

SIGIR Lessons Learned and Special Reports

SIGIR published its seventh lessons learned report, *Iraq Reconstruction: Lessons Learned from Investigations, 2004–2012*. The report provides 10 key lessons learned from SIGIR investigations spanning more than 8 years and more than 600 cases and proposes seven best practices that could improve investigative work in future stabilization and reconstruction operations.

SIGIR also released its first special report this quarter, entitled *Reconstruction Leaders' Perceptions of the Commander's Emergency Response Program in Iraq*. For this report, SIGIR developed a wide-ranging survey about the U.S. reconstruction program, particularly the Commander's Emergency Response Program, and distributed it to U.S. military and civilian leaders. The results showed that persistent structural issues impeded interagency coordination, often adversely affecting project timelines and outcomes, and that success was more likely to have occurred when reconstruction managers involved local Iraqi officials early in the planning process.

SIGIR Audits

To date, SIGIR has published 210 audit reports. This quarter, SIGIR released its fifth major audit of the Development Fund for Iraq (DFI). The audit examined about 1,100 Electronic Fund Transfers (EFTs) totaling about \$5.9 billion that were made at the direction of the Coalition Provisional Authority Administrator in 2003 and 2004 to pay for reconstruction projects. While SIGIR located most of the required documents for the EFTs made in 2003, a significant number of documents were missing for the 2004 EFTs. For example, 94.4% of the documents supporting \$40.4 million in payments made to finance Hajj pilgrimages for Iraqis were missing, and 37% of the documents supporting \$15.8 million for fertilizer and pesticide payments were missing. While SIGIR did not conclude that any criminal activity had occurred, the poor documentation adds to the serious concerns about the management of the DFI in 2003 and 2004.

SIGIR's other audits this quarter assessed:

- **DoS Progress in Implementing SIGIR Recommendations Addressing Quick Response Fund (QRF) Management Controls.** In response to this follow-up report on an April 2011 SIGIR audit, DoS stated that it had implemented SIGIR's recommendations for improved internal controls over the QRF, but provided no evidence to support this assertion. SIGIR is working on a follow-on audit.

- **Iraq Security Forces Fund (ISFF) Spend Plans for Fiscal Years 2011–2012.** This report reviewed the status of the \$1.5 billion appropriated to the ISFF in 2011, finding that the Office of Security Cooperation-Iraq had obligated approximately \$243.1 million as of March 20, 2012. SIGIR concluded that the challenges faced in obligating the ISFF make it likely that some money will be left unobligated by September 30, 2012, the date when the funds expire.
- **U.S. Army Corps of Engineers (USACE) Contract Terminations.** SIGIR determined that no unliquidated obligations remained on the 55 terminated USACE contracts reviewed in the audit.

SIGIR Investigations

Since 2004, SIGIR's investigations, which continue to be conducted in close collaboration with other law-enforcement agencies, have resulted in 86 indictments, 66 convictions, and more than \$175 million in court-ordered monetary penalties. This quarter's investigative accomplishments included:

- the sentencing of the wife of a former U.S. Army major to six years in prison for her role in a wide-ranging bribery scheme that involved her husband (she was also ordered to forfeit items valued at more than \$21 million)
- the sentencing of a former U.S. Army contractor to three years and three months in prison and one year of supervised release for his role in a bribery and money-laundering scheme (he was also ordered to forfeit about \$15.8 million in cash, goods, and property)
- the sentencing of a former U.S. Marine Corps gunnery sergeant to 18 months in prison for conspiring to steal generators from U.S. bases in Iraq and sell them on the black market
- the charging of three former officers of a U.S. defense contractor, the wife of one of the officers, and four foreign nationals for their alleged roles in a fraud and money-laundering scheme involving contracts for reconstruction projects in Iraq
- the charging of a British citizen and his company with allegedly paying almost \$1 million in kickbacks in exchange for receiving more than \$23 million in Department of Defense contracts

As of April 15, SIGIR and its investigative partners were working on 110 open cases.

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SIGIR QUARTERLY REPORT

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

APR
2012

AFTER THE NEW DAWN

March 2012 marked the ninth anniversary of the start of the U.S.-led intervention that toppled Saddam Hussein's regime. This quarter, Iraq took another significant step toward rejoining the international community, successfully hosting the 33rd meeting of the League of Arab States in late March. Held in Baghdad amid a citywide security lockdown, the event unfolded largely free of violence. Among the signature attendees were the Emir of Kuwait and senior officials from the new Libyan and Tunisian governments. While this achievement was notable, a series of crucial domestic issues still threaten the stability of the Government of Iraq (GOI), including:

- **The al-Hashimi Affair.** In mid-December 2011, the GOI issued an arrest warrant for Vice President Tariq al-Hashimi, a Sunni Arab member of the al-Iraqiya bloc, on charges that he and his staff were complicit in multiple assassination plots. This quarter, al-Hashimi, who sought protection by authorities in the Kurdistan Region, traveled on very public visits to Qatar, Saudi Arabia, and Turkey.
- **GOI Relations with the Kurdistan Regional Government (KRG).** Relations between the GOI and the KRG were aggravated by the KRG's April 1 decision to halt oil exports. The KRG stated that it took this step in retaliation for the GOI's alleged failure to honor its payment commitments for 10 months, which the KRG claims amount to about \$1.5 billion. Moreover, disagreement over basic rules for Iraq's hydrocarbon sector continues to foment GOI-KRG disputes. Uncertainty also persists about whether international oil companies operating in the south—such as ExxonMobil—can legally develop fields in the Kurdistan Region. Absent the passage of laws resolving this and other legal questions, these serious and debilitating disputes will continue.
- **Public Services.** Recent polling suggests that the Iraqi populace remains troubled by the inadequate provision of public services in the country. A Gallup report released in March 2012 found that just 18% of those surveyed in September 2011 were satisfied with the state of the roads and highways (down from 46% in early 2009), 25% were satisfied with the availability of quality health care (down from 34% in early 2009), and 34% were satisfied with the school system (down from 66% in early 2009).



ISF personnel parade in Baghdad, January 2012. (GOI photo)

Oil and Electricity: New Records, Persistent Challenges

The Ministry of Oil reported that oil exports averaged about 2.32 million barrels per day in March, a post-2003 monthly record. Electricity supply on the national grid also reached a new high this quarter, averaging approximately 7,918 megawatts. For the GOI to sustain and build on these achievements, a series of new infrastructure projects in both sectors must come on line soon, including four more offshore single-point mooring facilities for loading oil onto tanker ships, additional oil-storage complexes, and dozens of pending power-generation installations.

U.S. Mission in Iraq

U.S. Embassy-Baghdad reported that the number of personnel supporting Mission Iraq decreased 8% this quarter, declining from about 14,000 to 12,755—about 89% of whom are contractors. In February, Deputy Secretary of State Thomas Nides stated that these reductions would likely continue as the Embassy continues to “right size” its operations.

Police Development Program

This quarter, the Embassy stated that it will cease operations at the largest of the three Police Development Program (PDP) “hub sites,” the Baghdad Police Academy Annex (BPAX), by the end of the fiscal year. Operations will transition to Department of State (DoS)-controlled facilities inside the relative security of the International Zone. BPAX, in which DoS has already invested substantial resources, will likely be transferred to the GOI. The cost of this move and its impact on the PDP will be examined in an upcoming SIGIR audit report.



CONDITIONS THAT FOSTER WASTE IN A CONTINGENCY ENVIRONMENT

Lessons from Inspections of U.S.-funded Stabilization and Reconstruction Projects in Iraq

Unstable Security Environment

Basrah Children's Hospital was originally conceived as a state-of-the-art pediatric oncology facility. But the poor security situation left construction workers vulnerable to extortion, intimidation, and execution. One subcontractor bought protection from a local militia-controlled gang. Construction took four times longer than planned. Costs tripled. Millions of dollars of advanced medical equipment has yet to be put in service. Today, the hospital serves only as a general outpatient clinic.

Initial Plan:
\$50 M

18 months
Inpatient care/
oncology services

Outcome:
\$165 M
6 years

General outpatient care only
24+ workers killed



Lesson

Achieve a Secure Environment before Initiating Major Reconstruction Activities

Ineffective Project Planning and Oversight

The **Baghdad Police College** was meant to be a model training facility, capable of accommodating 4,000 new police cadets. But construction was so poor that diluted urine and fecal matter drained through the top floor into lighting fixtures and rooms below. The project was inadequately designed, ill-constructed, and inconsistent with its original objectives. The contractor repeatedly failed to comply with standard rules, and U.S. officials failed to adequately oversee the quality of the work.

Costs:
\$73 M
\$44 M U.S.
\$29 M GOI

Overpayments/Fees:

- USACE received \$2.6 M in management and administration fees, but failed to identify a single deficiency
- USACE did not properly review invoices; contractor paid \$2.6 M for inadequate/incomplete designs
- Contractor received \$5.3 M in base and merit award fees



Lesson

Ensure That Planning and Contract and Project Oversight Are Effective

From 2005 to 2010, SIGIR inspected a cross section of U.S.-funded reconstruction projects throughout Iraq and issued 170 reports on its findings. The lessons described here are drawn from those inspections. For the complete report of 13 lessons learned, including a comprehensive summary of SIGIR's inspection activities, see *Iraq Reconstruction: Lessons in Inspections of U.S.-funded Stabilization and Reconstruction Projects* at www.SIGIR.mil/lessonslearned/Lessons_Learned_Dec21.pdf.

Inadequate Infrastructure, Technical Expertise, or Commitment To Sustain Projects

Although the \$277 million **Nassiriya Water Supply** project was well constructed, the Iraqis could not sustain its operation. Designed to produce 10,000 m³ of potable water per hour, the plant was operating at 20% of daily capacity in February 2008. The plant's report claimed the water met international health standards, but no water-quality testing equipment was on site.

What Led to Poor Output?

- Lack of reliable power from the grid
- Old distribution system that leaked and could not withstand high-pressure flow
- Illegal taps on the transmission line
- Disconnection of the plant's main control system because operators did not know how to use it

In 2007, the U.S. government initiated the \$12.7 million **Missan Surgical Hospital** project, which the GOI agreed to accept, operate, and maintain after completion. The GOI chose a construction site 3.1 km from

the nearest water source. Less than three months before the originally scheduled completion date, U.S. officials still lacked details on the water source, including water quality and access route. In 2009,



Lesson

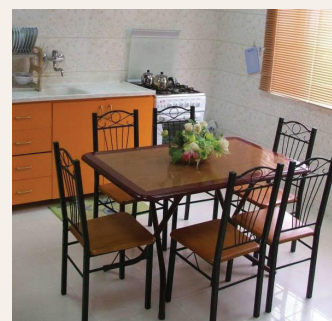
Design Projects That the Host Nation Wants and Can Maintain and Sustain



the GOI had not yet identified doctors and nurses to work at the hospital, procured the required furniture and medical equipment, or submitted an annual operating budget. As of April 2012, construction still continued.

Starting in 2004, the United States spent \$40 million to build the **Khan Bani Sa'ad Correctional Facility**, but terminated the project before completion. In 2007, Iraq's Ministry of Justice said it had no plans to complete, occupy, or provide security for the half-finished prison, but U.S. officials unilaterally transferred it, along with more than \$1.2 million in construction materials, to the GOI. In June 2008, SIGIR found the construction materials had been looted. The facility apparently will never be used.

When Conditions Are Right ...



The \$3.7 million **Erbil Orphanage and Senior Citizen Assisted Living Center** was the first of its kind in Iraq. It was built according to a detailed design in the relative safety of northern Iraq. The contractor engaged local officials and incorporated their suggestions, and USACE provided on-site quality assurance support. The quality of work by the contractor was the best SIGIR had observed in more than five years of performing project assessments, and the facility was maintained in immaculate condition. The facility provides a safe home for 345 children and 60 senior citizens.



... and When They Are Not



The \$108 million U.S.-funded portion of the **Falluja Wastewater Treatment System** cost three times more than expected, took three times as long to complete, and will serve only a third the residents originally envisioned. The project began in 2004, but planning did not account for the volatile security environment, nor did it realistically estimate project costs and completion schedules. Trenches and pipes laid by contractors were being blown up, and

workers were killed. Geotechnical and survey work, as well as quality-assurance activities, were repeatedly hampered by terrorist groups. U.S. officials did not communicate with appropriate GOI reconstruction officials, and a series of ineffective contracting engagements led to cost overruns and project delays. When SIGIR last visited the project in April 2011, the plant was not yet operating, and construction of house connections through most of the city was still in progress, reliant on GOI funding.