

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features a central eagle with wings spread, holding an olive branch and arrows. The eagle is superimposed on a shield with vertical stripes. Above the eagle is a sunburst with stars. The seal is surrounded by text in English: "INSPECTOR GENERAL" at the top and "RECONSTRUCTION" at the bottom. In the center, there is Arabic text: "مفتش العام" at the top and "إعادة إعمار العراق" at the bottom.

BRIEFING TO THE INTERNATIONAL
ADVISORY AND MONITORING BOARD
FOR IRAQ:
MANAGEMENT CONTROLS OVER THE
DEVELOPMENT FUND FOR IRAQ

SIGIR-06-013
APRIL 28, 2006



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 28, 2006

MEMORANDUM FOR THE INTERNATIONAL ADVISORY AND MONITORING BOARD FOR IRAQ

SUBJECT: Briefing to the International Advisory and Monitoring Board for Iraq:
Management Controls Over the Development Fund for Iraq
(SIGIR 06-013)

The Inspector General Act of 1978, as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to determine by follow-up and report semiannually on actions planned or taken to implement the recommendations made in SIGIR audit reports. This briefing, presented on April 5, 2006, provided the status of corrective actions taken in response to a series of audits conducted by SIGIR addressing the use of the Development Fund for Iraq (DFI) for Iraq relief and reconstruction activities. These recommendations were made to the U.S. Ambassador to Iraq, the Joint Area Support Group – Central (JASG-C), and the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A). Overall, these audit reports found a lack of control and accountability for contracts, grants, and cash transactions using the DFI and made recommendations for improvement. The slides from this briefing are presented in Appendix A.

Background. From May 2004 to September 2005, SIGIR conducted eight audits of contracts, grants, and small purchases using the Development Fund for Iraq (DFI). These were the overall findings:

- The Coalition Provisional Authority had developed adequate policies and procedures to provide adequate controls over DFI.
- Compliance was the issue.
- Oversight of adherence to policy and procedures was not performed.

Of those audits:

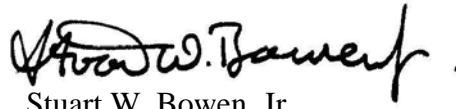
- 6 identified significant material control weaknesses in controlling and accounting for Iraqi cash assets
- 40 recommendations were made for improving oversight and management of DFI funds

Results. SIGIR found that all recommendations were being implemented satisfactorily or are in the process of being implemented. Specifically, of the 40 recommendations, 23 were closed, and 17 had corrective actions underway or planned. For the details of our follow-up

review on the status of each of the 40 recommendations, see SIGIR Audit Report, "Follow-up on Recommendations Made in SIGIR Audit Reports Related to Management and Control of the Development Fund for Iraq," SIGIR-06-005, April 2006, which can be accessed on the SIGIR Web site: <http://www.sigir.mil/>.

Recommendations. SIGIR made no recommendations in this follow-up report. SIGIR plans to review final implementation efforts in May 2006.

We are distributing this report to other interested parties as listed in Appendix B. Questions should be directed to Mr. Joseph T. McDermott, Assistant Inspector General for Audit, at 703-343-7926, or by email at joseph.mcdermott@iraq.centcom.mil.



Stuart W. Bowen, Jr.
Inspector General

cc: Distribution

Appendix A. April 5, 2006 Briefing

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

SIGIR 


المفتش العام
GENERAL

Presentation to:
**INTERNATIONAL ADVISORY AND
MONITORING BOARD FOR IRAQ (IAMB)**

By:
**THE SPECIAL INSPECTOR GENERAL FOR
IRAQ RECONSTRUCTION**


APRIL 5, 2006



 **SIGIR** **MISSION**

Regarding U.S. reconstruction plans, programs, and operations in Iraq, SIGIR provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations
- advice and recommendations on policies to promote economy, efficiency, and effectiveness
- deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse
- information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports



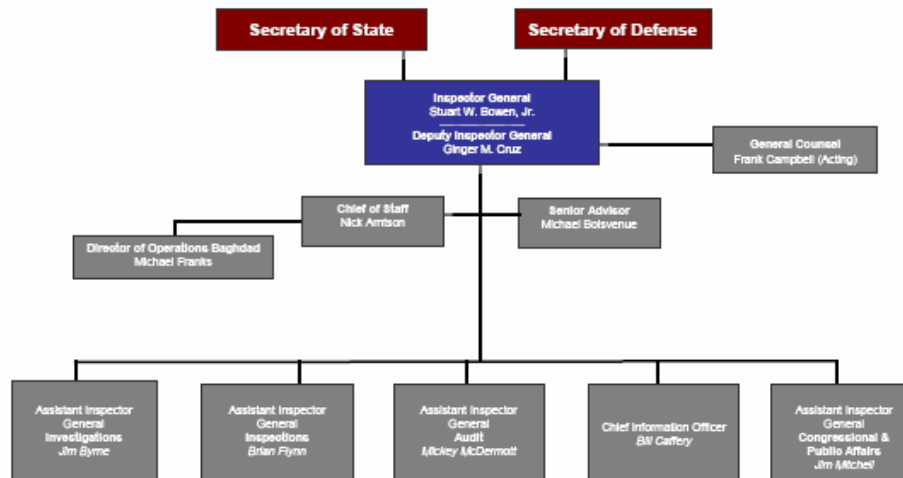
2

www.SIGIR.mil

- ❖ Principal U.S. auditor for Iraq Relief and Reconstruction
- ❖ Temporary organization created by U.S. Congress with oversight responsibility over the \$18.4 Billion Iraq Relief and Reconstruction Fund (IRRF) and the activities of the Coalition Provisional Authority (CPA)
- ❖ Will terminate 10 months after 80% of IRRF is expended
 - Current termination approximately Fall 2007
- ❖ IRRF Status as of March 30, 2006
 - 88% Obligated
 - 62% Expended
- ❖ Only Inspector General that has authority to cross organizational boundaries



3



4





Washington, D.C.
Crystal City, VA

120 Staff
Audits, Investigations
Quarterly Report, Support

Baghdad, Iraq
Presidential Palace
US Embassy

55 Staff
Auditors, Investigators &
Inspectors



www.SIGIR.mil

Lesson Learned Initiative

- Human Resources Report issued February 2006
- Contracting Forum – Report due May 2006
- Program Management Forum – April 12, 2006
- Capping Report of Lessons Learned “Story of Iraq Reconstruction” – February 2007

Iraq Inspector General Council (IIGC)

Iraq Accountability Working Group (IAWG)

Iraqi Anti-Corruption Initiative



DFI - DEVELOPMENT FUND FOR IRAQ

- ❖ United Nations Security Council Resolution 1483
May 22, 2003
- ❖ Primary repository for Iraqi oil revenues and formerly seized Iraqi assets from abroad

7

DFI ESTABLISHED TO MEET

- ❖ the humanitarian needs of the Iraqi people
- ❖ the economic reconstruction and repair of Iraq's infrastructure
- ❖ the continued disarmament of Iraq
- ❖ the costs of Iraqi civilian administration
- ❖ other purposes benefiting the people of Iraq

8

DFI AUDITS

- ❖ 8 audits of contracts, grants, and small purchases between May 2004 and September 2005
 - 6 audits identified significant material control weaknesses in controlling and accounting for Iraqi cash assets
 - 40 recommendations for improving oversight and management of DFI funds

9

SIGIR DFI AUDIT PRODUCTS COMPLETED

Report Number	Audit Report Title	Date Issued
05-004	Oversight of Funds Provided to Iraqi Ministries through the National Budget Process	Jan. 30, 2005
05-006	Control of Cash Provided to South-Central Iraq	Apr. 30, 2005
05-008	Administration of Contracts Funded by the Development Fund for Iraq	Apr. 30, 2005
05-009	Reconciliation of Reporting Differences of the Source of Funds Used on Contracts After June 28, 2004	July 8, 2005
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq	Oct. 25, 2005
05-016	Management of the Contracts and Grants Used to Construct and Operate the Babylon Police Academy	Oct. 26, 2005
05-020	Management of the Contracts, Grant, and Micro-Purchases Used to Rehabilitate the Karbala Library	Oct. 26, 2005
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq	Jan. 23, 2006

10

OBJECTIVE

- ❖ The Inspector General Act requires SIGIR to determine by follow-up and report semiannually on actions planned or taken to implement the recommendations made in our reports

11

SCOPE AND METHODOLOGY

- ❖ To determine management actions taken we:
 - Reviewed legal authorities, policies, practices, and documentation
 - Interviewed agency officials
- ❖ We conducted our review January – March 2006

12

RESULTS

- ❖ All recommendations are being implemented satisfactorily or are in process of being implemented

13

SIGNIFICANT RECOMMENDATIONS FOR IMPROVING DFI CASH CONTROLS

- ❖ Improve oversight and cash management practices
- ❖ Review all agent officer's accounts for accuracy and completeness
- ❖ Reconcile cash accounts monthly

14

SIGNIFICANT RECOMMENDATIONS FOR IMPROVING DFI MANAGEMENT

- ❖ Improve management processes and practices for grants, contracting and purchasing approval and oversight
- ❖ Improve the documentation for the receipt and disposal of purchased property

15

SIGIR IMPACT ON DFI MANAGEMENT

- ❖ Significant improvement in cash management, contract administration, and program oversight
- ❖ Seek potential recovery of \$945,823
- ❖ Challenged another \$5.6 million of expenditures
- ❖ Review other regional offices to determine if similar conditions exist
- ❖ Significant investigative results

16

TOTAL RECOMMENDATIONS

SIGIR Report No.	Total	JCC-I/A*	JASG-C**	Ambassador
05-006	8	0	8	0
05-008	6	2	1	3
05-015	10	6	3	1
05-016	6	5	1	0
05-020	7	5	1	1
05-023	3	1	1	1
Total	40	19	15	6

* Joint Contracting Command Iraq/Afghanistan
 ** Joint Area Support Group - Central

JCC-I/A RECOMMENDATIONS

SIGIR Report no.	Total	Closed	Open
05-008 (CONTRACTS & PAYMENTS)	2	0	2
05-015 (GRANTS & PAYMENTS)	6	6	0
05-016 (GRANTS & CONTRACTS)	5	3	2
05-020 (CASH, GRANT & CONTRACTS)	5	3	2
05-023 (CONTRACTS & PAYMENTS)	1	1	0
TOTAL	19	13	6

JCC-I/A: 19 RECOMMENDATIONS

- ❖ 13 Recommendations Closed
 - Policies and procedures developed and appropriate management controls developed to ensure required documentation is maintained

- ❖ 6 Recommendations Remain Open
 - Pending the development of a procurement management review process
 - Scheduled to begin in April or May 2006

JASG-C RECOMMENDATIONS

SIGIR Report No.	Total	Closed	Open
05-006 (CASH)	8	4	4
05-008 (CONTRACTS & PAYMENTS)	1	1	0
05-015 (GRANTS & PAYMENTS)	3	2	1
05-016 (GRANTS & CONTRACTS)	1	0	1
05-020 (CASH, GRANT, & CONTRACTS)	1	0	1
05-023 (CONTRACTS & PAYMENTS)	1	1	0
Total	15	8	7

JASG-C: 15 RECOMMENDATIONS

- ❖ 8 Recommendations Closed
 - JASG-C comptroller implemented corrective actions

- ❖ 7 Recommendations Remain Open
 - Pending actions to be completed by a "Special Action Team" expected completion date is April 30, 2006.

21

AMBASSADOR TO IRAQ: 6 RECOMMENDATIONS

- ❖ 2 Recommendations Closed

- ❖ 4 Recommendations Open - Actions underway

- ❖ Ambassador does not have the legal standing to recover funds but can solicit participation from, provide support to, and coordinate remedial actions with others as appropriate

- ❖ Commanding General, Multi-National Force-Iraq directed JASG-C and JCC-I/A to seek to recover overpayments

22

FOLLOWING TO COMPLETION

- ❖ SIGIR plans to review final implementation efforts in May 2006

23

OVERALL FINDINGS

- ❖ The Coalition Provisional Authority had developed adequate policies and procedures to provide adequate controls over DFI
- ❖ Compliance was the issue
- ❖ Oversight of adherence to policy and procedures was not performed

24

❖ www.sigir.mil



Full copies of all 8 Quarterly Reports to Congress

All audits/inspections produced to date

Summary of Iraq Reconstruction Progress

Arabic translations of reports and recent audits



25

❖ **FOR ADDITIONAL INFORMATION ON THIS BRIEFING CONTACT:**

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 Desk: 703.343.9440 Baghdad
 DC general contact: 703-428-1100

26

Appendix B. Report Distribution

Department of State

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

U.S. Ambassador to Iraq

Director, Iraq Reconstruction Management Office

Mission Director-Iraq, U.S. Agency for International Development

Inspector General, Department of State

Department of Defense

Secretary of Defense

Deputy Secretary of Defense

Director, Defense Reconstruction Support Office

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition, Logistics,
and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Director, Project and Contracting Office

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commanding General, Gulf Region Division

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central

Other Federal Government Organizations

Director, Office of Management and Budget

Comptroller General of the United States

Inspector General, Department of the Treasury

Inspector General, Department of Commerce

Inspector General, Department of Health and Human Services

Inspector General, U.S. Agency for International Development

President, Overseas Private Investment Corporation

President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations and Related Programs
Senate Committee on Armed Services
Senate Committee on Foreign Relations
 Subcommittee on International Operations and Terrorism
 Subcommittee on Near Eastern and South Asian Affairs
Senate Committee on Homeland Security and Governmental Affairs
 Subcommittee on Federal Financial Management, Government Information and International Security
 Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on Foreign Operations, Export Financing and Related Programs
 Subcommittee on Science, State, Justice and Commerce and Related Agencies
House Committee on Armed Services
House Committee on Government Reform
 Subcommittee on Management, Finance and Accountability
 Subcommittee on National Security, Emerging Threats and International Relations
House Committee on International Relations
 Subcommittee on Middle East and Central Asia