERP projects. SIGIR found that DoD was using U.S. CERP funds for projects that would have been more appropriately funded under I-CERP and that DoD was not maintaining accurate information on the I-CERP funds or projects.
- SIGIR has issued approximately 30 reports that, to varying degrees, addressed **DoD efforts to develop a functioning Iraqi Army, Air Force, Navy, and Police**. These reports ranged from the management of contracts that provided training and other services, ministerial capacity development, oversight of weapons provided, asset transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel. Recommendations addressed issues such as the need to determine whether billings and costs questioned by SIGIR should be disallowed and recovered, and the need to ensure that the Iraqi Ministry of Defense assumes responsibility for maintaining U.S.-built facilities.
- SIGIR has looked specifically at the progress in developing the Iraqi police forces. SIGIR issued seven reports that dealt exclusively with U.S.

**police training programs** and made numerous recommendations to improve oversight of, and reduce vulnerabilities to, fraud, waste, and abuse. SIGIR examined both the contract under which police advisors were training Iraqi police and the actual assistance program to provide the training. To illustrate, in 2010 SIGIR reviewed whether DoS had adequately planned for its assumption of the PDP, finding significant problems. SIGIR found that DoS lacked a current assessment of Iraqi police forces' capabilities upon which to base the program and had not obtained GOI written commitment regarding either its support for the program or its intended financial contributions. Moreover, only 12% of program costs would be used for actual program implementation, with the vast preponderance of funds going for security. SIGIR recommended that DoS work with the MOI to develop an assessment of the police forces, develop an in-depth development plan that includes metrics from which to evaluate success, and complete a written agreement with the MOI on its roles and responsibilities in developing its police forces. SIGIR also provided matters for the Congress to consider in encouraging more effective and efficient delivery of this training. This quarter SIGIR issued another report on the PDP which questioned its viability given the lack of Iraqi support and security problems. This report is discussed more in depth earlier in this section.

SIGIR has been actively working with USAID, DoS, and DoD to determine the extent to which SIGIR recommendations have been implemented or otherwise addressed by the agency. In some cases, recommendations were overcome by events such as the dissolution of a temporary agency or program, or were rejected by management. SIGIR has also worked with agency inspectors general to ensure that they follow up on any SIGIR recommendations that remain open after SIGIR shuts down. To date, SIGIR is pleased that agencies have generally responded positively to SIGIR recommendations.

- USAID agreed to provide semiannual updates on its open recommendations and has submitted three such reports. The most recent report indicated that USAID had taken corrective action on nine recommendations in the last six months.
- DoS has set up a SIGIR Audits Recommendations Liaison in their Bureau of Resource Management to monitor the status of SIGIR recommendations and maintain contact with SIGIR. DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Subsequently, DoS and SIGIR have worked together to reconcile system documentation. SIGIR is awaiting documentation on 16 open recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress, nor for resolving disagreements and questions about recommendations, as required by Office of Management and Budget Circular A-50.
- SIGIR has been able to close all but four of the audit recommendations made to the Office of the Secretary of Defense and the U.S. Central

Command and pertaining to SIGIR’s review of the Anham contract with DoD. The DoD Office of Inspector General has agreed to follow up on any open SIGIR recommendations after SIGIR terminates operations in fiscal year 2013.

As part of its closeout process, SIGIR is transferring the responsibility for follow-up on open audit recommendations to the pertinent agency Inspector General.

### Financial Impacts of SIGIR Audits

SIGIR’s audits have had financial impacts as shown in Table 5.2. Through its audits, SIGIR has been able to identify:

- funds that would be put to better use, meaning that funds could be used more efficiently if management took an action, such as reducing outlays or deobligating funds from a specific program or operation
- payments that SIGIR questioned and recommended the agency consider recovering because SIGIR determined that the payments were either not adequately supported in documentation or did not appear to be allowable, reasonable, or

**TABLE 5.2**  
**SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACTS, AS OF 7/30/2012**  
\$ Millions

ACCOMPLISHMENTS	LAST 6 MONTHS	CUMULATIVE
Potential Savings If Funds Are Put to Better Use <sup>a</sup>	–	973.62
Potential Savings If Agencies Recover Questioned Costs <sup>b</sup>	4.85	640.68
Actual Saved and Recovered Funds Based on Agency and Congressional Actions Responding to SIGIR Findings and Recommendations	–	644.89

<sup>a</sup> The Inspector General Act of 1978, § 5. (f) states:

(4) The term “recommendation that funds be put to better use” means a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including—

- (A) reductions in outlays
- (B) deobligation of funds from programs or operations
- (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds
- (D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee
- (E) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements, or
- (F) any other savings which are specifically identified.

<sup>b</sup> The Inspector General Act of 1978, § 5. (f) states:

- (1) The term “questioned cost” means a cost that is questioned by the Office because of—
  - (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds
  - (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation, or
  - (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
- (2) The term “unsupported cost” means a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.

Source: Analysis of SIGIR audit reports and recommendations as of 7/2012.

allocable according to regulations and or other agreements governing the expenditure of the funds

- funds that were actually saved because the agency under review accepted SIGIR's recommendation to put funds to better use, or to recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding, or funds that were saved because the Congress elected to reduce appropriations based on SIGIR's work

SIGIR has identified a total of \$973.62 million that could be used more efficiently and effectively elsewhere.

SIGIR has also questioned \$640.68 million in payments to contractors and grant recipients under cost-reimbursement contracts or grant agreements because the costs claimed were not supported by adequate documentation, such as receipts or invoices; were unallowable under government regulations; were unreasonably high; or were not allocable to the project. For example, SIGIR found major problems in U.S. oversight of a contract with Anham, LLC, and therefore questioned the entire \$113 million that has thus far been expended on the contract.

Through July 30, 2012, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about \$644.89 million in saved and recovered funds. For

example, \$23 million of the funds saved emanated from recommendations regarding improved inventory control of equipment purchased for primary healthcare centers, and \$502 million was saved in the Iraqi police training program through measures such as improved contractor invoice review.

Additionally, DoS implemented a SIGIR recommendation to conduct in-depth assessments of International Republican Institute (IRI) methods for allocating costs that could ultimately result in significant savings to the Department. Specifically, in a July 2010 audit, "Improved Oversight Needed for State Department Grants to the International Republican Institute" (SIGIR 10-022), SIGIR recommended, among other actions, that the Grants Officers conduct in-depth assessments of the IRI accounting allocation methods highlighted in the report to determine the level of questionable costs and whether funds should be recovered. SIGIR had determined that IRI had not properly allocated or computed its overhead security costs. A June 2012 DoS Office of Inspector General audit report (AUD-CG-12-35) confirmed SIGIR's findings to the point of questioning whether more than \$4 million in costs were appropriately allocated and recommending that the Grants Officers take specific actions to remedy the problems and recover funds as appropriate.

Table 5.3 lists SIGIR's financial impact audit reports and the value of the financial accomplishments.

**TABLE 5.3**  
**SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACT REPORTS**  
 \$ Millions

REPORT NUMBER	REPORT TITLE	POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS		ACTUAL SAVINGS	
		FUNDS THAT COULD BE BETTER USED	QUESTIONED COSTS	DOLLARS SAVED & RECOVERED <sup>c</sup>	
			UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	
04-003	Federal Deployment Center Forward Operations at the Kuwait Hilton	18.20			18.20
04-011	Audit of the Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Baghdad	19.70			19.70
04-013	Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award			5.19	0.00 <sup>a</sup>
05-008	Administration of Contracts Funded by the Development Fund of Iraq		0.04		0.00 <sup>a</sup>
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq			2.70	0.00 <sup>a</sup>
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			0.00 <sup>a</sup>
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			7.80
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library		0.15		0.00 <sup>a</sup>
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq		0.57		0.00 <sup>a</sup>
06-009	Review of Task Force Shield Programs	12.80			12.80
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	1.51		3.46	4.97
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	23.30			23.30
06-029	Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support		5.46		5.46
07-007	Status of U.S. Government Anticorruption Efforts in Iraq	3.80			3.80
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC		0.57		0.57
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute		0.19		0.06 <sup>a</sup>
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			16.62
10-008	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	448.49	502.25		508.66
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	5.00			5.00
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	16.10			16.10
10-022	Improved Oversight Needed for State Department Grants to the International Republican Institute		5.54		0.69
11-001	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited		0.08		0.08
11-009	Iraqi Government Support for the Iraq International Academy	12.00			-
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed		1.08		1.08

Continued on next page

REPORT NUMBER	REPORT TITLE	POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS		ACTUAL SAVINGS	
		FUNDS THAT COULD BE BETTER USED	QUESTIONED COSTS		DOLLARS SAVED & RECOVERED <sup>c</sup>
			UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS	
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected		113.40	-	
12-006	Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency	387.00		-	
			<b>629.33</b>	<b>11.35</b>	
<b>Totals</b>		<b>973.62</b>	<b>640.68<sup>b</sup></b>	<b>644.89</b>	

<sup>a</sup> SIGIR previously reported that agencies saved some, or more money, but collection efforts were stopped for reasons such as the company went out of business or the cost of collection would have exceeded the funds recovered.

<sup>b</sup> The total dollar amount of questioned costs comprises two subcategories, which are delineated in this table in order to clarify the nature of the questioned cost as defined by the Inspector General Act.

<sup>c</sup> No recovered funds or collection efforts to date related to Reports 11-009, 11-022, or 12-006.

Note: All SIGIR audit reports can be found on the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

## SIGIR’s Forensic Audit Work Completed

SIGIR has completed its forensic audits of Iraq reconstruction funds. SIGIR began its effort in late 2008 and issued its final forensic report this quarter. SIGIR’s approach to performing these audits combined automated data mining with standard audit and investigative techniques to detect problematic payments and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. A “Forensics Group” was established and staffed with personnel from SIGIR’s Audits and Investigations Directorates to perform those tasks. The group’s initial working framework involved three primary efforts:

- SIGIR conducted in-depth audits of major DoD, DoS, and USAID reconstruction awards. In these focused contract and grant audits, SIGIR examined costs, outcomes, and management oversight and identified whether internal controls were in place to ensure effective contract management and use of reconstruction funds.
- SIGIR established a joint audit and investigative initiative in January 2009. Known as the Forensic Evaluation, Research, Recovery and

Enforcement Team (FERRET), this multidisciplinary initiative involved auditors, analysts, and investigators working together to examine programs where U.S. military and civilian personnel involved in the reconstruction of Iraq had easy access to cash and where controls over expenditures appeared to be weak.

- SIGIR auditors examined transaction data of payments made to vendors to identify irregular, or anomalous, transactions that could indicate potential fraud. SIGIR selected nearly 180,000 payments totaling about \$40 billion from DoD, DoS, and USAID financial systems for close review. These transactions came from four major reconstruction funds: the IRRF (totaling \$19.83 billion), ISFF (\$14.1 billion), ESF (\$1.83 billion), and CERP (about \$4.0 billion).

Subsequently, SIGIR added an additional component to the forensic endeavor. SIGIR analyzed nearly 100 closed criminal investigations related to the Iraq reconstruction effort to identify internal control weaknesses that contributed to individuals’ ability to commit criminal acts.

SIGIR’s final forensic report is discussed earlier in this section. ♦

## SIGIR SPECIAL REPORTS

In July 2012, SIGIR published the second in its Special Report series.

### ***The Human Toll of Reconstruction and Stabilization during Operation Iraqi Freedom*** *SIGIR Special Report No. 2*

While SIGIR's audit reports and Quarterly Reports have focused on financially accounting for the more than \$60 billion made available for Iraq's reconstruction and stabilization since 2003, this report provides an estimate of the human cost of reconstruction.

Operation Iraqi Freedom lasted from May 1, 2003, to August 31, 2010. During that period, U.S. servicemembers, civilians, and contractors—as well as third-country nationals and Iraqis—exposed themselves to significant risk while trying to rebuild and stabilize Iraq. Although the paucity of reliably complete casualty data prevented SIGIR from obtaining a full accounting of the actual human losses suffered while reconstructing and stabilizing Iraq, this report provides the most thorough account possible.

SIGIR combed through official casualty records as well as the casualty lists compiled by various private companies and government agencies involved in reconstruction efforts in Iraq, including:

- U.S. Department of Defense (DoD)
- U.S. Department of State (DoS)
- U.S. Department of Labor
- U.S. Agency for International Development (USAID)
- U.S. Army Corps of Engineers (USACE)

Although these records are incomplete, they provide a minimum number of people killed while reconstructing and stabilizing Iraq.

### **What SIGIR Found**

Reconstructing and stabilizing Iraq was dangerous work. SIGIR calculated that at least 719 people were killed while working reconstruction and stabilization efforts during Operation Iraqi Freedom. More than 44% of these fatalities—318 people—were U.S. citizens, including 264 military personnel and 54 civilians. An additional 111 third-country nationals, 271 Iraqis, and 19 others were also killed while working on U.S. reconstruction and stabilization efforts. These numbers do not include those who died from combat accidents, suicides, or natural causes.

SIGIR documented the type of project each person was working on at the time of his or her death, organizing the data into three categories:

- **Infrastructure and governance** projects addressed the civil reconstruction of Iraq—including electrical, water, oil, healthcare, and transportation infrastructure—and also Iraq's civil society, such as education and human rights.
- **Police training** projects and activities were undertaken to rebuild a viable police force for Iraq through recruitment of new police, establishment of new training academies throughout Iraq, and re-education of retained Iraqi police officers.
- **National-level security force training** projects and activities supported the establishment and training of the Iraqi armed forces.

At least 513 personnel (71% of all casualties) died while supporting the largest project category in SIGIR's analysis—infrastructure and governance—which includes all projects funded through the Iraq Relief and Reconstruction Fund, Economic Support Fund, and Commander's Emergency



Response Program. Of these 513 casualties, 240 were Iraqis.

The police development and training program also proved dangerous, accounting for 145 casualties (20%). DoD, the lead agency for police training during the time period considered by this report, sustained 97 casualties. An additional 16 U.S. civilian contractors, 4 third-country national contractors, 22 Iraqis, and 6 others, working as interpreters, were also killed while training the Iraqi police.

Missions involving the training of the Iraqi military claimed the final 61 casualties (8%): 48 U.S. military personnel, 3 U.S. civilians, 9 Iraqis (mostly interpreters working for the U.S. military), and one other, working as an interpreter.

### Lessons for Consideration

Based on this research, SIGIR offers two lessons for consideration:

1. **Reconstruction and stabilization missions conducted in a combat zone are inherently dangerous.** Although reconstruction and stabilization missions are described as “soft,” “non-kinetic,” or “non-lethal” missions, this is

a misnomer. The human losses incurred in Iraq indicate that reconstruction and stabilization missions conducted in a war zone were dangerous for our military forces, U.S. civilian contractors, third-country nationals and Iraqis alike. While missions in support of military operations may justify some risk, not all stability and reconstruction missions fall into this category. The risk to personnel should be considered when deciding to conduct, in non-permissive environments, reconstruction and stabilization missions that go beyond supporting military operations.

2. **Casualty data records are incomplete and often absent, especially for civilians.** One measure of the cost of stability and reconstruction operations is the number of casualties sustained by the United States and its allies. Without accurate records, we risk having an incomplete evaluation of the effectiveness and cost of our reconstruction and stabilization efforts. U.S. agencies involved in reconstruction and stabilization missions should ensure that the data related to the human cost of such efforts is properly collected and maintained. ♦

## SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 97 active investigations. During this reporting period, SIGIR had 1 investigator assigned in Baghdad; 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, and California; and 5 investigative personnel at SIGIR headquarters in Arlington, Virginia. Investigative

accomplishments this quarter included three indictments, five convictions, and five sentencing.

As of July 30, 2012, the work of SIGIR investigators had resulted in 90 indictments, 72 convictions, and more than \$177.0 million in fines, forfeitures, recoveries, restitution, and other monetary results. For SIGIR convictions, by affiliation of wrongdoer at the time of criminal activity, see Figure 5.1. For the monetary results of SIGIR investigations, by affiliation of wrongdoer, see Figure 5.2.

Investigative accomplishments this quarter also included 14 suspensions, 11 proposals for debarment, and 17 debarments. As of June 30, 2012, the work of SIGIR investigators had resulted in 94 suspensions, 133 proposals for debarment, and 103 debarments.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of these investigations, 16 defendants were awaiting trial, and an additional 15 defendants were awaiting sentencing at the end of the quarter. Figure 5.3 shows the cumulative number of judicial actions and monetary results resulting from SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.4 at the end of this subsection.

SIGIR notes these investigative activities this quarter:

- A British citizen and two U.S. citizens pled guilty to conspiring to defraud the U.S. government.
- A former U.S. Army captain was charged and pled guilty to theft of government property.

FIGURE 5.1

**SIGIR CONVICTIONS, BY AFFILIATION OF WRONGDOER, AS OF 6/30/2012**

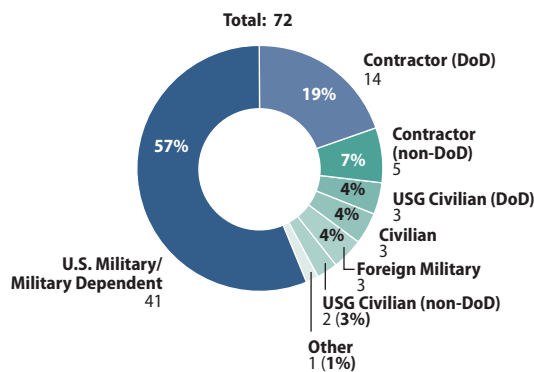
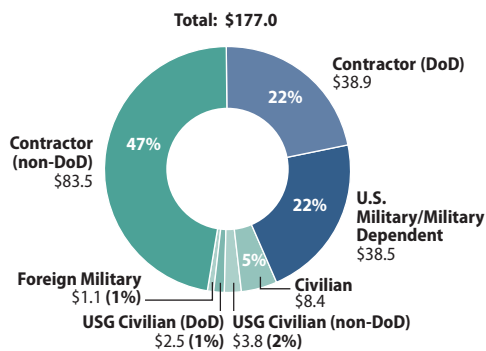


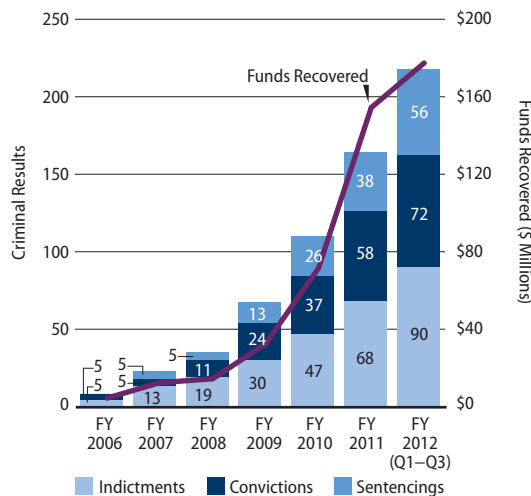
FIGURE 5.2

**SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 6/30/2012**  
\$ Millions



Note: Numbers affected by rounding.

**FIGURE 5.3**  
**SIGIR INVESTIGATIONS CRIMINAL RESULTS AND FUNDS RECOVERED, CUMULATIVE TO DATE, BY FISCAL YEAR**



- A U.S. Army sergeant and an associate were convicted on all charges in a bribery and money-laundering scheme.
- A U.S. Army Reserve sergeant was sentenced for conspiracy to defraud the Department of Defense (DoD).
- A U.S. Army major was sentenced for accepting illegal gratuities from a U.S. Army Corps of Engineers (USACE) contractor.
- A U.S. Army captain was sentenced for accepting illegal gratuities involving Commander’s Emergency Response Program (CERP) funds.
- A retired U.S. Army lieutenant colonel was sentenced for accepting bribes.
- A former civilian contractor was sentenced for his role in a scheme to steal military equipment.
- A defense contractor and its president were charged with fraud in connection with a contract to provide armored vehicles.

**British Citizen and Two Americans Plead Guilty to Conspiring To Defraud U.S. Government**

On May 21, 2012, Ahmed Kazzaz, a British citizen, pled guilty in U.S. District Court, Los Angeles,

California, to the federal offenses of conspiracy, kickbacks, wire fraud, and mail fraud. On April 10, 2012, Gaines Newell, Jr., pled guilty in U.S. District Court for the Northern District of Alabama to conspiracy to commit the federal offenses of kickbacks, wire fraud, and mail fraud and to filing false tax returns. On May 8, 2012, Billy Joe Hunt pled guilty in U.S. District Court for the Northern District of Alabama to conspiracy to commit the federal offenses of kickbacks, wire fraud, and mail fraud and to filing false tax returns.

In an indictment unsealed on March 13, 2012, Kazzaz and his company, Leadstay, were charged for their roles in a conspiracy to defraud the United States and pay kickbacks in exchange for receiving subcontracts for a DoD program in Iraq. In addition, two criminal informations were unsealed, charging Newell and Hunt with conspiracy to commit the federal offenses of kickbacks, wire fraud, and mail fraud, as well as filing false tax returns.

According to court documents, Kazzaz paid more than \$947,500 in unlawful kickbacks to two employees of the prime contractor to the United States government in order to obtain lucrative subcontracts for himself and his company in connection with the Coalition Munitions Clearance Program (CMCP). The CMCP worked to clear, store, and dispose of weapons that were seized or abandoned in Iraq from 2003 through November 2008. The U.S. Army Corps of Engineers Huntsville Engineering and Support Center (HESC) awarded a prime contract for this work to an international engineering and construction firm headquartered in Pasadena, California.

According to court documents, beginning in or about March 2006, Kazzaz entered into a kickback agreement with Newell (the prime contractor’s program manager) and Hunt (the deputy program manager), who arranged for the award of subcontracts to Kazzaz and Leadstay to provide materials, heavy equipment, and equipment operators for the CMCP. Kazzaz also

obtained multiple funding increases to those subcontracts. From April 2006 through August 2008, Kazzaz and Leadstay received more than \$23 million in U.S. funds for services under the CMCP.

Hunt's sentencing has been scheduled for August 21, 2012, and Newell's is set for October 9. Sentencing for Kazzaz is scheduled for October 29, 2012.

The case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Northern District of Alabama.

The case was investigated by SIGIR, the Defense Criminal Investigative Service (DCIS), Internal Revenue Service-Criminal Investigations (IRS-CI), the Federal Bureau of Investigation (FBI), and the U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU).

## **Former U.S. Army Captain Pleads Guilty to Theft of Government Property at Camp Speicher, Iraq**

On May 17, 2012, Nicole Luvera, a former U.S. Army captain, pled guilty in U.S. District Court in Atlanta, Georgia, to one count of theft of government property.

According to court documents, from July 2007 to September 2008, Luvera was the deputy disbursing officer at Camp Speicher, Iraq. Luvera was responsible for daily financial management and accounting of all money kept at Camp Speicher for the payment of obligations of the United States. In this capacity, Luvera had access to the vault and safes inside the vault in which all the money at Camp Speicher was kept. According to statements made at the plea hearing, Luvera admitted she knowingly and unlawfully stole and converted to her use and the use of others \$8,000 not reflected in the official accounting record. Luvera also admitted that on a subsequent occasion, she devised an illegal mechanism to steal and convert another approximately \$40,000 from the safe at Camp Speicher by fraudulently creating records to explain the absence of the money.

At sentencing, scheduled for August 10, 2012, Luvera faces up to 10 years in prison and a fine of \$250,000. In addition, Luvera has agreed to pay \$48,000 in restitution to DoD.

The case was investigated by SIGIR, DCIS, and Army CID-MPFU.

## **U.S. Army Sergeant and Associate Convicted in Bribery and Money-laundering Scheme**

On June 25, 2012, a federal jury in Elkins, West Virginia, convicted U.S. Army Sergeant First Class Richard Evick and his associate Crystal Martin on all counts charged in connection with a bribery and money-laundering scheme at Camp Arifjan, Kuwait.

Evick was found guilty of one count of bribery conspiracy, two counts of bribery, one count of money-laundering conspiracy, six counts of money laundering, and one count of obstructing an agency proceeding. Crystal Martin, one of his co-conspirators, was found guilty of one count of bribery conspiracy, one count of money-laundering conspiracy, and four counts of money laundering. Evick served as the U.S. Army's non-commissioned officer in charge of contracting at Camp Arifjan between 2005 and 2006. In that capacity, Evick had the authority to arrange for the award of valuable contracts to supply the U.S. military with bottled water and catering services, maintain Army barracks, and install security barriers, among other things.

Evidence presented at trial demonstrated that Evick and his co-conspirators manipulated the contracting process in several ways, including disclosing confidential information about the U.S. military's plans to procure goods and services and accepting fake bids. In this manner, Evick and two of his fellow contracting officials, former U.S. Army Majors James Momon and Christopher Murray, steered nearly \$24 million worth of contracting business to certain contractors. In exchange, these contractors paid Evick more than \$170,000

in bribes, a free New Year's Eve trip to Dubai, and parties.

Among the persons who paid Evick these bribes was Wajdi Birjas, a civilian U.S. government employee at Camp Arifjan who had a secret interest in a military contractor operating in Kuwait. Birjas testified that he provided phony bids to Evick from purportedly independent contractors who were, in reality, controlled by the same individuals. The evidence showed that Evick used these bids to create the false impression that the contracts were awarded according to Army contracting rules providing for a competitive bidding process. Birjas also testified that he had a hidden safe at his villa where Momon stored more than \$800,000 in bribe money and which Evick used to exchange a large amount of Kuwaiti currency for U.S. dollars.

According to the evidence, Evick gave much of his bribe money to Martin, who had a concession from the Army and Air Force Exchange Service to sell merchandise at Camp Arifjan, which was primarily a cash business. Evick and Martin then transferred tens of thousands of dollars worth of Evick's bribe money to the United States into the hands of Evick's wife and his girlfriend. The evidence showed that, in order to conceal the fact that this was bribe money, Evick and Martin converted the money into Western Union wires, money orders, cashier's checks, and personal checks. Evick and Martin also smuggled cash into the United States on their persons, Martin often taking military transport flights to avoid customs screening. Evick used his bribe money, among other things, to purchase and construct a residence on three and a half acres in Parsons, West Virginia, and to buy a pickup truck.

The evidence showed that Evick and Martin also participated in a scheme to smuggle \$250,000 of bribe money belonging to Momon into the United States. Momon testified about a summer 2006 meeting at Kuwait International Airport with Evick and Martin, at which Martin described how she was laundering Evick's bribe money and offered to provide the same service for Momon.

According to evidence presented at trial, Evick offered to bury Momon's money on Evick's West Virginia property. When law-enforcement agents interviewed Evick several months later about corruption at Camp Arifjan, Evick falsely stated that he did not know the contractor from whom evidence showed he had received a \$150,000 bribe, among other things.

Evick and Martin face a maximum sentence of five years in prison for bribery conspiracy, 20 years in prison for money-laundering conspiracy, and 20 years in prison for each count of money laundering. Evick also faces a maximum of 15 years in prison for each count of bribery, five years for obstructing an agency proceeding, and the forfeiture of the proceeds of his bribe scheme, which includes his West Virginia residence. Both face maximum fines of \$250,000 per count. A sentencing date has not been set.

The case was conducted by SIGIR, DCIS, Army CID-MPFU, IRS-CI, and the FBI.

### **U.S. Army Reserve Sergeant Sentenced for Conspiracy To Defraud DoD**

On May 16, 2012, Amasha M. King, a sergeant in the U.S. Army Reserve, was sentenced in U.S. District Court in Macon, Georgia, to three months of imprisonment, followed by five years of probation, and ordered to pay restitution of \$20,500 and a special assessment of \$100.

According to the court documents, Sergeant King served at Camp Arifjan, Kuwait, from November 2004 to February 2006, in support of Operation Iraqi Freedom as part of the 374th Finance Battalion. While in Kuwait, King was responsible for receiving and processing pay vouchers and invoices from military contractors for various contracts and blanket purchase agreements (BPAs), including BPAs for bottled potable water. With King's approval, the contractors were paid from the finance battalion. In some instances, King was responsible for the issuance of U.S. government checks to those contractors.

According to court documents, King agreed to receive money from a military contractor in return for defrauding the United States by preferentially processing the contractor's invoices outside of the proper procedures and protocols for payment. This allowed the contractor to be paid much faster than usual, enabling it to bid for more contracts than it otherwise could have financed.

Sergeant King admitted that she received four wire transfers totaling approximately \$20,500. She also admitted that she instructed the contractor to wire the money to designees in the United States and to keep the amounts under \$10,000 to avoid bank reporting requirements.

This case was investigated by SIGIR, Army CID-MPFU, DCIS, IRS-CI, Immigration and Customs Enforcement (ICE), and the FBI.

## **U.S. Army Major Sentenced for Accepting Illegal Gratuities from USACE Contractor**

On June 6, 2012, U.S. Army Major Christopher G. Bradley was sentenced in U.S. District Court in El Paso, Texas, to six months of imprisonment, followed by one year of supervised release, and ordered to pay restitution of \$20,000 and a special assessment of \$200. The sentencing was the result of Bradley's April 9, 2012, guilty plea to accepting illegal gratuities.

Bradley was charged in a two-count criminal information with accepting \$20,000 in illegal gratuities while deployed to Forward Operating Base (FOB) Diamondback in Mosul from January to November 2008. During that time, Bradley served with the Ninewa Operation Command Military Transition Team, where he helped establish facilities at the base and train a companion Iraqi Army unit that was stationed on an adjacent Iraqi base.

Bradley admitted that he accepted \$20,000 in cash from an Iraqi contractor at FOB Diamondback. Bradley escorted the contractor around the base when the contractor was unable to hire a properly credentialed employee. Further, Bradley assisted the contractor to circumvent security

procedures requiring the off-loading and reloading of trucks prior to entering the base. He arranged for the contractor's trucks to be allowed onto the Iraqi portion of the base without previously being off-loaded and reloaded, thus saving the contractor substantial cost and time. Bradley admitted that, on two separate occasions, he accepted an envelope filled with \$10,000 cash from the Iraqi contractor and that the payments were given to him because of his assistance to the contractor.

Bradley is set to retire on October 31, 2012, from the U.S. Army. He was ordered to self-surrender on November 5, 2012, to begin serving his prison sentence.

This case was investigated by SIGIR, Army CID-MPFU, and DCIS.

## **U.S. Army Captain Sentenced for Accepting Illegal Gratuities**

On June 1, 2012, Michael Rutecki, a captain in the U.S. Army, was sentenced in U.S. District Court in Anchorage, Alaska, to three years' probation and ordered to pay a \$2,000 fine, restitution of \$10,500, and a special assessment of \$100. Rutecki pled guilty on March 7, 2012, to a criminal information charging him with one count of accepting illegal gratuities.

According to court documents, Rutecki was deployed to Iraq as a civil affairs officer at a forward operating base in Rustimaya. As part of his assignment, he was a pay agent responsible for directing CERP funds to pay contractors to perform work in accordance with objectives set forth by U.S. Army commanders. It is a violation of federal law for pay agents to accept personal gifts or gratuities from contractors dependent upon pay agents for contracts.

According to court documents, during and after the solicitation of contracts, Rutecki accepted cash and other things of value from an Iraqi contractor, including \$10,000 in cash, two silver rings with diamond stones, 15 gold coins worth more than \$10,000, and other valuables.

Rutecki admitted that he took the valuables and money with the understanding and belief that they were for or because of his assistance to the contractor, who received the contract.

This case was prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of Alaska. The case was investigated by Army CID-MPFU and DCIS.

### **Retired U.S. Army Lieutenant Colonel Sentenced for Accepting Bribes**

On June 13, 2012, Derrick L. Shoemake, a retired U.S. Army lieutenant colonel, was sentenced in U.S. District Court for the Central District of California to 41 months in prison, followed by 2 years of supervised release, and ordered to pay restitution of \$181,900 and to forfeit \$68,100. The sentencing is the result of his June 2011 guilty plea to a criminal information charging him with two counts of bribery.

According to court documents, Shoemake was deployed to Camp Arifjan, Kuwait, as a contracting officer's representative in charge of coordinating and accepting delivery of bottled water in support of U.S. troops in Iraq. While serving in Kuwait, Shoemake agreed to assist a contractor with his delivery of bottled water. In return, the contractor paid Shoemake a total of approximately \$215,000, most of which was delivered to Shoemake's designee in Los Angeles. Shoemake received an additional \$35,000 from a second contractor for his perceived influence over the award of bottled-water contracts in Afghanistan. In total, Shoemake admitted receiving approximately \$250,000 from these two government contractors in 2005 and 2006.

The case was conducted by SIGIR, DCIS, Army CID-MPFU, IRS, ICE, and the FBI.

### **Former Civilian Contractor Sentenced for Role in Scheme to Steal Military Equipment**

On July 9, 2012, David John Welch, a former U.S. civilian contractor employee, was sentenced in U.S. District Court, Raleigh, North Carolina, to 2 years

in prison followed by 3 years of supervised release, and ordered to pay restitution of \$160,000 to the DoD. Welch pled guilty on April 2, 2012, to conspiring to steal military generators in Iraq in 2011 and selling them on the black market.

According to court documents, in 2011, Welch was the operations and maintenance manager of a U.S. government contractor on Victory Base Complex in Baghdad. In this capacity, Welch had the ability to influence the distribution and movement of U.S. government equipment. In addition, Welch was in charge of overseeing the movement of generators from the compound to the Defense Reutilization and Marketing Office (DRMO). In October 2011, Welch and a co-conspirator entered into a scheme to steal and later sell approximately 38 generators on the black market in Iraq to unknown co-conspirators by diverting these generators from the DRMO to an undisclosed off-base location in Iraq. After the generators were stolen from the compound, Welch's co-conspirator provided him with four stacks of \$100 bills, totaling approximately \$38,600.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Eastern District of North Carolina. The case was investigated by SIGIR, Army CID-MPFU, and the FBI.

### **Defense Contractor Charged in Armored Vehicle Fraud**

On July 19, 2012, a military contracting firm and its president were charged by a federal grand jury for the Western District of Virginia, Roanoke, in a 12-count indictment charging major fraud against the United States, wire fraud, and false claims on allegations that the contractor falsely represented the level of protection provided by armored vehicles used by the convoys of senior officials in Iraq.

According to the indictment, the company entered into a \$4 million contract in April 2006 to provide DoD with 24 armored vehicles for use in Iraq. In June 2006, the company entered a second

contract to deliver an additional eight armored vehicles. These trucks were to be used as security vehicles for Iraqi senior officials who regularly traveled by motorcade through a “hostile and dangerous environment.”

The government charged that both contracts included specific requirements for the armoring of the vehicles, including that each vehicle be reinforced to a standard at which an armor-piercing bullet could not penetrate the passenger compartment and ceiling. In addition, the contracts required the undercarriage of each armored truck have mine-plating protection that could withstand explosions underneath the vehicles. Finally, the contracts required the armored vehicles to have run-flat tires, plus one spare, so they could continue to operate should their tires be shot out or otherwise flattened.

Despite the requirement in the contract that the first 24 armored gun trucks be delivered by July 31, 2006, the company and its president failed to ship a single vehicle by that deadline. The company ultimately supplied seven armored vehicles after the contract deadline and was paid \$2,019,454. Each of these vehicles was delivered with a “Material Inspection and Receiving Report” certifying it met the contract standards.

The indictment alleges that none of the armored gun trucks delivered met the ballistic and blast protection requirements of the contracts, despite the defendant’s claims that the vehicles met the standards. The company and its president knew, according to the indictment, that each of the six armored gun trucks failed to meet the required standards, that they were defective, and that they would not protect the officials who traveled in them.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ’s Criminal Division and the U.S. Attorney’s Office for the Western District of Virginia. The case was investigated by DCIS, the FBI, and SIGIR.

## SIGPRO Update

Under the SIGIR Prosecutorial Initiative (SIGPRO), which began in late 2009, SIGIR has hired highly experienced prosecutors and detailed them as a unit to the Fraud Section of DoJ’s Criminal Division to prosecute SIGIR investigation cases. These prosecutors are firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They handle their own DoJ caseloads and work closely with SIGIR’s General Counsel and other DoJ prosecutors assigned to SIGIR cases. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate. In line with SIGIR reductions in staff, the SIGPRO unit now comprises two prosecutors and one legal analyst.

This quarter, a court ruled on an appeal related to SIGPRO’s action in *United States v. Pfluger*, No. 1:10-CR-54-1 (N.D. Tex. 2011). A SIGPRO attorney served as the prosecutor in this case. The defendant moved to dismiss the indictment based on the argument that the five-year statute of limitations had expired in 2009 and that he was not indicted until 2010. The government responded by arguing that the statute of limitations was suspended during the pendency of the war in Iraq by the operation of the Wartime Suspension of Limitations Act (18 U.S.C. § 3287). The trial judge agreed with this argument and denied the defendant’s motion to dismiss. The defendant subsequently pled guilty to the indictment and was sentenced in July 2011. However, in August 2011, the defendant filed an appeal with the United States Court of Appeals for the 5th Circuit, No. 11-10747. Oral arguments were heard by the Court on June 4, 2012, and the SIGPRO attorney argued for the Appellee United States of America. On June 21, 2012, the court issued the following ruling, upholding the conviction:<sup>474</sup>

This appeal arises out of the Government’s indictment of Defendant-Appellant David Pfluger for frauds Pfluger committed while serving as a



Lieutenant Colonel in the United States Army in Iraq. Centrally, his appeal deals with a minimally developed area of law—the applicability of 18 U.S.C. § 3287. Better known as the Wartime Suspension of Limitations Act, section 3287 suspends the running of the statute of limitations for certain crimes when the United States is at war. Because we find § 3287 applicable to Pfluger, we AFFIRM.

## Suspensions and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involved in Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official. This quarter, the Army suspended 27 contractors based on allegations of

fraud in Iraq and Kuwait. In addition, the Army proposed 11 contractors for debarment and finalized 26 debarments of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait.

The Army has suspended 162 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003, and 202 individuals and companies have been proposed for debarment, resulting in 164 finalized debarments that range in duration from 9 months to 10 years. PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2012. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.5. For a complete list of suspensions and debarments, see Appendix F.♦

TABLE 5.4  
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Crystal Martin	Conspiracy and money laundering	6/25/2012	Pending
Richard Evick	Conspiracy, bribery, money laundering, and obstructing an agency proceeding	6/25/2012	Pending
Ahmed Kazzaz	Conspiracy, kickbacks, wire fraud, and mail fraud	5/21/2012	Pending
Nicole Luvera	Theft of government property	5/17/2012	Pending
Billy Joe Hunt	Conspiracy and filing false tax returns	5/8/2012	Pending
Gaines Newell, former DoD contractor employee	Conspiracy and filing false tax returns	4/10/2012	Pending
Maj. Christopher G. Bradley, USA	Gratuities	4/9/2012	6 months in prison; 1 year supervised release; \$20,000 restitution; and \$200 special assessment
David J. Welch, former DoD contractor employee	Conspiracy to steal government property	4/2/2012	2 years in prison; 3 years supervised release; and \$160,000 restitution
Capt. Michael G. Rutecki, USA	Gratuities	3/7/2012	3 years probation; \$10,500 restitution; \$2,000 fine; and \$100 special assessment
Sgt. Amasha M. King, USAR	Conspiracy to defraud	2/14/2012	3 months in prison; 5 years probation; \$20,500 restitution; and \$100 special assessment
John F. Hayes	Conspiracy	11/10/2011	5 months in prison; 2 years supervised release; and \$12,000 restitution
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; \$1,000 fine; and \$100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	4 years probation with the first 6 months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of \$73,500; and \$100 special assessment
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	\$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	18 months in prison; 3 years supervised release; and \$124,944 restitution
Francisco Mungia III	Conspiracy	7/22/2011	4 months in prison; 3 years supervised release; and \$30,000 restitution
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	1 year probation with the first 4 months in home confinement; \$7,169 restitution; and \$100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, retired USA lieutenant colonel	Bribery	6/13/2011	41 months in prison; 2 years supervised release; forfeiture of \$68,100; and \$181,900 restitution
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and \$24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	2 years in prison; 3 years supervised release; \$400,000 restitution; and \$100 special assessment

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/11/2011	12 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	6 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; \$106,820 restitution; and \$200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	3 years probation; and \$47,241 restitution
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	3 years in prison; 3 years supervised release; forfeiture of \$57,030; and \$200 special assessment
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and \$4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of \$757,525
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison and 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	\$18.7 million in criminal penalties; civil settlement of \$50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	1 year and 1 day in prison; and restitution
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeiture of \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; \$10,000 fine; \$25,500 restitution; and \$100 special assessment

Continued on the next page

# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeiture of \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	1 year home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	39 months in prison; 1 year supervised release; and forfeiture of \$15,757,000
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	39 months in prison; 2 years supervised release; and \$70,000 fine
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	1 year and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	2 years in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution

*Continued on the next page*

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA contracting officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Maj. John Lee Cockerham, Jr., USA contracting officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR contracting officer	Conspiracy and bribery	6/10/2008	12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA contracting officer	Bribery	12/19/2007	2 years confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
Maj. John Rivard, USAR contracting officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, subcontractor administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution

Continued on the next page

# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD civilian, operational support planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's food service advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, contracting officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA- South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special assessment
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, subcontracts manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, regional vice president, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central comptroller and funding officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, subcontracts manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations or results from courts martial.

TABLE 5.5  
DEBARMENT LIST

NAME	DEBARRED	NAME	DEBARRED	NAME	DEBARRED
Peter D. Dunn	6/14/2012	Ehsan Hassan Al-Ameli	11/29/2011	Ammar Tariq Al Jazrawi	1/10/2011
Global Procurement, Inc.	6/14/2012	Al AALI General Contracting Co.	11/28/2011	Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
World Wide Procurement and Construction, LLC	6/14/2012	Mahmoud Shakier Mahmoud	10/14/2011	Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Michelle Lynn Adams	6/14/2012	Ahmad Muhammed Hassan	10/13/2011	Bronze Al-Taqoos Al-Afjan	12/13/2010
Matrix International	5/17/2012	Al Ula Iraq	10/12/2011	International Quality Kitchens Ardiya	12/13/2010
Jose Flores	5/17/2012	Al Ula FZCO	10/12/2011	John Napolian	12/13/2010
Barry Steven Szafran	5/17/2012	Al Ula Global Trading, LLC	10/12/2011	Joseph Sebastian	12/13/2010
Jossey V. Varghese	5/17/2012	Chet M. Fazand	9/13/2011	N.K. Ismail	12/13/2010
Specialised Security Systems	5/17/2012	Chad M. Fazand	9/13/2011	Biju Thomas	12/13/2010
Thomas Aram Manok	5/17/2012	Fazand International Trading, LLC	9/13/2011	Combat General Trading Company	12/13/2010
SIMA International	5/17/2012	Al Dalla Co.	9/13/2011	Jank Singh	11/24/2010
Ali Amer Huissein	5/17/2012	Faustino L. Gonzales, CAPT, USA	9/7/2011	Blue Marine Services	11/24/2010
Majeed Sahdi Majeed	5/17/2012	Chasib Khazal Mehadi Al Mosawi	9/7/2011	Blue Marines General Trading, LLC	11/24/2010
Al Sald Company for General Contracts	5/17/2012	Quasay Shamran Mehdi Al-Mosawi	9/7/2011	Blue Marines	11/24/2010
C Building	5/17/2012	The Economical Group	9/7/2011	Blue Marines Group	11/24/2010
Al Andalus/A- Cap Company	5/17/2012	Jenna International, Inc.	8/4/2011	BMS Logistics	11/24/2010
Al Baqier Company	5/17/2012	Al-Methwad Company	7/21/2011	BMS Group	11/24/2010
Mohammed Baqier	5/17/2012	Tariq Zadan Dawood	7/21/2011	BMS General Trading, LLC	11/24/2010
Frederick Manfred Simon	5/17/2012	Tareq Zaidan Dawod	7/21/2011	Christopher Murray	11/10/2010
Manfred Otto Simon	5/17/2012	Tariq Zaidan Dawod	7/21/2011	Curtis Whiteford	10/22/2010
Railway Logistics International, Inc.	5/17/2012	Tariq Zaidon Dawod	7/21/2011	William Driver	10/22/2010
Engineering International Corporation	5/17/2012	Tarik Zaidon Dawood	7/21/2011	Allied Arms Company, Ltd.	9/28/2010
Eric Hamilton	4/30/2012	Abd Al Alim Abbod	7/21/2011	Allied Arms Company, W.L.L.	9/28/2010
Mike Atallah	2/25/2012	Frankie Joseph Hand	7/21/2011	Shahir Nabih Fawzi Audah	9/28/2010
Marta Atallah	2/25/2012	Richard Joseph Harrington	7/21/2011	Defense Consulting and Contracting Group, LLC	9/28/2010
Theresa J. Baker, MAJ, USA	2/25/2012	Janet L. Schmidt	6/22/2011	Amwaj Al-Neel Company	9/22/2010
Theodore Q. Williams	2/17/2012	Mariam M. Steinbuch	6/6/2011	Baladi Company	9/22/2010
Ozgen Kacar	2/17/2012	Mark Carnes	6/3/2011	Desert Moon Company	9/22/2010
Mezin Kacar	2/17/2012	Terence O. Walton	6/3/2011	Ameer S. Fadheel	9/22/2010
Ayfer Atilan	2/17/2012	Al Aali Future Mario Company	5/11/2011	Oday Abdul Kareem	9/22/2010
Al Amal Al Mushrig Company	2/15/2012	Eric K. Schmidt	4/20/2011	Maytham Jassim Mohammad	9/22/2010
Charles E. Sublett, MAJ, USA	1/19/2012	Mark R. Fuller	4/1/2011	Michael Dung Nguyen	8/19/2010
Ali Hatham Soleiman	12/15/2011	Ahmad Mustafa	1/25/2011	Michael Wheeler	7/28/2010
Al Anbar Trucking Association	12/15/2011	Mubarek Hamed	1/25/2011	Austin Key	7/14/2010
Abed Errazak Soleiman	12/15/2011	Ali Mohammed Bagegni	1/25/2011	Marko Rudi	5/26/2010
Saad Soleiman	12/15/2011	Abdel Azzim El-Saddig	1/25/2011	Ashraf Mohammad Gamal	4/16/2010
Taleb Alirfan	12/15/2011	Mark Deli Siljander	1/25/2011		
Shalan Alirfan	12/15/2011	Precy Pellettieri	1/12/2011		
David Pfluger, LTC, USA (Ret.)	12/6/2011	Salvatore Pepe	1/12/2011		

*Continued on next column**Continued on next column**Continued on next column*

NAME	DEBARRED
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009

*Continued on next column*

NAME	DEBARRED
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasantha Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007

*Continued on next column*

NAME	DEBARRED
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005



## SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

TABLE 5.6  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 6/30/2012

OPEN CASES				
Investigations				17
Audits				1
Review				1
<b>Total Open</b>				<b>19</b>
CLOSED CASES	4TH QTR 2011	1ST QTR 2012	2ND QTR 2012	CUMULATIVE*
FOIA	–	–	–	4
OSC Review	–	–	–	2
Assists	–	–	–	47
Dismissed	2	1	1	146
Referred	8	2	2	396
Inspections	–	–	–	80
Investigations	9	–	–	155
Audits	–	–	–	29
<b>Total Closed</b>	<b>19</b>	<b>3</b>	<b>3</b>	<b>859</b>
<b>Cumulative* Open &amp; Closed</b>				<b>878</b>

\*Cumulative total covers the period since the SIGIR Hotline began operations—from 3/24/2004 to 6/30/2012.

### Second Quarter Reporting

As of June 30, 2012, the SIGIR Hotline had initiated 878 cases. Of these cases, 859 have been closed, and 19 cases remain open. For a summary of these cases, see Table 5.6.

### New Cases

During this reporting period, the SIGIR Hotline received 4 new complaints, bringing the cumulative total to 878 Hotline cases:

- 3 involved contractual issues.
- 1 involved a personnel issue.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and email. Of SIGIR's 4 new Hotline complaints, all were received through the SIGIR Hotline website.

### Closed Cases

During this quarter, SIGIR closed 3 Hotline cases:

- 2 were referred to other inspector general agencies.
- 1 was dismissed because it did not fall under SIGIR's purview.

### Referred Complaints

After a thorough review, SIGIR referred 2 complaints to outside agencies for proper resolution:

- 1 was sent to the Department of the Army Office of Inspector General.
- 1 was sent to the Department of State Office of Inspector General. ♦

## SIGIR WEBSITE

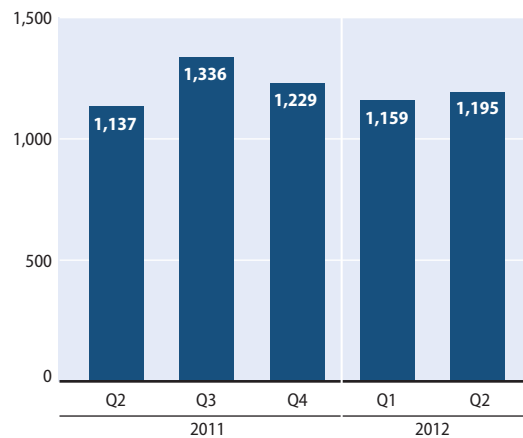
During this reporting period, the SIGIR website ([www.sigir.mil](http://www.sigir.mil)) recorded these activities:

- Just under 109,000 users visited the SIGIR website—1,195 users per day.
- The Arabic-language section of the site received more than 3,500 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 38,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.

SIGIR's custom Google site search has returned more than 15,500 results since its inception in April 2010.

For an overview of daily visits to the SIGIR website, see Figure 5.4. ♦

FIGURE 5.4  
AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 4/1/2011–6/30/2012



Source: DoD, IMCEN, response to SIGIR data call, 7/6/2012.

## LEGISLATIVE UPDATE

During this quarter, the Congress made important progress on appropriations and authorization legislation related to SIGIR, Iraq reconstruction, and related matters, but no final action was taken. The Inspector General testified at one hearing.

### Testimony

On June 28, the Inspector General testified before the Subcommittee on National Security, Homeland Defense, and Foreign Operations of the House Committee on Oversight and Government Reform, providing SIGIR's "Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq." The testimony addressed the Police Development Program, the security situation, the Office of Security Cooperation-Iraq (OSC-I), the transfer and sustainment of reconstruction assets, and the increase in SIGIR's criminal investigative activity. SIGIR's conclusion was that the lessons learned from the transition—the same lessons from the overall reconstruction experience—amount to a call for action: the Congress should reform the U.S. approach to stabilization and reconstruction operations.

The Inspector General noted that one crucial remedy could be achieved through the passage of H.R. 3660, which would coalesce the disparate management of stabilization and reconstruction operations (SROs) within one entity called the U.S. Office for Contingency Operations (USOCO). This reform would reduce costs and increase efficiencies by permanently bolstering the U.S. capacity to respond to and execute stabilization operations. Most notably, creating USOCO would resolve the burdensome interagency management problems inherent in the current stove-piped approach, problems still well in evidence in Afghanistan. The Congress could also act to improve oversight

of SROs by creating the Special Inspector General for Overseas Contingency Operations. This would capture the capacities developed at SIGIR and the Special Inspector General for Afghanistan Reconstruction (SIGAR), securing the oversight of future stabilization operations from ad hoc approaches.

### Appropriations Legislation

The House and Senate Committees on Appropriations have each reported State Department/foreign assistance bills, and the House has passed its defense bill.

In its introduction to the Department of State/foreign assistance bill, the Senate Committee on Appropriations observed in its report that, while significant funds have been spent on civilian assistance programs in Iraq (and countries facing similar problems) to support counterterrorism/counterinsurgency efforts, progress has "too often been limited by vaguely defined and unrealistic goals, exorbitant security costs, contractor fraud and mismanagement, large expenditures on infrastructure that cannot be sustained, and unreliable host country governments." It called for future programs to better support long-term development needs with "set funding ceilings for operations and programs."

The committee said it "expects future budget requests to be significantly reduced" as the footprint of U.S. programs gets smaller and as Iraq's own revenues increase. Moreover, surplus budget amounts from past years may be available for Iraq's use in funding its own development.

The House committee said that it "understands that the Department of State is continuing to review the diplomatic and operational presence in the frontline states of Afghanistan, Pakistan and Iraq. The Committee expects these reviews to yield

a smaller, more streamlined, operational footprint than was originally planned in the fiscal year 2013 budget....The Committee does not support the requested increase in staffing in the frontline states, other than the increases necessary to provide security for diplomatic and development personnel.”

With respect to its funding for assistance to the “frontline states,” the House committee said that it “understands the importance of United States assistance to secure and stabilize the front-line states of Afghanistan, Pakistan, and Iraq. The Committee notes that in spite of a lower funding allocation, these countries remain a priority, and the Committee provides the necessary funding to meet the critical objectives that are closely connected to military efforts. The Committee is committed to applying the lessons learned from the transition in Iraq to the upcoming transition in Afghanistan and includes a new certification requirement to ensure that funds are spent wisely, necessary agreements with the host government are in place, and security concerns are addressed.”

## State Department and Foreign Operations

Both the Senate and House Committees on Appropriations reported their respective versions of the State, Foreign Operations, and Related Programs appropriations bills for FY 2013. As of July 19, 2012, neither had been considered on the floor. For details of both versions, see Table 5.7.

### SIGIR and Related Provisions

No request was made for SIGIR in the President’s FY 2013 budget request, although the FY 2012 budget request included funding for SIGIR for the first quarter of FY 2013. In its FY 2013 bill, the Senate committee provided \$6 million for SIGIR under the Overseas Contingency Operations (OCO) title. The committee report recommended that the funding be provided for SIGIR operations to draw down by March 31, 2013, and that SIGIR’s investigative branch also receive “adequate funding to transfer SIGIR investigators to SIGAR until

this function draws down no later than March 31, 2014.” The Committee expects SIGIR and SIGAR to coordinate this transfer to allow completion of open cases, minimizing administrative, support, and rent costs.

Specifically, the legislative language included provisions to the effect that: (a) balances remaining available to SIGIR on March 24, 2013, shall be made available for SIGAR for Iraq-related reconstruction oversight; (b) all investigative functions and personnel of SIGIR (including attorneys and related support personnel detailed to the Department of Justice) shall be transferred to SIGAR, who shall thereafter exercise the authorities related to criminal investigations granted by law to SIGIR until March 31, 2014; (c) that the activities carried out by such investigative and support personnel and attorneys shall continue without interruption, and shall be supervised only by SIGAR, notwithstanding any other provision of law; and (d) on March 30, 2013, SIGIR shall be abolished.

SIGIR is required to provide a spend plan within 30 days after the date of enactment of the appropriations act.

As in the past, in report language, the committee directed the Department of State (DoS) Inspector General, the U.S. Agency for International Development Inspector General, and SIGIR to coordinate their audit plans and activities to minimize unnecessary duplication, ensure comprehensive oversight, and maximize the effective use of resources. The committee directed State’s OIG to continue planning for increased responsibilities when SIGIR draws down its oversight operations, ensuring that the FY 2014 budget request take into consideration those “personnel authorities required to conduct adequate oversight” of DoS’s Iraq operations and programs. The committee specifically recommended just under \$1.4 million for the DoS OIG’s Middle East Regional Office “in addition to funds otherwise made available for such purposes, to support additional auditors to meet the increased demands as SIGIR draws down.”

The House committee report reiterated the need for continued coordination of audit plans and activities involving DoS operations and programs to “ensure the development of comprehensive oversight plans and to avoid duplication and overlap.” Specifically, the committee directs DoS OIG to work closely with SIGIR as it “draws down operations and completes the transition of remaining work to the permanent oversight offices.”

Neither the House bill nor the committee report provides funding for SIGIR for FY 2013.

### Operations

The House Committee on Appropriations did not set specific limitations for operating expenses in Iraq. The Senate Committee on Appropriations provided the following limitations:

- \$450 million for DoS operating expenses (noting that an additional \$1.65 billion in prior fiscal-year funds will carry over for use in FY 2013)
- \$53 million for USAID operating expenses

Funds appropriated by the bill could not be used to construct or renovate facilities if the purpose of the construction was to accommodate staff in addition to those in place or to increase the capacity of aviation assets above those existing on the date of the bill’s enhancement, and also—more broadly—“for construction, rehabilitation, or other improvements to facilities in Iraq on property” if land-use agreements with the GOI have not been obtained. The bill, in section 7004(g), requires the Secretary of State to submit an updated facilities construction plan, “which should include consideration of closing the facility at Kirkuk and moving support services to Erbil; decreasing personnel, contractor, and physical structures in Basrah to establish a leaner operation; and centralizing certain administrative and support functions that require a more permissive security environment (including purchasing of local goods and warehousing) in Erbil.”

The committee directed the Secretary of State to submit a report concerning the impact of the security environment on the effectiveness of DoS and USAID programs in Iraq, by region, providing:

- an assessment of the current security situation
- the impact of the security situation on the planned obligation and expenditure of funds and the movement of personnel
- an explanation of the type and nature of any increased security costs
- details on the impact of the delivery of humanitarian assistance
- a plan to ameliorate the negative impact of a deteriorating security condition

The committee reported that it expects the number of U.S. government personnel and contractors in Iraq to decrease significantly as facilities are consolidated, directing the Secretary of State “to submit a report not later than 45 days after enactment of this act, and every 90 days thereafter until September 30, 2014, detailing the number of United States Government personnel and contractors in Iraq, disaggregated by Federal agency.”

### Assistance

The House Committee on Appropriations did not set specific amounts to be available for Iraq. The Senate Committee on Appropriations set a ceiling of just under \$582.4 million for combined FY 2013 assistance for Iraq under titles relating to bilateral economic assistance, international security assistance, and OCO. The committee noted that unobligated balances of prior-year funding totaled nearly \$1.98 billion as of March 31, 2012.

### Defense Appropriations

On July 19, the House passed the Department of Defense Appropriations Act, 2013 (H.R. 5856). As of July 23, 2012, the Senate Committee had not acted at either the subcommittee or full committee levels.

The House bill and committee report provide very few specific references to Iraq. Section 9012 provides that up to \$508 million of funds made available for “Operation and Maintenance, Air Force” may be used to support U.S. government “transition activities in Iraq by funding the operation and activities of [OSC-I] and security

TABLE 5.7  
**PROPOSED FY 2013 APPROPRIATIONS FOR DEPARTMENT OF STATE AND FOREIGN OPERATIONS AND ASSISTANCE PROGRAMS—  
 HOUSE AND SENATE COMMITTEE BILLS**

FUNDING TYPE	H.R. 5857	S. 3241
<b>Operations</b>		
Diplomatic and Consular Programs; USAID Operating Expenses	<p>A total of \$2.775 billion is provided for Afghanistan, Pakistan, and Iraq operations (DoS's ongoing operations and Overseas Contingency Operations/Global War on Terrorism, or OGO/GWOT). The committee stated in its report that it expected DoS reviews of in-country presence "to yield a smaller, more streamlined, operational footprint than was originally planned" in the FY 2013 budget.</p> <p>Section 8003 rescinds \$54 million of OCO/GWOT funds appropriated under the Diplomatic and Consular Programs heading in prior acts. There is no indication whether this rescission will affect funds allocated for operations in Iraq.</p> <p>Section 7003 provides [as in the past] that funds appropriated in the act, or similar prior acts, "which may be made available for the acquisition of property for diplomatic facilities in ... Iraq, shall be subject to prior consultation with, and the regular notification procedures of, the Committees on Appropriations."</p> <p>\$258.4 million is provided for OCO/GWOT USAID Operating Expenses worldwide, but no specific reference to USAID Operating Expenses in Iraq is made. Portions of an additional \$1.016 billion provided for these expenses worldwide could be used for Iraq.</p>	<p>DoS operating expenses:</p> <ul style="list-style-type: none"> <li>• \$250 million for enduring costs</li> <li>• \$200 million for OCO costs</li> </ul> <p>USAID operating expenses:</p> <ul style="list-style-type: none"> <li>• \$250 million for enduring costs</li> <li>• \$200 million for OCO costs</li> </ul> <p>Section 7034(s) provides for a waiver of funding ceilings relating to DoS and USAID for operations in Iraq (and in certain other countries) "in order to address extraordinary, unanticipated contingencies, if the Secretary reports to the Committees on Appropriations that it is important to the national interest of the United States and that failure to do so would pose a substantial risk to human health and welfare."</p>
Embassy Security, Construction, and Maintenance	<ul style="list-style-type: none"> <li>• \$10.8 million provided under OGO/GWOT</li> <li>• an additional \$1.526 billion available for this account for worldwide expenses, which could include Iraq</li> </ul>	<p>Neither the committee report nor the bill provides any funding specifically for Iraq under this account, but section 7004 imposes several requirements. In addition to reporting every 90 days on updated plans for all DoS construction projects in Iraq—including related reductions in staff, updated cost estimates for each project and resulting savings—DoS would also be required to establish, within 180 days of passage, "policies, standards, and procedures for the construction and operation of temporary and permanent diplomatic facilities in environments in which [DoS] does not traditionally operate or to accommodate temporary surges in personnel and programs" that consider cost-effectiveness (including a cost comparison of temporary versus permanent construction for the projected period the facility will be required), flexible security requirements, and colocation with other U.S. agencies.</p>

*Continued on the next page*

FUNDING TYPE	H.R. 5857	S. 3241
<b>Assistance</b>		
Economic Security Fund	<p>Economic Support Fund (ESF) funding provided collectively to Afghanistan, Pakistan, and Iraq under OCO/GWOT. The committee “urges [DoS] and USAID to continue efforts to encourage the incorporation of women in stabilizing Iraq and creating its government institutions...and expects funds to be provided to support an Iraqi women’s democracy initiative.” The DoS would be required to report on U.S. policy to “address the plight” of ethnoreligious minorities, including those living in the Ninewa Plains, was continued.</p> <p>The committee report directs that “policy should be informed in part by both the recommendations of the diaspora community in the United States and the struggling communities within Iraq and should be forward-looking, rather than a summary of previously funded projects and initiatives.” Moreover, DoS is directed to “establish a long-term comprehensive plan to provide durable solutions for internally displaced Iraqis and Iraqi refugees. The plan should also focus on the large number of Iraqi refugees presently residing in Syria, and should explore possible alternatives in light of the escalating violence and instability in Syria.”</p>	<ul style="list-style-type: none"> <li>• Statutory ceiling of \$100 million for ESF assistance: \$50 million for enduring costs and \$50 million for OCO costs</li> <li>• \$5 million is recommended in the committee report for the Marla Ruzicka Iraqi War Victims Fund (from the ESF allocation) “for continued assistance for civilian victims of conflict and the transition of this program to an Iraqi-run entity”</li> </ul> <p>According to the committee’s report, USAID’s <i>Tarabot</i> (Administrative Reform) and <i>Ajyal</i> (education) programs were not funded on the grounds that “strengthening public management institutions and training teachers should be the responsibility of the GOI and supported by national revenues.” The committee report also provided that “the follow-on to USAID’s <i>Tijara</i> business program shall not exceed” \$10 million and that “at least \$30 million be spent on democracy and governance programs.”</p> <p>DoS is directed “to update the report on ethnoreligious minorities in Iraq” required by a previous committee report.</p>
Migration and Refugee Assistance (MRA)	<ul style="list-style-type: none"> <li>• \$229 million for the MRA under OCO/GWOT, provided collectively for Afghanistan, Pakistan, and Iraq.</li> </ul>	<p>Neither the committee report nor the bill mentions any funding specifically for Iraq under this account.</p>
International Narcotics Control and Law Enforcement (INCLE)	<ul style="list-style-type: none"> <li>• \$1.297 million worldwide for INCLE under OCO/GWOT.</li> </ul> <p>The committee expected that “funds provided will continue to support the Police Development Program (PDP) in Iraq,” and its “recommendation takes into account the revised estimates for the PDP as a result of [DoS’s] initial review in early 2012 and directs [DoS] to report to the Committees on Appropriations, not later than 60 days after enactment of this Act, on the expected number of police advisors, locations, and security costs related to the PDP, and the extent to which the [GOI] has committed to sustaining the PDP into the future.”</p>	<p>The committee recommended no funding for the INCLE account for Iraq. The committee noted “the largely unsuccessful implementation of the [PDP] in Iraq, with the exception of activities conducted in northern Iraq. The committee recognized several factors contributing to this deficiency, including:</p> <ul style="list-style-type: none"> <li>• lack of interest by the GOI for such activities</li> <li>• inadequate DoS planning, including unnecessary construction at the Baghdad Police Academy Annex</li> <li>• programmatic assumptions regarding shared bilateral interests that proved false</li> </ul> <p>The committee directs the Secretary of State to report to the committee the findings of its review of the PDP and to “limit the expenditure of funds only for programs in northern Iraq.”</p>
Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)	<ul style="list-style-type: none"> <li>• \$75.4 million provided worldwide under OCO/GWOT</li> </ul>	<ul style="list-style-type: none"> <li>• \$30.3 million for enduring costs in Iraq</li> </ul>
Foreign Military Financing Program	<ul style="list-style-type: none"> <li>• \$1.102 billion for the Foreign Military Financing (FMF) Program worldwide under OCO/GWOT</li> </ul> <p>The committee stated in its report that, “funds appropriated under this heading in this title reflect the second year of the transition of responsibility for security assistance programs from [DoD] to [DoS]. Funding provided in fiscal year 2013 will continue to ensure the sustainment of advances that Iraq has made in assuming responsibility for its own security. The Committee expects [DoS], in consultation with the [DoD], to submit a detailed spend plan to the Committees on Appropriations prior to the obligation of funds.”</p>	<ul style="list-style-type: none"> <li>• \$450 million ceiling for enduring costs (and no funding from OCO costs) for the FMF account for Iraq</li> </ul>

Continued on the next page

FUNDING TYPE	H.R. 5857	S. 3241
International Military Education and Training	No specific amount is provided for Iraq.	<ul style="list-style-type: none"> <li>• \$2 million for enduring costs for Iraq</li> </ul>
Conditions on Assistance to Iraq	<p>As in past years, the bill (section 7042(c)) requires that:</p> <ul style="list-style-type: none"> <li>• Funds “shall be made available “in a manner that utilizes Iraqi entities to the maximum extent practicable” and “in accordance with the cost-matching and other requirements” of the April 9, 2009, [DoS] guidelines on the [GOI’s] financial participation in U.S.-funded civilian foreign assistance programs and projects.”</li> <li>• None of the funds made available in the act may be used by the United States to enter into a permanent basing rights agreement with Iraq.</li> </ul> <p>New language, in section 7042(c)(3), specifies:</p> <ul style="list-style-type: none"> <li>• Amounts obligated for security assistance for Iraq in FY 2013 may not exceed the amounts obligated for security assistance for Iraq in FY 2012 until the Secretary of State certifies and reports to the Committees on Appropriations that the GOI has demonstrated a commitment to: “(i) adequately build the logistics and maintenance capacity of the Iraqi security forces; (ii) develop the institutional capacity to manage such forces independently; and (iii) develop a culture of sustainment for equipment provided by the United States or acquired with United States assistance.</li> </ul> <p>Section 7076(b) requires the Administration to provide a spend plan prior to the initial obligation of funds for funds made available for Iraq for bilateral economic assistance, such as the Economic Support Fund, and international security assistance, such as funds provided through the INCLE and the FMF program.</p> <p>Section 8002 of the act makes the amounts available under OCO/ GWOT subject to spend plan reporting requirements.</p> <p>Section 7015(f) prohibits the Administration from obligating or expending funds appropriated under bilateral economic assistance, international security assistance, multilateral assistance, or export and investment assistance—or from OCO/GWOT—for assistance to Iraq (and other specified countries) “except as provided through the regular notification procedures of the Committees on Appropriations.”</p>	<p>Section 7041(d)(2) presents new language, specifying that funds appropriated by the act for assistance for the GOI “should” be provided only if the Secretary of State certifies to the Committees on Appropriations that such government is supporting free and fair elections and implementing policies to: “(A) publicly disclose the national budget, including for the military and police; and (B) protect judicial independence; freedom of expression, association, assembly, and religion; the right of political opposition parties, civil society organizations, women activists, and journalists to operate without harassment or interference; and due process of law.”</p> <p>Section 7042(d)(3) provides that assistance for Iraq “shall be made available in accordance with the cost-matching and other requirements” of the April 9, 2009, [DoS] guidelines on the [GOI’s] financial participation in U.S.-funded civilian foreign assistance programs and projects. In new language, it also provides that “the Secretaries of State and the Treasury shall work with Iraq’s Ministry of Finance to complete the review required by the International Monetary Fund of Iraq’s outstanding advances.”</p> <p>Section 7076(b) requires the Administration to provide a spend plan prior to the initial obligation of funds for funds made available for Iraq for bilateral economic assistance, such as the ESF; and international security assistance, such as funds provided through the INCLE and the FMF program.</p> <p>Section 8002 of the act makes the amounts available under OCO subject to spend plan reporting requirements.</p> <p>Section 7015(f) prohibits the Administration from obligating or expending funds appropriated under bilateral economic assistance, international security assistance, multilateral assistance, or export and investment assistance—or OCO—for assistance to Iraq (and other specified countries) “except as provided through the regular notification procedures of the Committees on Appropriations.”</p>

**Note:** The House bill was considered in subcommittee on May 9 and in the full committee on May 17. It was reported (H. Rept. 112-494) on May 25 as H.R. 5857. The Senate bill was considered in subcommittee on May 22 and in the full committee on May 24. It was reported (S. Rept. 112-172) on May 24 as S. 3241.



assistance teams, including life support, transportation, and personal security, and facilities renovation and construction ...” The Secretary of Defense is required to provide a detailed justification and timeline to the congressional defense committees 15 days in advance for each proposed site.

The House bill contains several general provisions identical to language that has been passed in recent years. Specifically, Section 9007 provides that none of the funds made available in the bill, or any other act, shall be obligated or expended by the U.S. government to establish any military installation for the purpose of providing for the permanent stationing of U.S. armed forces in Iraq or to exercise U.S. control over any oil resource of Iraq.

## Authorizations

### Defense Authorizations

The National Defense Authorization Act for Fiscal Year 2013 (H.R. 4310) passed the House of Representatives on May 18. The Senate Committee on Armed Services reported its version (S. 3254), but as of July 23, 2012, it had not been considered on the floor. For details of both versions, see Table 5.8.

Representative Carnahan of Missouri offered an amendment consisting substantially of the text of H.R. 3660. The amendment would integrate into a U.S. Office for Contingency Operations

“duplicative functions related to contingency operation planning, management, and oversight, which are currently spread over several U.S. Departments and Agencies ...” The Chairman of the Committee on Armed Services, Representative McKeon, said “that much needs to be done to improve our contingency contracting outcomes and to preserve and integrate the lessons learned over the last 10 years. The committee report accompanying the bill takes action on many of these same concerns. The committee will pursue this issue going forward to explore additional recommendations for systemic improvements to operational combat support and stabilization and reconstruction programs, including the proposal represented by the gentleman’s amendment.” The amendment was withdrawn by unanimous consent.

### Foreign Relations Authorizations

On July 17, 2012, the House of Representatives passed a bill (H.R. 6018) authorizing appropriations for DoS and other foreign affairs activities of the United States for FY 2013.

The amount authorized for FY 2013 for “Office of the Inspector General,” \$129,086,000, is provided, by the terms of the legislative text, for DoS, OIG, SIGIR, and SIGAR. According to the staff of the committee, the amount allocated is intended to allow for total funding equal to funding allocated for the three agencies in FY 2012, and with at least \$6 million allowed for SIGIR. ♦

TABLE 5.8

**PROPOSED FY 2013 APPROPRIATIONS FOR DEPARTMENT OF STATE AND FOREIGN OPERATIONS AND ASSISTANCE PROGRAMS—  
HOUSE AND SENATE COMMITTEE BILLS**

FUNDING TYPE	H.R. 4310	S. 3254
Acquisition Policy and Related Matters	<p>The committee report directs the Secretary of Defense “to undertake an effort, utilizing the National Defense University or other such educational institution of the Department of Defense, to capture lessons learned related to Department contract activities, such as operational contract support, resource and financial management, Commander’s Emergency Response Program, and reconstruction programs.” The effort “should build upon already documented insights and observations ...” and “should recommend changes to the full spectrum of activities within contingency contracting operations, including delivery of supplies, services, and reconstruction, in order to fully integrate business operations with kinetic and non-kinetic lines of operations.”</p> <p>A report on the conclusions of the study should be made by March 31, 2013.</p>	<p>Section 861 requires regulations prescribing the chain of authority and responsibility within DoD for policy, planning, and execution of contract support for overseas contingency operations to “ensure that the DoD’s management structure provides clear authority and responsibility for the planning of contract support; the establishment and validation of contract requirements; the identification of resources and prioritization of funding needs; the award and execution of contracts; and the oversight and management of contractors in the field.”</p> <p>Section 863 calls for contract support issues for overseas contingency operations to be considered in DoD’s readiness reporting system, the contingency planning functions of the Chairman of the Joint Chiefs of Staff, curriculum for joint professional military education, and DoD’s structure for the management of contracts for services.</p> <p>Section 864 requires DoD to perform a risk assessment and develop a risk mitigation plan for “operational and political risks associated with contractor performance of critical functions in support of a contingency operation” for efforts expected to continue for more than a year or that have a contract value of more than \$250 million.</p> <p>Section 881 requires DoD suspension and debarment officials to be independent of acquisition officials, to be engaged only in suspension and debarment activities and other fraud-remedies activities, to document final decisions, and to develop written policies for the consideration of referrals. It would also require automatic referral for consideration of suspension or debarment of persons charged with a criminal offense in connection with a DoD contract or who have been alleged in a proceeding brought by the U.S. to have engaged in fraudulent activities in connection with such a contract, or who have failed to pay or refund money due or owed to the U.S. in connection with such a contract.</p>
Matters Relating to Foreign Nations	<ul style="list-style-type: none"> <li>• \$508 million authorized in FY 2013 for the operations and activities of OSC-I</li> </ul> <p>Section 1212 amends the FY 2012 NDAA to allow the use of prefunds provided to the OSC-I to provide training and assistance to the Iraqi Ministry of Defense (with the concurrence of the Secretaries of Defense and State).</p> <p>It also directs the Secretary of Defense (in consultation with the Secretary of State) to submit a report to the appropriate congressional committees within 180 days after the enactment “that includes:</p> <ul style="list-style-type: none"> <li>• plan to consolidate OSC-I sites</li> <li>• status of any pending requests for additional U.S. military forces</li> <li>• legal status and legal protections provided to OSC-I personnel, operational impact of such status and protections, and associated constraints on the operational capacity of such personnel by reason of their legal status</li> <li>• operational and functional limitations and authorities of OSC-I personnel</li> <li>• description of potential direct threats to OSC-I personnel and their capacity to provide adequate force protection to thwart those</li> </ul>	<p>Section 1212 extends existing authority to support OSC-I and security assistance teams “including life support, transportation and personal security, and construction and renovation of facilities. The provision would limit the total amount of funds available for these purposes to \$508.0 million.”</p>

Note: The House bill (H.R. 4310) was considered in full committee on May 9 and reported, amended, (H. Rept. 112-479) on May 11, 2012. It was considered on the House floor May 16-18, and passed on May 18. The Senate bill (S. 3254) was reported to the Senate on June 4, with a written report (S. Rept. 112-173).