



Iraq



September 30, 2011

Washington, DC

Iraq September 2011

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Executive Summary

Overview

The Office of Inspector General (OIG) has been providing oversight of U.S. Agency for International Development (USAID) activities in Iraq since April 2003. Our work has paralleled the evolution of USAID's programs from relief and stabilization to reconstruction to sustainable development. OIG's activities help USAID to ensure that tax dollars are being spent wisely and effectively.

Prompted by USAID program reductions in Iraq, OIG has begun to scale back staffing levels in Iraq. We plan to continue to reduce the size of our Iraq office to four staff members by the end of fiscal year 2012 and

will support their efforts with audit and investigative resources based in Cairo.

Trends

OIG's performance audit work in Iraq has also indicated that security conditions have either hindered program accomplishment or had the potential to create implementation problems. Of the 56 performance audits, reviews and memorandums issued to date, the majority cited concerns about security conditions. Our audits also identified trends in inadequate contract oversight or activities management (31 percent), shortcomings in adherence to contract procedures (10 percent), and internal controls that needed improvement (19 percent).

Results—Fiscal Year 2003 through Fiscal Year 2011

Activities	Results
Performance audits/reviews	56
Recommendations made ¹	179
Recommendations closed	158
Recommendations open	21
Financial audits conducted	144
Sustained costs ²	\$17 million
Investigations opened	103
Investigations closed	85
Investigations pending	18
Referrals for prosecution	36
Indictments/criminal complaints	11
Convictions/pleas	10
Arrests	14
Administrative actions	36
Recoveries and savings	\$123 million
Fraud awareness briefings	57
Attendees at briefings	1,045

¹ Performance audits and reviews only

² Includes sustained amounts of recommended funds to be put to better use

Highlights—FY 2011 Third/Fourth Quarter

Audit of USAID/Iraq's Agribusiness Program

In May 2007, USAID/Iraq awarded a \$343 million contract to Louis Berger Group (LBG) to expand the competitiveness of the private sector in the agriculture and agribusiness sectors. Despite its contractual obligations, LBG fell short on all of its goals. These goals included: increasing agricultural sector productivity; increasing total sales of USAID-assisted enterprises by at least \$300 million; increasing and monitoring the value of financial resources raised by assisted enterprises (i.e., agribusiness loans); and generating at least 40,000 new agricultural and agribusiness jobs—20,000 full-time and 20,000 part-time.

In almost all cases, LBG did either not measure results, report results, or show adequate documentation. The lack of supportable agribusiness program results was attributed to several factors, foremost among them was mismanagement.

Although USAID/Iraq did propose—through the contract and through approval of the contractor's performance monitoring plan—a rigorous methodology for measuring results of the program, the mission and the contractor did not use it and simply did not focus on managing for results. This was evident through numerous problems with program implementation. For instance, USAID officials did not regularly receive results, did not enforce the requirement for reporting results and did not monitor the results that were reported.

Although over the three-year period this contract had more than five different contracting officer technical representatives (COTRs), USAID could not explain why the performance monitoring plan was not used. Documentation that was essential to project oversight—such as proof of any of the COTR's inspection and receipt or acceptance of deliverables and copies of other performance records, were not included in any program files.

Because of these problems, USAID/Iraq did not track whether the agribusiness program goals were on or behind schedule. Additionally, subcontracts lacked adequate documentation and were susceptible to fraud. Grants with special conditions as well as grants awarded to microfinance institutions were not monitored and also were susceptible to fraud.

Office of Inspector General

Overview

The mission of the Office of Inspector General (OIG) is to protect and enhance the integrity of the U.S. Government's approximately \$30 billion foreign assistance program administered in over 100 countries by the U.S. Agency for International Development (USAID), the United States African Development Foundation (USADF), the Inter-American Foundation (IAF), and the Millennium Challenge Corporation (MCC).

Who We Are

OIG is an independent oversight organization within USAID that derives its primary authorities and independence from the Inspector General Act of 1978 (IG Act), Public Law 95-452, as amended.

OIG's staff of approximately 200 employees—both Foreign Service and Civil Service—includes auditors, certified public accountants, investigators, and program analysts, as well as specialists in management, budget, information technology, and personnel operations. Our fiscal year 2011 appropriation was \$45 million.

What We Do

OIG is responsible for conducting and supervising audits and investigations involving the programs and operations of USAID, USADF, IAF, and MCC. Auditors, certified public accountants, and program analysts join forces to design and conduct audits and reviews to determine whether agency programs and operations are working as envisioned. Audit activities include performance audits of programs, financial statement audits required under the Chief Financial Officers Act of 1990, Public Law 101-576, as amended, audits related to financial accountability of grantees and contractors, and audits of information

technology systems. OIG's criminal investigators are special agents who work diligently to ensure that those who would illegally divert U.S. Government funds are detected. Our special agents are sworn law enforcement officers who have authority to carry firearms, execute search warrants, and make arrests. Investigations of criminal, civil, and administrative violations cover all facets of these worldwide operations.

OIG Priorities

Much of OIG's work is mandated by statute or regulation. Other work is performed at our discretion after considering the risks associated with the agencies' programs and assessing potential vulnerabilities in internal controls. OIG's top oversight priorities are:

- Pakistan
- Afghanistan
- HIV/AIDS, malaria, and tuberculosis
- Iraq
- Haiti

Joint Work and Partners

Interagency coordination is an important element of the oversight process. OIG is a key participant in the Southwest Asia Joint Planning Group, led by the Department of Defense Office of Inspector General. Other members of the group include representatives from the Office of Inspector General for the Department of State, the Defense Contract Audit Agency, the Government Accountability Office (GAO), and the Special Inspector General for Afghanistan Reconstruction, and the Special Inspector General for Iraq Reconstruction.

As a member of the National Procurement Fraud Task Force, OIG assists the Department of Justice in addressing

procurement and grant fraud—especially in Iraq, Afghanistan, and Pakistan.

Where We Work

Approximately 70 direct-hire auditor, program analyst, and special agent positions are based overseas, and the remaining workforce is stationed in Washington, DC.

OIG has overseas offices in Baghdad, Cairo, Dakar, Kabul, Islamabad, Manila, Pretoria, San Salvador, Tel Aviv, and Port-au-Prince.

OIG General Information

To learn more about USAID/OIG and its work, visit our Web site at www.usaid.gov/oig or contact us at 202-712-1150.

Introduction

Background. The goals of U.S. assistance to Iraq are to help the Iraqi Government improve delivery of critical services; build strong political and civil society institutions; expand economic reforms; bolster Iraq's private sector economy; implement key measures to decrease sectarian and ethnic violence; strengthen the foundation for rule of law and human rights; and transfer power and autonomy to regions, provinces, and local municipalities.

USAID obligations in Iraq for fiscal years (FY) 2002 through FY 2011 totaled \$8.0 billion. OIG has obligated \$23.9 million from FY 2003 through FY 2011 in base appropriations and supplemental funding to provide oversight to USAID activities in Iraq.

Performance Audits. Our performance audits in Iraq have noted the mission's success in completing intended activities, performing timely reporting, and effectively complying with congressional and USAID requirements in a number of instances. OIG's performance audit work in Iraq has also indicated that security conditions have either hindered program accomplishment or had the potential to create implementation problems. Of the 56 performance audits, reviews and memorandums issued to date, the majority cited concerns about security conditions. Our audits also identified trends in inadequate contract oversight or activities management (31 percent), shortcomings in adherence to contract procedures (10 percent), and internal controls that needed improvement (19 percent). The chart beginning on page 7 reflects the findings and recommendations of each of these audits.

Starting on page 37 are narrative summaries of the audits, arranged by fiscal year.

Financial Audits. By federal law (31 U.S.C. chapter 75), nonfederal entities that expend \$500,000 or more in federal awards annually are required to have audits conducted in accordance with Office of Management and Budget (OMB) Circular A-133. OMB's requirement applies to audits of States, local governments, and nonprofit organizations based in the United States, and audits conducted pursuant to Circular A-133 are sometimes referred to as "nonfederal audits."

USAID requires nonprofit organizations not based in the United States who expend \$300,000 or more in Federal funds per year to undergo an annual financial audit. These audits follow the rules and procedures contained in the USAID-produced *Guidelines for Financial Audits Contracted by Foreign Recipients* (generally called recipient-contracted audits).

Firms selected to perform nonfederal audits and recipient-contracted audits must be approved by OIG, which then reviews the audits, summarizes the findings and recommendations, and performs quality-control reviews on a limited basis.

The agency-contracted audit (ACA) program is implemented by USAID on its implementing partners. Financial audits conducted under this program accomplish numerous goals, such as improving accountability and internal control over funds and commodities and ensuring compliance with agreements and applicable laws and regulations. USAID normally requests an ACA to provide needed

audit coverage or to address real or perceived problems in financial management.

ACAs are usually performed by independent public accounting firms that are located in the United States but which have overseas affiliates. USAID contracts to have ACA audits conducted, but OIG approves the statement of work used to procure the audit services, monitors the audits, reviews the audit reports, summarizes the findings and recommendations, and performs quality-control reviews on a limited basis. OIG may also initiate an ACA to address problems concerning a contract, grant, or cooperative agreement, and it may enlist the services of the Defense Contract Audit Agency (DCAA) to conduct incurred audits on for-profit entities that are not based in the United States. However, DCAA performs all financial audits on U.S.-based, for-profit entities.

Financial audits performed on USAID's implementing partners in Iraq are reflected in the chart on page 19. Questioned costs are costs that are questioned for reasons such as an alleged violation of a requirement, a finding that the cost is not supported by adequate documentation, or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

The USAID Agreement Officer makes a final determination on the questioned costs and seeks reimbursement from the implementing partner for any costs sustained.

Investigations. OIG's investigative goals are to eliminate fraud in contracts, grants, and cooperative agreements and to prevent serious misconduct by USAID employees. To accomplish these goals, special agents conduct investigations into possible violations of Federal laws, rules, and regulations. If agents uncover reasonable suspicion to believe a criminal or civil crime has occurred, they consult with the Department of Justice to determine its interest in pursuing the matter. Investigative findings on administrative matters are referred to Agency management for action. Special agents also conduct fraud awareness briefings to alert participants (employees, contractors, grantees) to fraudulent practices and schemes and to provide guidance on how to report fraud if it is encountered. The chart on page 131 summarizes OIG's investigative work involving Iraq.

Iraq Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
FY 2003	1	Iraq Seaport Administration and Airports Administration Contracts (No report number)	25-Apr-03	The review found that USAID needs to improve its internal controls and process for considering security requirements of the request for proposal (RFP).	2	2	None.	
	2	USAID's Compliance with federal Regulations in Awarding the Iraq Education Sector Contract (AIG/A Memo 03-001)	6-Jun-03	USAID complied with applicable federal regulations for authorizing other than full and open competition and with applicable federal regulations in its assessment and review of the contractor's ability to perform under the contract. USAID did not have a clear methodology and did not adequately document the decisions made for market research in identifying the prospective contractors. Furthermore, USAID could not adequately demonstrate that certain events that occurred during the presolicitation phase were in compliance with regulations and procedures addressing compliance on exchanges of information with prospective contractors.	4	4	None.	
	3	USAID's Compliance with federal Regulations in Awarding the Iraq Personnel Support Services Contract (AIG/A Memo 03-002)	20-Jun-03	USAID complied with applicable federal regulations for awarding a sole-source contract.	0	0	None.	
	4	USAID's Compliance with federal Regulations in Awarding the Iraq Infrastructure Reconstruction Contract (AIG/A Memo 03-003)	23-Jul-03	USAID complied with applicable federal regulations for authorizing other than full and open competition and with applicable federal regulations in its assessment and review of the contractor's ability to perform under the contract, except that it did not follow Federal Acquisition Regulation (FAR) requirements for notification and timely debriefings to offerors who were not awarded the contract. In addition, a USAID project officer did not document presolicitation meetings in writing.	2	2	None.	
	5	USAID's Compliance with federal Regulations in Awarding the Iraq Sub-National Governance and Civic Institution Support Contract (AIG/I Memo 03-004)	9-Sep-03	USAID complied with applicable federal regulations for authorizing other than full and open competition, assessing the contractor's ability to perform and conducting the presolicitation, selection, and negotiation processes. However, in making its award USAID did not prepare and use adequate needs-based support for determining the level of effort or technical assistance procured under the contract.	1	1	None.	
FY 2004	6	USAID's Compliance with federal Regulations in Awarding the Health System Strengthening in Post-Conflict Iraq Contract (AIG/A Memo 03-005)	17-Oct-03	USAID complied with applicable federal regulations for authorizing other than full and open competition; in assessing the contractor's ability to perform; in conducting the presolicitation, selection, and negotiation processes; and in making the award. However, in making its award, USAID did not obtain the advice of legal counsel to exclude a firm that met invitation criteria from the solicitation.	2	2	None.	
	7	USAID's Compliance with federal Regulations in Awarding the Iraq Monitoring and Evaluation Program Performance Task Order (AIG/A Memo 04-001)	14-Jan-04	USAID, in making its award, complied with federal regulations. However, OIG suggested improvements in the award process to ensure (1) that adequate cost estimates are prepared for services and (2) that any discrepancy in the winning proposal is documented in the contracts file to ensure that it is considered before final selection is made.	1	1	None.	

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
8	USAID's Compliance with federal Regulations in Awarding the Agriculture Reconstruction and Development Program for Iraq Contract (AIG/A Memo 04-002)	14-Jan-04	USAID complied with applicable federal regulations for awarding the contract.	0	0	None.	
9	USAID's Compliance with federal Regulations in Awarding the Iraq Airport Administration Contract (AIG/A Memo 04-003)	27-Jan-04	USAID complied with applicable federal regulations, except for the need to document market research described in the negotiation memorandum. However, OIG noted the following: (1) the contractor's incorporation status had lapsed before it was asked to participate in the bidding process; however, this lapse was corrected several days before the final contract was signed. (2) USAID had not reviewed the contractor's newly implemented cost accounting system and provisional indirect cost rates. (3) USAID had not determined whether the contractor needed a facilities clearance.	1	1	None.	
10	USAID's Compliance with federal Regulations in Awarding the Iraq Seaport Assessment and Operation Contract (AIG/A Memo 04-004)	27-Jan-04	USAID complied with applicable federal regulations, except for the need to document market research described in the negotiation memorandum. OIG noted, however, that although there was no issue of noncompliance with procurement regulations, USAID changed the facilities clearance requirements of the requests for proposals during the procurement process.	0	0	None.	
11	Audit of USAID's Results Data for Its Education Activities in Iraq (E-266-04-001-P)	19-Mar-04	The majority of results were underreported.	1	1	None.	
12	USAID's Compliance with federal Regulations in Awarding the Contract for Economic Recovery, Reform and Sustained Growth in Iraq (AIG/A Memo 04-005)	22-Mar-04	USAID, in making its award, complied with applicable federal regulations except for the requirements to document and explain the significant appearance of conflicts of interest.	3	3	None.	
13	USAID's Compliance with federal Regulations in Awarding the Iraq Infrastructure Reconstruction Program Phase II Contract (AIG/A Memo 04-006)	20-Apr-04	USAID complied with the applicable federal regulations for awarding the contract.	0	0	None.	
14	Capping Report on the Audit of USAID's Compliance with federal Regulations in Awarding the Iraq Phase I Contracts (A-000-04-003-P)	19-May-04	USAID complied with federal regulations in authorizing the expedited award of contracts using other than full and open competition, except that it did not (1) adequately document market research; (2) obtain a legal analysis for conflict of interest situations; (3) notify and debrief offerors, in one contract, who were not awarded the contract; and (4) document the mitigation of an unfair competitive advantage.	2	2	None.	
15	Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program (E-266-04-002-P)	3-Jun-04	USAID/Iraq's activities were on schedule to achieve all but 11 percent of the planned outputs.	4	4	None.	

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
16	Audit of USAID/Iraq's Cash Control Procedures (E-266-04-001-F)	9-Jun-04	USAID/Iraq generally managed its cashing operations in accordance with applicable criteria. However, it did not consider the most economical and efficient ways to operate its cashing functions.	5	5	None.	
17	Audit of USAID's Compliance with federal Regulations in Awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract (E-266-04-003-P)	6-Aug-04	USAID complied with applicable regulations in awarding the International Resources Group contract.	0	0	None.	
18	Audit of USAID/Iraq's Economic Reform Program (E-266-04-004-P)	20-Sep-04	USAID/Iraq's activities partially achieved their intended outputs: 10 out of 38 activities were complete, 6 were cancelled, and 22 were still in progress at the time of the audit.	2	2	None.	
19	Audit of USAID's Compliance with federal Regulations in Awarding the Iraq Basic Education Phase II Contract (A-000-04-004-P)	23-Sep-04	USAID complied with the applicable federal regulations for awarding the contract.	0	0	None.	
FY 2005	Audit of USAID's Compliance with federal Regulations in Awarding the Contract for Security Services in Iraq to Kroll Government Services International Inc. (A-267-05-005-P)	6-Jan-05	USAID (1) did not adequately document the use of less than full and open competition or explain its contractor choice, (2) obtained security services using a letter contract that did not meet FAR requirements, (3) incurred multiple potential funds control violations, and (4) purchased armored vehicles that did not meet U.S. Government armoring standards.	4	4	None.	
21	Audit of USAID/Iraq's Community Action Program (E-267-05-001-P)	31-Jan-05	USAID/Iraq's Community Action Program (CAP) activities achieved 98 percent of their intended outputs.	1	1	None.	
22	Audit of USAID/Iraq's Health System Strengthening Contract Activities (E-267-05-002-P)	28-Feb-05	USAID/Iraq's activities did not achieve 60 percent of their intended outputs.	1	1	None.	
23	Audit of USAID/Iraq's Electrical Power Sector Activities (E-267-05-003-P)	29-Jun-05	Among USAID/Iraq's electrical power sector activities, 7 of the 22 projects had not achieved or were not achieving planned outputs. Additionally, although the mission was addressing institutional capacity building through training and manuals, much more needs to be done to address the existing problems and challenges in this area.	1	1	None.	
24	Audit of USAID/Iraq's Water and Sanitation Rehabilitation Activities (E-267-05-004-P)	30-Jun-05	Among USAID/Iraq's water and sanitation rehabilitation activities, 4 out of 43 projects were not achieving planned outputs. Also, although the mission was addressing the issue of capacity building through training and manuals, its efforts encountered barriers such as the lack of local skilled personnel and financial resources.	0	0	None.	

Iraq Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
	25	Audit of USAID/Iraq's Cash Control Procedures (E-267-05-005-P)	27-Sep-05	USAID/Iraq properly managed its cashiering operations, and it properly calculated and disbursed its Foreign Service national cash payroll payments. However, the mission did not require its regional representatives to sign a form to confirm that they had received the petty cash funds sent to them.	1	1	None.	
FY 2006	26	Audit of the Accuracy of Biographical Datasheets Provided by International Resources Group to USAID for Contracts in Iraq (9-267-06-001-P)	6-Nov-05	No significant discrepancies were noted.	0	0	None.	
	27	Audit of USAID/Iraq's Basic Education Activities (E-267-06-001-P)	20-Dec-05	USAID's basic education activities progressed toward 33 of the 82 intended outputs. Of the intended outputs, 27 were deleted in a revised implementation plan due to lack of funding, and 22 had related activities planned to take place before the end of the contract in June 2006. USAID/Iraq lacked a plan to ensure that computer equipment would be in place to operate the education management information system (EMIS) database the contractor was developing.	1	1	None.	
	28	Audit of USAID/Iraq's Non-Expendable Property (E-267-06-002-P)	16-Feb-06	USAID/Iraq did not manage its nonexpendable property in accordance with USAID guidance, and the nonexpendable property database was inaccurate. The recorded purchase value of a projected \$21.3 million out of \$23.5 million of nonexpendable property could not be verified, and the mission was unable to account for a projected \$2.9 million of nonexpendable property. In addition, mission vehicles valued at \$2.3 million were not properly safeguarded, and questions of ownership existed regarding nonexpendable property shared with another U.S. Government agency. The audit report contained seven recommendations, and management decisions were reached on all recommendations.	7	7	None.	
	29	Audit of USAID/Iraq's Local Governance Activities (E-267-06-003-P)	10-Jul-06	It was not possible to determine whether USAID/Iraq's local governance activities had achieved their intended outputs because USAID/Iraq did not require the contractor to submit quarterly work plans and semiannual performance monitoring reports. Furthermore, USAID/Iraq did not properly approve all rapid response grants, prepare contractor performance evaluations, or review payment vouchers submitted by the contractor.	5	5	None.	
	30	Audit of USAID Transition Initiatives in Iraq (E-267-06-004-P)	16-Aug-06	The audit could not determine whether USAID's Transition Initiatives in Iraq had achieved their intended outputs because of security restrictions that limited the number of site visits auditors could make and because of insufficient documentation maintained by the Office of Transition Initiatives in Iraq and its implementing partner. The audit found that a projected \$146 million in grants did not have supporting documentation to verify the achievement of intended outputs, and a projected \$294 million in grants did not have sufficient documentation of monitoring. However, for the site visits and interviews that auditors were able to perform for 32 selected activities, intended outputs were met for 31 activities.	0	0	None.	
FY 2007	31	Audit of USAID/Iraq's Civil Society Activities (E-267-07-001-P)	5-Nov-06	Of the 35 intended outputs included in America's Development Foundation's (ADF) performance monitoring plan, USAID/Iraq's civil society activities achieved 17 intended outputs while 8 were reported as not met. In addition, 10 were not determinable because of a lack of sufficient documentation and nonspecific reported outputs. ADF's performance monitoring plan was neither complete nor achievable. The performance monitoring plan did not have intended outputs listed for all indicators, and security issues caused delays in the implementation of the program. In addition, the audit found that some reported outputs were not specific, accurate, and documented.	2	2	None.	

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
32	Audit of USAID/Iraq's Agriculture Reconstruction and Development Program (E-267-07-002-P)	22-Jan-07	Of the 29 program activities reviewed, 16 achieved their intended outputs, 12 were on schedule to do so, and 1 will likely not achieve its intended outputs. USAID/Iraq did not properly administer its contract with Development Alternatives, Inc., with regard to proper review of payment vouchers, documentation of key events, and annual evaluations of contractor performance reporting. Operational requirements were given priority, and administrative requirements were not always accomplished.	1	1	None.	
33	Follow-Up Audit of USAID/Iraq's Education Activities (E-267-07-003-P)	4-Feb-07	Of 16 selected intended outputs, 7 (44 percent) were achieved and had appropriate documentation to support the achievements. The status of 2 outputs (12 percent) could not be determined because they lacked supporting documentation. The remaining 7 intended outputs (44 percent) were not achieved. In addition, actions taken to address the recommendation from the previous audit were not satisfactory.	1	1	None.	
34	Audit of USAID/Iraq's Telecommunications Activities (E-267-07-004-P)	3-May-07	Although USAID provided equipment, employed some Iraqis, and expanded some telecommunications facilities, the \$46.1 million project has yet to benefit the millions of Iraqis as intended. Although Bechtel National Inc. completed its work on June 30, 2006, the project had not yet achieved all intended results because the U.N. Development Program and the Ministry of Electricity had not completed their portions. OIG believed that Iraqis may not receive the full benefit of a consolidated fiber network because the effort lacked staff to oversee and coordinate the project. Also, the Iraq Ministry of Electricity disagreed with the project from the outset.	2	2	None.	
35	Audit of USAID/Iraq's Activity Planning and Its Reporting Process under Section 2207 of Public Law 108-106 (E-267-07-005-P)	6-Jun-07	USAID/Iraq followed the applicable guidance when planning and reporting on selected activities. USAID/Iraq followed the 12 (Automated Directives System) ADS preobligation requirements when planning its activities and completed the 5 required steps for activity planning. For example, USAID/Iraq ensured that (1) there was an illustrative budget for the activity, providing a reasonably firm estimate of the cost to the U.S. Government; and (2) there was a plan for monitoring the performance of the activity. USAID/Iraq also ensured that it had a procurement plan and an activity approval document and that the activity was formally approved.	0	0	None.	
36	Audit of the Office of Foreign Disaster Assistance Program in Iraq (E-267-07-006-P)	11-Jul-07	For the 4 years ending September 2006, the Office of Foreign Disaster Assistance (OFDA) provided \$190.7 million of humanitarian assistance to internally displaced persons (IDPs) and other vulnerable populations such as returnee communities (e.g., former IDPs in Iraq). The majority of OFDA's activities achieved their intended outputs. The audit reviewed 61 OFDA activities initiated between October 1, 2004, and September 30, 2006, in four categories--water and sanitation, health, livelihood support, and emergency relief commodities--and determined that 38 activities had achieved their intended outputs, 1 activity had not fully achieved its intended output, and 22 activities lacked sufficient supporting documentation to allow the audit to assess whether intended outputs had been achieved.	2	2	None.	
37	Audit of USAID/Iraq's Local Governance Activities (E-267-07-007-P)	31-Jul-07	Local governance activities did not have intended outputs or baselines against which to measure progress because USAID/Iraq failed to enforce contract requirements that the contractor submitted for approval, quarterly implementation plans detailing planned activities, or a performance monitoring plan that would have set forth baselines and targets. The audit also found that USAID/Iraq failed to perform the required contractor performance evaluations.	3	3	None.	

Iraq Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
	38	Audit of USAID/Iraq's Participation in Provincial Reconstruction Teams in Iraq (E-267-07-008-P)	27-Sep-07	This audit was conducted to determine whether (1) USAID/Iraq coordinated the area expertise of USAID field officers and (Provincial Reconstruction Teams) PRTs with the technical expertise of its sector specialists, including in the design and implementation of activities, and (2) USAID/Iraq programs were benefiting from participation in the PRTs. The audit found that although some coordination had taken place between the USAID PRT representatives and the USAID/Iraq sector specialists (its CTOs) in Baghdad, this coordination was not sufficient. USAID PRT representatives were not being consulted regarding the design and implementation of activities in their areas, and sometimes they were not aware of USAID activities in their areas. Further, two out of six CTOs in Baghdad noted that they were receiving little information from the USAID PRT representatives.	2	2	None.	
FY 2008	39	Audit of USAID/Iraq's Community Stabilization Program (E-267-08-001-P)	18-Mar-08	The audit could not determine whether the Community Stabilization Program (CSP) was achieving its intended result--to help defeat the insurgency by reducing the incentives for participating in it--because auditors could not rely on one of the major measurements of the program (employment generation). Further, the audit found evidence of potential fraud in CSP projects, resulting in the suspension of projects in one district of Baghdad. The lack of regular, independent site monitoring and the inadequate vetting of CSP contractors were major factors contributing to the program's vulnerability to fraud. Estimates of potential fraud in the district in which projects were suspended ranged from \$6.7 to \$8.4 million. Evidence suggests that similar problems may exist elsewhere in Iraq.	14	14	None.	
	40	Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund (E-267-08-002-P)	3-Apr-08	Although USAID/Iraq was complying with provisions contained in public laws to help ensure that funds appropriated for the Marla Ruzicka Iraqi War Victims Fund were used as intended, USAID/Iraq could increase the positive impact of the Fund.	4	4	None.	
	41	Audit of USAID/Iraq's Management of Its Official Vehicle Fleet (E-267-08-003-P)	24-Jun-08	Although USAID/Iraq managed many aspects of its vehicle fleet in accordance ADS, it did not always maintain vehicle records, dispose of excess vehicles, report missing vehicles, use authorized armoring technicians, train drivers, or equip vehicles with operable security radios in accordance with agency policy.	7	7	None.	
	42	Audit of USAID/Iraq's Monitoring and Evaluation Performance Program (E-267-08-004-P)	3-Jul-08	USAID/Iraq's monitoring and evaluation program is generally producing evaluation reports that are timely, relevant, punctual, and useful for performance management. The reports addressed the inquiries posed by USAID officials and contained recommendations that provided meaningful opportunities for enhancing program effectiveness. However, in the monitoring of one USAID/Iraq program, several weaknesses were found that diminished confidence in the reliability of some monitoring reports.	6	6	None.	
	43	Audit of USAID/Iraq's Community Action Program II (E-267-08-005-P)	5-Aug-08	USAID/Iraq's Community Action Program (CAP) II had accomplished many projects designed to create a foundation for sustainable development. However, regarding the achievement of planned results and impact, the audit found that USAID/Iraq did not ensure that baseline values for performance indicators designed to measure progress were determined at the beginning of the program. This sometimes resulted in the establishment of unrealistic targets. Also, targets for program performance indicators varied from one source to another in such a manner that auditors could not determine definitively which targets were in effect during the time of the audit. Although USAID/Iraq has taken steps to improve the quality of performance data, following a prior audit of the predecessor Iraq CAP that noted data quality issues, data quality problems continued in the current program.	4	4	None.	

Iraq Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
	44	Audit of USAID/Iraq's Agribusiness Program (E-267-08-006-P)	30-Sep-08	Because of delays in the startup of the program, it was too early to determine whether 10 of 12 activities were achieving planned results. Further, it was too soon to determine the degree of impact of the program as a whole in Iraq. The program only recently completed its first year of activities and has not yet yielded performance data for the entire first year. The program has produced interim reports indicating that some program activities are making early progress toward achieving their targets. However, 2 of 12 agribusiness activities reviewed by the audit were not achieving intended results.	8	8	None.	
FY 2009	45	Audit of USAID/Iraq's National Capacity Development Program (E-267-09-001-P)	25-Nov-08	OIG found that the program is achieving its intended results in 14 of its 20 results indicators. However, the Ministry of Oil needed a capacity development plan to better focus on the achievement of the program's long-term objective for strengthening the ministry's core administrative functions. Additionally, the response rates of post-training surveys from training participants were too low to ensure the validity of the survey results. USAID could improve this by increasing these response rates. OIG also determined that USAID could better demonstrate program results by including a measure for the number of study abroad scholarships utilized.	4	4	None.	
	46	Audit of USAID/Iraq's Oversight of Private Security Contractors in Iraq (E-267-09-002-P)	4-Mar-09	USAID's implementing partners were not adequately overseeing the private security contractors' reporting of serious incidents to ensure that such incidents were reported properly. As a result, partners were not in a position to detect reporting deficiencies such as the ones identified by the audit, allowing some incidents to be reported improperly or, in one case, not reported at all. In addition, incident reports issued by the security contractors were often not being received by USAID/Iraq.	2	2	None.	
	47	Audit of USAID/Iraq's Local Governance Programs II Activities (E-267-09-003-P)	31-May-09	USAID/Iraq did not establish criteria for selecting recipients of training and, moreover, approved a demand-driven and decentralized approach that essentially allowed Iraqi officials to enroll in whatever training courses they felt would benefit them. The success or short-term impact of that significant amount of training on improving local governance was not measured. Officials misused the training program by taking some courses multiple times. Also, progress in training Iraqi officials to use the Geographic Information System software to produce city maps was slow.	5	5	None.	
	48	Audit of USAID/Iraq's Economic Governance II Program (E-267-09-004-P)	3-Jun-09	After 4 years the program has not been successful in providing the foundation for an open, modern, mixed-market economy, and it has not made a significant impact upon the economic environment in Iraq. USAID officials did not establish a systematic mechanism to monitor the myriad tasks and thus could not track whether the tasks had been performed, were on schedule, or were behind schedule. As a result, fewer than half of the originally planned 398 tasks had been performed.	12	12	None.	

Iraq Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
	49	Audit of USAID/Iraq's Iraq Rapid Assistance Program (E-267-09-005-P)	12-Aug-09	The Iraq Assistance Program (IRAP) is designed to provide provincial reconstruction teams (PRTs) in Iraq with a flexible mechanism to make funding available to support community-based leaders and local Iraqi organizations and institutions in their efforts to improve access to public services, education, and economic opportunities. Grants awarded under the program, ranging from \$25,000 to \$2 million, fund a variety of activities, with the overarching goal of strengthening ties between Iraqi citizens, civil society, and governmental bodies. USAID/Iraq awarded a \$200 million contract to its implementing partner, Development Alternatives, Inc., to manage the grants and to support the PRTs in developing grant proposals for new projects. The performance period for this contract covers September 28, 2007, to September 30, 2010. As of March 31, 2009, cumulative obligations and expenditures under the program totaled approximately \$165.0 million and \$64.2 million, respectively. USAID had awarded 566 grants, valued at \$75.9 million.	3	3	None.	
FY 2010	50	Audit of USAID's Internally Displaced Persons Activities in Iraq (E-267-10-001-P)	31-Mar-10	According to USAID's ADS, chapter 303.3.17, responsibilities for administering grants and cooperative agreements include reviewing and analyzing performance reports, performing site visits, or other appropriate means. However, Office of Foreign Disaster Assistance (OFDA) officials did not review or analyze partner performance reports, nor did they carry out their oversight responsibilities to ensure that the reported number of beneficiaries was accurate. Instead, OFDA officials largely relied on their partners to ensure that the activities were undertaken diligently. Consequently, the audit team found indications of possible fraud, which led them to question \$766,490 in costs incurred by OFDA's partners, as well as numerous documentation issues with the number of reported beneficiaries for 35 of 73 tested activities. The level of unsubstantiated claims, as well as the possible fraud, diminished the validity, credibility, and usefulness of the performance results identified in the reports.	12	8	(2) OFDA's agreement officer should determine the allowability and collect, as appropriate, the \$46,980 in questioned ineligible costs billed by International Medical Corps for Implementation Plan No. 11 under Cooperative Agreement No. DFD-A-00-05-00030-00.	OFDA's agreement officer determined that \$46,980 in questioned ineligible costs is disallowed. OFDA provided a target date of 9/30/11 to collect the unallowable amount. This recommendation remains open.
							(3) OFDA's agreement officer should determine the allowability and collect, as appropriate, the \$168,080 in questioned ineligible costs billed by Mercy Corps for Project Code DY/145 under Grant No. DFD-G-00-05-00027-00.	OFDA's agreement officer determined that \$168,080 in questioned ineligible costs is disallowed. OFDA provided a target date of 9/30/11, to collect of the unallowable amount. This recommendation remains open.
							(4) OFDA's agreement officer should determine the allowability and collect, as appropriate, the \$373,021 in questioned ineligible costs billed by Mercy Corps for Project Cost DY/161 under Grant No. DFD-G-00-05-00027-00.	OFDA's agreement officer determined that \$373,021 in questioned ineligible costs is disallowed. OFDA provided a target date of 9/30/11, to collect of the unallowable amount. This recommendation remains open.
							(5) OFDA's agreement officer should determine the allowability and collect, as appropriate, the \$178,409 in questioned ineligible costs billed by Mercy Corps for Project Code DY/171 under Grant No. DFD-G-00-05-00027-00.	OFDA's agreement officer determined that \$178,409 in questioned ineligible costs is disallowed. OFDA provided a target date of 9/30/11, to collect of the unallowable amount. This recommendation remains open.

Iraq Performance Audit Findings and Recommendations

	No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
	51	Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System (E-267-10-002-P)	19-Sep-10	Although the USAID contractor developing the Iraq Financial Management Information System completed a substantial systems development, equipment procurement, and training, the system has not been fully implemented and has not achieved its goals. The system cannot produce complete trial balances, useful reports for individual ministries and offices, or information needed to perform bank reconciliations. As a result, after 6 years' of work, the system is not functioning as the system of record for the Government of Iraq. The contractor did not provide key contract deliverables and participants were not satisfied with the training that the contractor had provided. OIG's auditors concluded that this occurred in part because the project was funded under a cost-reimbursable contract that did not hold the contractor accountable for noncompletion of contract deliverables. Second, in the urgent pressure to develop the system in postwar Iraq, the contractor did not follow best practices for systems development, including obtaining functional user requirements, developing a concept design, obtaining customer buy-in and support, and conducting system testing. Finally, USAID stated that a lack of support and commitment by some officials within the Ministry of Finance of the Government of Iraq hindered the implementation of the Iraq Financial Management Information System.	1	1	None.	
FY 2011	52	Audit of USAID/Iraq's Payroll Payments to Foreign Service Nationals, Third Country Nationals, and U.S. Personal Service Contractors (E-267-11-001-P)	22-Nov-10	The objective of the audit was to determine whether USAID/Iraq had properly calculated and disbursed payroll payments to its Foreign Service nationals, third-country nationals, and U.S. personal services contractors in accordance with established regulations, policies, and procedures. The audit found that these payments were generally accurate.	8	6	(3) Determine the amount of underpayments in unused leave and severance pay to Foreign Service National employees, and pay the individuals any amounts due.	The mission's payroll specialist is coordinating with the mission human resources office to obtain the personnel actions to determine the amount of underpayments in unused leave and severance pay to separated foreign Service National employees. This recommendation remains open.
							(7) Recompute the amounts of underpayments made to employees and any amounts due, and prepare bills of collection to recover overpayments due from employees.	The mission recomputed the amounts of underpaid involuntary separate maintenance allowance and post differential. The mission is in the process of making payments to employees for underpayments and has issued a bill of collection to a former employee to recover an overpayment. This recommendation remains open.
	53	Survey of Security Incidents Reported by Private Security Contractors of USAID/Iraq's Contractors and Grantees (E-267-11-001-S)	29-Nov-10	The purpose of this survey was (1) to determine the number of serious security incidents that occurred between July 1, 2007 and June 30, 2009, and (2) to follow up on the effectiveness of the Mission's and implementing partners' actions in implementing the OIG's March 2009 audit report (E-267-09-002-P) recommendations.	5	5	None.	
	54	Review of USAID/Iraq's Contractors' Compliance with the Trafficking Victims Protection Reauthorization Act of 2008 (E-267-11-002-S)	12-Dec-10	This review has no recommendations.	0	0	None.	

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
55	Audit of USAID/Iraq's Agribusiness Program (E-267-11-002-P)	16-May-11	USAID/Iraq's agribusiness program began in May 2007. To implement the program, USAID/Iraq awarded a \$343 million cost-plus-fixed-fee, level-of-effort contract to Louis Berger Group Inc. with a 3-year base period, ending April 2010. In July 2010, USAID/Iraq modified the contract to extend it to August 2011 and to reduce the total estimated costs to \$216 million. As of September 30, 2010, \$145 million had been obligated, and \$109 million had been disbursed. The objective of this audit was to determine whether the agribusiness program had achieved its main goal: to expand the competitiveness of the private sector in the agriculture and agribusiness sectors. The audit determined that the program had not achieved this goal.	17	5	(3) USAID/Iraq require its contracting officer's technical representatives to provide activity managers with copies of the applicable sections of contracts and agreements, such as the scope of work, and required deliverables to improve their ability to measure progress against expected results.	The Mission recognizes the importance of activity managers receiving a copy of the applicable sections of a contract or agreement so they can assess progress against contractual or agreement requirements and agreed to incorporate in future guidance that they should receive such copies. The COTR is now providing the information to the PRT representatives and FSN staff that they need to measure progress against expected results. A target date for completion is December 31, 2011. This recommendation remains open.
						(4) USAID/Iraq require the contractor to comply with its internal procedures by developing an adequate records system to support claimed subcontract costs and verify the contractor's completed actions.	The Mission stated that the contractor is making substantial progress in compiling its records to document and support subcontract costs. The Mission expects to complete its review of supporting documentation for claimed subcontract costs by December 31, 2011. This recommendation remains open.
						(5) USAID/Iraq suspend payments to the contractor for costs related to subcontracts until implementing actions are completed for Recommendation 4.	The Mission noted that implementing actions have been completed for Recommendation 4 as required by the final audit report. According to USAID/Iraq, the contractor is now complying with its internal procedures for records and documentation. This recommendation remains open.
						(6) USAID/Iraq's Office of Acquisition and Assistance determine the allowability of and collect, as appropriate, \$9,805,244 in questioned, unsupported costs for the 19 identified subcontracts.	No management decision has been reached on this recommendation and this recommendation remains open.
						(7) USAID/Iraq require the contractor to comply with its internal procedures and grant requirements within the contract by developing an adequate records system to support claimed grant costs and verify the contractor's completed actions.	Mission officials are currently reviewing supporting records to verify the contractor's compliance with its procedures to maintain adequate supporting records. The Mission anticipates the completion of the review by December 31, 2011. This recommendation remains open.
						(8) USAID/Iraq suspend payments to the contractor for costs related to grants until implementing actions are completed for Recommendation 7.	The Mission noted that implementing actions have been completed for Recommendation 7 as required by the final audit report. According to USAID/Iraq, the contractor is now complying with its internal procedures for records and documentation. This recommendation remains open.
						(9) USAID/Iraq make a complete inventory of grants awarded by the contractor from program inception, review grant files to ensure that documentation is adequate to support required procurement and monitoring requirements, and question and collect amounts for those grants not adequately supported.	The Mission will require the contractor to submit a complete inventory of grants awarded to be spot-checked by USAID/Iraq. Additionally, the Mission will require that a sample of grants be reviewed in the incurred cost audits to ensure that documentation is adequate to support procurement and monitoring requirements and to question and collect for those grants not adequately supported. The Mission expects this action to be completed by December 31, 2011. This recommendation remains open.
						(10) USAID/Iraq's Office of Acquisition and Assistance determine the allowability of and collect, as appropriate, \$6,947,938 in questioned, unsupported costs for the five identified grants with special conditions.	No management decision has been reached on this recommendation and this recommendation remains open.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Total # of Recommendations	Total # Closed	Open Recommendations	USAID Response
55						(11) USAID/Iraq's Office of Acquisition and Assistance determine the allowability of and collect, as appropriate, \$6,296,758 in questioned, unsupported costs for the three identified grants to microfinance institutions.	No management decision has been reached on this recommendation and this recommendation remains open.
						(12) USAID/Iraq review its evaluations issued during fiscal years 2009 and 2010 to determine whether they have all been appropriately shared with implementing partners, and if not, immediately share the evaluation results.	The Mission compiled a listing of all the evaluations and assessments performed during FYs 2009 and 2010. Of the 23 evaluations, assessments, and studies, 12 were shared with implementing partners, 9 were not shared with implementing partners because the programs had ended. One was not relevant due to the time lapsed and the other was shared with the implementing partner's Chief of Party. This recommendation remains open.
						(16) USAID/Iraq require the contractor to submit its property accounting system for approval and determine whether that system is acceptable for managing government property according to USAID Acquisition Regulation requirements.	Mission officials stated that the contractor's property accounting system was one of the systems currently being updated by the contractor in order to meet the terms of the administrative settlement in November 2010 between USAID and the contractor. Under that settlement, the contractor's accounting policies and procedures are being revised to ensure that cost accounting by the contractor is true, accurate, and complete and follows the applicable federal statutes and regulations. The Mission expects to complete final action by March 31, 2012. This recommendation remains open.
						(17) USAID/Iraq require the contractor to submit annual property reports for government property for 2007, 2008, 2009, and 2010 according to USAID Acquisition Regulation requirements.	The Mission has tasked the contractor to provide the required summaries for years 2007 through 2010 to comply with USAID Acquisition Regulation requirements. The Mission expects to complete final action on this recommendation by December 31, 2011. This recommendation remains open.
56	Audit of USAID/Iraq's Microfinance Activity Under Its Provincial Economic Growth Program (E-267-11-003-P)	4-Aug-11	According to USAID, continued stability in Iraq requires activities that stimulate private sector growth and create jobs, as microfinance activities do. Microfinance provides small amounts of credit to borrowers who lack access to it. In Iraq, because there is little tradition of credit or bank lending and collateral requirements are high, many poor and low-income individuals are excluded from bank services. Microfinance institutions were established in Iraq starting in 2003 with funds from the U.S. Government to provide financial services to this population.	3	0	(1) USAID/Iraq revise its performance monitoring plan to include performance indicators and targets for reaching poor borrowers for the remaining 2 years of the Provincial Economic Growth Program, particularly for microfinance institutions that have attained performance targets for financial sustainability.	The Mission required the contractor to revise its performance monitoring plan to include indicators and targets for reaching poor borrowers. The revision to the performance monitoring plan also included updating the Performance Indicator Reference Sheets to explain known data limitations and data sources. The contractor submitted the revised plan to the Mission for review and approval and the Mission expects to complete its implementation of these actions by September 30, 2011. This recommendation remains open.
						(2) USAID/Iraq require the contractor to update its performance monitoring plan to specify data review mechanisms, identify any known data limitations, and clarify data sources.	See Recommendation 1. This recommendation remains open.
						(3) USAID/Iraq perform a data quality assessment of the jobs performance indicator: number of jobs (new and existing) that are sustained at firms receiving microloans.	The Mission plans to conduct a data quality assessment in October 2011. The contractor is including in the revised performance monitoring plan a data review mechanism to verify and validate the data on jobs created and sustained. The Mission will inspect these systems and document the review in a formal data quality assessment and expects to complete this assessment by December 30, 2011. This recommendation remains open.
56	Performance Audits Issued					Total Recommendations	179
						Recommendations Open	21

Iraq Financial Audit Findings

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
1	Report on Evaluation of Timekeeping Procedures and Practices of SSA Marine	E-266-04-001-D	31-Oct-03	\$0	\$0	N/A	
2	Audit of Kroll Associates, Inc.'s Proposal for USAID Contract No.267-C-00-03-00001-00	E-266-04-002-D	4-Nov-03	\$0	\$0	N/A	
3	Report on SSA Marine's Usage and Controls of Materials and Services Procured Under USAID Contract TRN-C-00-03-00054-00	E-266-04-003-D	4-Nov-03	\$0	\$0	N/A	
4	Survey of Kroll and Associates Inc.'s Accounting System	E-266-04-004-D	19-Nov-03	\$0	\$0	N/A	
5	Audit of Creative Associates International, Inc.'s (CAII) Internal Controls for the Awarding of Grants	E-266-04-006-D	20-Nov-03	\$0	\$0	N/A	
6	Audit of SSA Marine's Controls over Port Revenues and Expenses at Um Qasr, Iraq Under USAID Contract No. TRN-C-00-03-00054-00	E-266-04-007-D	5-Dec-03	\$0	\$0	N/A	
7	Report on Evaluation of Bechtel National, Inc.'s Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges Under USAID Iraq Infrastructure Reconstruction Contract No. EEE-C-00-03-00018-00	E-266-04-009-D	4-Jan-04	\$0	\$0	N/A	
8	Audit of Bechtel National, Inc.'s Internal Controls of Subcontract Awards Under USAID Iraq Infrastructure Reconstruction Contract No. EEE-C-00-03-00018-00	E-266-04-008-D	5-Jan-04	\$0	\$0	N/A	
9	Report on Evaluation of Skylink Air & Logistical Support, Inc.'s Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges Under USAID Contract No. DFD-C-00-03-00026-00	E-266-04-010-D	13-Jan-04	\$0	\$0	N/A	
10	Audit of Costs Incurred and Billed by SkyLink Air and Logistic Support, Inc. Under USAID Contract DFD-C-00-03-00026-00 from March 21, 2003, through October 31, 2003	E-266-04-011-D	14-Jan-04	\$3,397,664	\$81,834	\$74,151	
11	Report on Evaluation of the International Resources Group's (IRG) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges Under USAID Contract No. EMT-C-00-03-00007	E-266-04-012-D	15-Jan-04	\$0	\$0	N/A	
12	Audit Report on Skylink Air & Logistical Support (USA), Inc.'s Usage and Controls of Materials and Services Procured Under USAID Contract No. DFD-C-00-03-00026-00	E-266-04-013-D	9-Feb-04	\$369,226	\$0	N/A	
13	Report on the Audit of the Accounting System of Skylink Air & Logistical Support (USA), Inc.	E-266-04-014-D	9-Feb-04	\$0	\$0	N/A	
14	Evaluation of Bechtel National, Inc.'s Usage and Controls of Materials and Services Procured Under USAID Iraq Infrastructure Reconstruction Contract No. EEE-C-00-03-00018-00	E-266-04-015-D	9-Feb-04	\$0	\$0	N/A	

Iraq Financial Audit Findings

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
15	Audit of Costs Incurred by Bechtel National, Inc. Under USAID Iraq Infrastructure Reconstruction Contract EEE-C-00-03-00018-00 from April 17, 2003, (Inception of the Contract) to August 31, 2003	E-266-04-016-D	12-Feb-04	\$48,710,691	\$0	N/A	
16	Audit of the Accounting Controls of Bechtel National, Inc. Under USAID's Iraq Infrastructure Reconstruction Contract EEE-C-00-03-00018-00	E-266-04-017-D	12-Feb-04	\$0	\$0	N/A	
17	Audit of Bechtel National, Inc.'s Subsidiary Billing System for USAID's Iraq Infrastructure Reconstruction Contract EEE-C-00-03-00018-00	E-266-04-018-D	12-Feb-04	\$0	\$0	N/A	
18	Audit Report on Review of Costs Incurred and Billed by SSA Marine (SSA) Under USAID Contract TRN-C-00-03-00054-00 as of August 12, 2003	E-266-04-019-D	12-Feb-04	\$1,559,153	\$44,334	\$11,275	
19	Audit Report on International Resources Group's (IRG) Usage and Controls of Materials and Services Procured Under USAID Contract No. EMT-C-00-03-00007	E-266-04-020-D	14-Feb-04	\$2,457,150	\$41,332	\$26,144	
20	Report on Evaluation of Abt Associates, Inc.'s Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges Under USAID Contract No. RAN-C-00-03-00010-00	E-266-04-021-D	15-Feb-04	\$0	\$0	N/A	
21	Audit of Costs Incurred and Billed by Abt Associates, Inc. Under USAID Contract No. RAN-C-00-03-00010-00 from July 18, 2003, through October 24, 2003	E-266-04-022-D	15-Feb-04	\$3,702,739	\$161,008	\$9,199	
22	Report on Evaluation of BearingPoint, Inc.'s (BearingPoint) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges Under USAID Contract No. RAN-C-00-03-00043-00	E-266-04-023-D	15-Feb-04	\$0	\$0	N/A	
23	Report on Evaluation of Creative Associates International, Inc.'s (CAII) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges Under USAID Contract No. EDG-C-00-03-00011-00	E-266-04-024-D	21-Feb-04	\$0	\$0	N/A	
24	Report on Audit of Creative Associates International, Inc.'s (CAII) Usage and Controls of Materials and Services Procured Under USAID Contract No. EDG-C-00-03-00011-00	E-266-04-025-D	26-Feb-04	\$0	\$0	N/A	
25	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) under USAID Contract No. EDG-C-00-03-00010-00 from March 26, 2003, through November 30, 2003	E-266-04-026-D	26-Feb-04	\$32,660,570	\$28,000	\$28,000	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
26	Report on the Audit of Research Triangle Institute's (RTI) Usage and Controls of Materials and Services Procured Under USAID Contract No. EDG-C-00-03-00010-00	E-266-04-027-D	26-Feb-04	\$12,669,538	\$12,669,538	\$0	Auditors found that Research Triangle Institute (RTI) did not have written policies and procedures and lacked internal controls for its material and equipment handling processes, to include receiving, storing, and issuing for its Iraq operations. As a result, OIG questioned the total amount billed to USAID by RTI for materials and equipment from the inception of the contract through November 30, 2003.
27	Audit of Costs Incurred and Billed by Creative Associates International, Inc. (CAII) Under USAID Contract No. EDG-C-00-03-00011-00 from April 11, 2003, through October 31, 2003	E-266-04-028-D	28-Feb-04	\$30,403,887	\$11,606	\$11,606	
28	Report on Evaluation of Abt Associates, Inc.'s Usage and Controls of Materials and Equipment Procured Under USAID Contract No. RAN-C-00-03-00010-00	E-266-04-029-D	1-Mar-04	\$477,944	\$10,282	\$0	
29	Report on the Evaluation of Research Triangle Institute's (RTI) Compliance with Established Timekeeping System Policies and Procedures for Recording Labor Charges Under USAID Contract No. EDG-C-00-03-00010-00	E-266-04-030-D	7-Mar-04	\$0	\$25,353	\$25,353	
30	Audit of Costs Incurred and Billed by Management Systems International (MSI) Under USAID Contract AEP I-00-00-00024-00 from June 25, 2003, through January 30, 2004	E-266-04-031-D	10-Mar-04	\$1,938,500	\$0	N/A	
31	Audit of Costs Incurred and Billed by the International Resources Group (IRG) Under USAID Contract No. EMT-C-00-03-00007 from February 5, 2003, through August 31, 2003	E-266-04-032-D	10-Mar-04	\$9,842,782	\$134,084	\$821	
32	Audit of Costs Incurred and Billed by BearingPoint, Inc. Under USAID Contract RAN-C-00-03-00043-00 from July 18, 2003, through November 30, 2003.	E-266-04-033-D	24-Mar-04	\$7,892,736	\$65,224	\$48,603	
33	Costs Incurred and Billed by Development Alternatives, Inc. (DAI) Under USAID Prime Contract No. HDA-I-00-03-00061-00 and Subcontract No. 3825-100-03S-001, for the period January 6, 2003, to December 31, 2003	E-266-04-034-D	12-Apr-04	\$27,377,961	\$96,275	\$0	
34	Report on Audit of Proposed Iraq Infrastructure Reconstruction Project (IIRP) Controller Procedure 5AP-A01-018 for Estimating, Accumulating and Recovering Direct Common Costs	E-266-04-035-D	14-May-04	\$0	\$0	N/A	
35	Costs Incurred and Billed by Creative Associates International Inc.'s (CAII) Under USAID Contract No. EDG-C-00-03-00011-00 for the period ended November 1, 2003, through February 28, 2004	E-266-04-036-D	27-May-04	\$17,457,385	\$45,314	\$45,314	
36	Audit of Bechtel National Inc.'s Proposed Common Cost Pool Recovery Rate Under Reconstruction Project (IIRP) Phase I and II	E-266-04-037-D	18-Jun-04	\$0	\$0	N/A	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
37	Report on Audit of Costs Incurred by Abt Associates, Inc. from October 25, 2003, through March 26, 2004, Under USAID Contract No. RAN-C-00-03-00010-00	E-266-04-038-D	20-Jun-04	\$13,414,124	\$120,150	\$7,726	
38	Audit Report on Review of Costs Incurred and Billed by SSA Marine on Voucher Nos. 3 through 7 Under Contract No. TRN-C-00-03-00054-00	E-266-04-039-D	30-Jun-04	\$6,807,643	\$1,131,456	\$33,519	OIG questioned costs that were claimed by SSA but were ineligible based on its contract with USAID. These costs related to direct labor and labor overhead costs, international and domestic travel costs, and administrative fees.
39	Audit Report on Review of Billed Costs by SkyLink Air and Logistic Support from November 1, 2003, to February 29, 2004, Under Contract DFD-C-00-03-00026-00	E-266-04-040-D	19-Jul-04	\$8,556,787	\$49,372	\$49,372	
40	Record of Labor Timekeeping System Used by Bechtel National, Inc. Under Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00	E-266-04-041-D	5-Aug-04	\$0	\$0	N/A	
41	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) Under USAID Contract No. EDG-C-00-03-00010-00 from December 1, 2003, through March 25, 2004	E-266-04-042-D	9-Aug-04	\$100,963,881	\$511,582	\$368,203	
42	Audit of Incurred Direct Costs Under Iraq Infrastructure Reconstruction by Bechtel National, Inc. Under Contract EEE-C-00-03-00018-00 from September 1, 2003, through February 29, 2004	E-266-04-044-D	4-Sep-04	\$239,157,315	\$1,793,351	\$390,145	OIG questioned costs that were claimed by Bechtel National, Inc., but were ineligible based on its contract with USAID. These costs related to travel, communications, direct labor, other employee payments, and insurance.
43	Audit of Costs Incurred and Billed to USAID by the International Resources Group (IRG) Under Contract No. EMT-C-00-03-00007 from September 1, 2003, to March 31, 2004	E-267-05-001-D	21-Oct-04	\$28,138,806	\$0	N/A	
44	Audit on Kroll Government Services, Inc. Related to Labor Provided for Security Services Under USAID Contract No. 267-C-00-03-00001-00 from April 1, 2004, to December 31, 2004	E-267-05-002-D	17-Jan-05	\$0	\$0	N/A	
45	Audit of Materials, Equipment, and Services Incurred Under USAID Contract No. EDG-C-00-03-00010-00 with Research Triangle Institute (RTI)	E-267-05-003-D	29-Jan-05	\$0	\$0	N/A	
46	Audit of Costs Incurred Under Subcontracts 24910-TSC-003 and 24910-GSC-005 (Bechtel National, Inc. is prime and ArmorGroup Services Limited is the subcontractor) from May 1, 2003, through September 30, 2004	E-267-05-004-D	10-Feb-05	\$31,083,699	\$13,015	\$0	
47	Audit of Incurred Costs Submitted on Voucher Nos. 8 through 12 for Contract No. TRN-C-00-03-00054-00 with Stevedoring Services of America (now known as SSA Marine)	E-267-05-005-D	19-Feb-05	\$4,900,697	\$312,041	\$97,079	
48	Audit of Costs Billed Under Parsons Infrastructure and Technology Group Subcontract No. 24964-000-ESU-W000-001 from January 12, 2004, through September 24, 2004	E-267-05-006-D	27-Feb-05	\$7,388,916	\$139,867	\$139,867	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
49	Audit of Costs Billed on Development Alternatives, Inc. (DAI) Prime Contract Nos. HDA-I-00-03-00061-00 from January 1, 2004, through April 5, 2004, and DOT-I-00-03-00004-00 from February 5, 2004, to August 31, 2004	E-267-05-007-D	1-Mar-05	\$57,800,375	\$9,475	\$9,475	
50	Audit of Costs Incurred and Billed to USAID by BearingPoint, Inc. Under Contract No. RAN-C-00-03-00043-00 from December 1, 2003, to March 31, 2004	E-266-04-043-D	17-Mar-05	\$27,540,524	\$5,117,424	\$0	OIG questioned \$1,189,543 in costs that were claimed by Bearing Point, Inc., but were ineligible based on its contract with USAID. These costs related to salaries, foreign allowances, and associated indirect and general and administrative costs. Additionally, OIG questioned \$3,927,881 in costs that could not be supported by documentation; \$3,851,864 of these unsupported costs were for costs claimed by one of Bearing Point, Inc.'s subcontractors, Custer Battles.
51	Audit of Costs Incurred by Mercy Corps Under USAID Cooperative Agreement No. AFP-A-00-03-00001-00 from May 16, 2003, through July 31, 2004	E-267-05-008-D	22-Mar-05	\$12,346,972	\$0	N/A	
52	Audit of Costs Incurred by Agricultural Cooperative Development International / Volunteers Overseas Cooperative Assistance (ACDI/VOCA) Under USAID Cooperative Agreement No. AFP-A-00-03-00003-00 from May 16, 2003, through July 31, 2004	E-267-05-009-D	21-Apr-05	\$11,034,825	\$8,609	\$0	
53	Audit of Skylink Air & Logistical Support (USA), Inc.'s Labor Systems and Controls Under Contract No. DFD-C-00-03-00026-00 Conducted on December 28, 2004, and January 13, 2005	E-267-05-010-D	28-Apr-05	\$0	\$0	N/A	
54	Audit of Costs Billed by Research Triangle Institute (RTI) Under Contract No. EDG-C-00-03-00010-00 for the Period of March 26, 2004, through September 30, 2004	E-267-05-011-D	15-May-05	\$57,989,243	\$417,522	\$415,432	
55	Audit of Costs Billed by Creative Associates International, Inc. (CAII) Under Contract No. EDG-C-00-03-00011-00 from March 1, 2004, through August 31, 2004	E-267-05-012-D	17-May-05	\$7,940,613	\$36,921	\$36,921	
56	Audit of Costs Incurred and Billed to USAID by BearingPoint, Inc. Under USAID Contract No. RAN-C-00-03-00043-00, April 1, 2004, through September 30, 2004	E-267-05-013-D	14-Jun-05	\$38,447,166	\$13,331,840	\$0	OIG questioned \$440,210 in costs that were claimed by BearingPoint, Inc., but were ineligible based on its contract with USAID. These costs related to salaries and wages, foreign allowances, travel, subcontractors, and other costs. Additionally, OIG questioned \$12,891,630 in costs that could not be supported by documentation; \$10,745,677 of these unsupported costs was for costs claimed by one of BearingPoint, Inc.'s subcontractors, Kroll Government Services International.
57	Audit of Costs Incurred and Billed by the International Resources Group from April 1, 2004, through May 4, 2004, Under Contract No. EMT-C-00-03-00007 and from May 4, 2004, through October 31, 2004, Under Contract No. 517-C-00-04-00106-00	E-267-05-014-D	16-Jun-05	\$21,061,361	\$0	N/A	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
58	Audit of Costs Incurred by Bechtel National Inc. from March 1, 2004, to September 30, 2004, Under Contract No. EEE-C-00-03-00018-00 and from January 5, 2004, to September 30, 2004, Under Contract No. SPU-C-00-04-00001-00	E-267-05-015-D	16-Jun-05	\$349,513,595	\$118,417	\$118,417	
59	Audit of Costs Incurred and Billed by Abt Associates Inc. from April 1, 2004, through September 24, 2004, Under Contract No. RAN-C-00-03-00010-00	E-267-05-016-D	27-Jun-05	\$7,212,265	\$12,749	\$12,749	
60	Audit of SkyLink Air and Logistic Support (USA), Inc. Costs for the Period March 1, 2004, through September 30, 2004, Under USAID Contract No. DFD-C-00-03-00026-00	E-267-05-017-D	27-Jun-05	\$10,358,264	\$301,218	\$277,484	
61	Audit of Costs Incurred by Save the Children Federation, Inc. (SCF) Under USAID Cooperative Agreement No. AFP-A-00-03-00005 from May 16, 2003, through July 31, 2004	E-267-05-018-D	22-Sep-05	\$12,093,435	\$0	N/A	
62	Audit of Costs Incurred by Siemens Westinghouse Under Subcontract No. 24910-30N-ESL- MG00-001 and Subcontract No. 24910-30B-ESD-MGSO-013 from Inception until September 30, 2004	E-267-05-020-D	22-Sep-05	\$7,823,102	\$0	N/A	
63	Audit of Material and Services Procured by Bechtel National, Inc. Under Contract No. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00 Between January and February 2005	E-267-05-019-D	23-Sep-05	\$189,100,000	\$0	N/A	
64	Evaluation of Labor Timekeeping System Used by Bechtel National, Inc. (BNI) Under USAID Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00 between February and July 2005	E-267-06-001-D	5-Oct-05	\$0	\$0	N/A	
65	Audit of Costs Incurred by CHF International Under USAID Cooperative Agreement No. AFP-A-00-03-00004 from May 16, 2003, through July 31, 2004	E-267-06-004-D	1-Feb-06	\$14,681,152	\$284,569	\$46,362	
66	Audit of Costs Incurred and Billed by America's Development Foundation (ADF) Under USAID Contract No. GEW-C-00-04-00001, for the period August 16, 2004, to June 30, 2005	E-267-06-005-D	12-Feb-06	\$12,479,675	\$100,145	\$0	
67	Audit of Costs Incurred by Louis Berger Group Inc. Under Contract No. 267-C-00-04-0435-00 from October 1, 2004, to July 31, 2005	E-267-06-006-D	22-Feb-06	\$15,273,075	\$5,094	\$5,094	
68	Audit of System for Request for Equitable Adjustment (REA) Procedures by Bechtel National, Inc. Under USAID Contract No. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00	E-267-06-002-D	28-Feb-06	\$25,262,605	\$0	N/A	
69	Audit of Costs Incurred by Development Alternatives, Inc. (DAI) Under Contract No. RAN-C-00-04-00002-00 from October 15, 2004, through June 30, 2005	E-267-06-007-D	23-Apr-06	\$18,505,566	\$7,403	\$6,829	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
70	Audit of Costs Incurred by International Relief and Development, Inc. (IRD) Under USAID Cooperative Agreement No. AFP-A-00-03-00002 from May 16, 2003, through July 31, 2004	E-267-06-008-D	18-May-06	\$11,627,091	\$1,018,326	\$15,319	OIG questioned \$192,390 in costs that were claimed by IRD but were ineligible based on its contract with USAID. These costs related to consultant fees, travel, and security. Additionally, OIG questioned \$825,936 in costs that could not be supported by documentation.
71	Audit of Costs Incurred by Cooperative Housing Federation International Under Cooperative Agreement No. AFP-A-00-03-00004-00 from August 1, 2004, to July 31, 2005	E-267-06-009-D	6-Jun-06	\$16,015,713	\$59,418	\$28,499	
72	Audit of Costs Billed by Research Triangle Institute (RTI) Under Contract No. EDG-C-00-03-00010-00 for the Period of March 26, 2004, through September 30, 2004	E-267-06-010-D	15-Jun-06	\$8,751,175	\$8,715,875	\$406,700	Because of numerous deficiencies in the timekeeping system for a Research Triangle Institute (RTI) subcontractor, Unity Resources Group LLC (URG), OIG questioned all billed costs during the audited period of URG.
73	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) Under USAID Contract No. EDG-C-00-03-00010-00 for the Period October 1, 2004, through July 31, 2005	E-267-06-011-D	23-Jun-06	\$37,697,918	\$8,141,150	\$189,203	OIG questioned \$169,631 in costs that were claimed by RTI but were ineligible based on its contract with USAID. These costs related to foreign allowances, travel, and subcontractors. Additionally, OIG questioned \$19,572 in subcontractor costs that could not be supported by documentation. Lastly, because of numerous deficiencies in the timekeeping system for a Research Triangle Institute subcontractor, Unity Resources Group LLC (URG), OIG questioned all billed costs during the audited period of URG.
74	Audit of Invoices Submitted on Kroll Government Services Inc. Under Subcontract No. AID-2004-T-00043-000-0021 from February 2004 to September 2004	E-267-06-012-D	2-Jul-06	\$1,351,643	\$0	N/A	
75	Audit of Costs Incurred by Creative Associates International, Inc. Under Contract No. EPP-C-00-04-00004-00 from July 1, 2004, through June 30, 2005	E-267-06-013-D	3-Jul-06	\$17,479,711	\$1,314	\$1,314	
76	Audit of Costs Incurred by BearingPoint, Inc. Under Contract No. 267-C-00-04-00405 from September 4, 2004, to July 31, 2005	E-267-06-014-D	6-Jul-06	\$37,367,611	\$1,695,484	\$1,017,536	OIG questioned \$627,960 in costs that were claimed by BearingPoint, Inc., but were ineligible based on its contract with USAID. These costs related to salaries and wages, travel, and equipment. Additionally, OIG questioned \$1,067,524 in costs that could not be supported by documentation.
77	Audit of Costs Incurred by International Business & Technical Consultants, Inc. Under Contract No. 267-C-0500508-00 for the period of May 31, 2005, through December 31, 2005	E-267-06-015-D	27-Jul-06	\$3,372,384	\$7,235	\$7,235	
78	Audit of Costs Incurred by Crown Agents Consultancy, Inc. Under Subcontract No. 1100-003 with International Resources Group, Inc. under Contract No. EMT-C-00-03-00007-00 and Contract No. 517-C-00-04-00106-00 for the Period of November 1, 2004, through December 31, 2004	E-267-06-016-D	14-Aug-06	\$2,120,465	\$48,359	\$0	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
79	Audit of Direct Costs Incurred by Bechtel National, Inc. Under Iraq Infrastructure Reconstruction Phase I and II Contracts No. EEE-C-00-03-00018-00 and No. SPU-C-00-04-00001-00 for the period of October 1, 2004, through September 30, 2005	E-267-06-017-D	18-Sep-06	\$684,263,856	\$321,854	\$207,229	
80	Audit of Direct Costs Incurred and Billed by the International Republican Institute through the Consortium for Elections and Political Process Strengthening Under the USAID Agreement No. AFP-A-00-04-00014-00 for the Period July 9, 2004, through October 1, 2005	E-267-07-001-D	1-Oct-06	\$23,894,925	\$0	N/A	
81	Audit of the Accounting System of Unity Resources Group Under Subcontract No. IDG 31-2 with Research Triangle Institute (RTI) Under Contract No. 267-C-00-05-00505-00	E-267-07-002-D	2-Oct-06	\$0	\$0	N/A	
82	Audit of Fiscal Year 2006 Floor Check and Review of Timekeeping Procedures Under Contract No. 267-C-00-05-00505-00 from July 18, 2006, to October 13, 2006, with Research Triangle Institute (RTI)	E-267-07-003-D	19-Oct-06	\$0	\$0	N/A	
83	Audit of Billed Costs by Skylink Air and Logistics Support, Inc. Under USAID Contract No. DFD-C-00-03-00026-00 for the Period October 1, 2004, through January 31, 2005, and Determination on the Allowability of Previously Questioned Serco, Inc. Costs	E-267-07-004-D	25-Oct-06	\$2,774,068	s	\$55,255	
84	Audit of Costs Incurred and Billed by International Relief and Development, Inc. Under Cooperative Agreement No. AFP-A-00-03-00002-00 from August 1, 2004, through October 31, 2005	E-267-07-005-D	6-Nov-06	\$17,915,466	\$71,128	\$54,002	
85	Audit of Costs Incurred and Billed by the National Democratic Institute of International Affairs , Under Cooperative Agreement No. REE-A-00-04-00050-00 from July 26, 2004, to October 31, 2005	E-267-07-006-D	6-Nov-06	\$18,195,499	\$0	N/A	
86	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) Under Contract No. 267-C-00-05-00505-00 for the period May 9, 2005, through December 31, 2005	E-267-07-007-D	18-Dec-06	\$15,701,776	\$68,475	\$14,190	
87	Audit of Costs Incurred and Billed by the Research Foundation of the State University of New York (SUNY) Under its Cooperative Subagreement No. 04-04465-IRA.0-408 with National Democratic Institute Under USAID Cooperative Agreement No. REE-A-00-04-00050-00 for the Period July 26, 2004, through December 31, 2005	E-267-07-008-D	3-Jan-07	\$3,219,705	\$0	N/A	
88	Audit of Costs Incurred and Billed by Bechtel National, Inc. Under Contract No. EEE-C-00-03-00018-00 for the period October 1, 2005, through February 28, 2006, and Contract No. SPU-C-00-04-00001-00 for the Period October 1, 2005, through October 31, 2006	E-267-07-009-D	15-Mar-07	\$483,989,062	\$104,623	\$104,623	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
89	Audit of Costs Incurred and Billed by the International Foundation for Election Systems (IFES) Under Cooperative Agreement No. 267-A-00-04-00405-00 from September 1, 2004, through September 30, 2005	E-267-07-010-D	27-Mar-07	\$22,364,979	\$3,258,823	\$1,835,795	OIG questioned \$486,152 in costs that were claimed by IFES but were ineligible based on its contract with USAID. These costs related to travel, vehicles, and communication, medical, and military and surveillance equipment. Additionally, OIG questioned \$2,772,671 in costs that could not be supported by documentation.
90	Audit of Costs Incurred and Billed Under USAID Contract No. 267-C-00-04-00405-00 with Bearing Point, Inc. for the Period of August 1, 2005, through September 30, 2006	E-267-07-011-D	3-Apr-07	\$57,203,434	\$49,630	\$49,630	
91	Audit of Direct Costs Incurred and Billed by America's Development Foundation Under USAID Contract No. GEW-C-00-04-00001-00 from July 1, 2005, to September 30, 2006	E-267-07-012-D	24-Apr-07	\$26,812,920	\$0	N/A	
92	Audit of Public Vouchers Submitted by International Resources Group, Ltd. from November 1, 2004, to September 30, 2006	E-267-07-013-D	10-May-07	\$22,513,909	\$45,310	\$0	
93	Audit of Costs Incurred and Billed by the National Democratic Institute of International Affairs , Under Cooperative Agreement No. REE-A-00-04-00050-00 from November 1, 2005, to July 31, 2006	E-267-07-014-D	10-Jun-07	\$16,669,320	\$0	N/A	
94	Audit of Costs billed by Kroll Government Services, Inc. Under Subcontract No. AID 2004-T-00405-000-0058 from May 2006 to September 2006	E-267-07-015-D	12-Jun-07	\$23,075,833	\$0	N/A	
95	Audit of Costs Incurred and Billed by Abt Associates, Inc. Under USAID Contract No. RAN-C-00-03-00010-00 for September 25, 2004, through November 30, 2004	E-267-07-016-D	14-Jun-07	\$590,592	\$0	N/A	
96	Audit of Costs Incurred and Billed by the International Republican Institute Under Cooperative Agreement No. AFP-A-00-04-00014-00 For the Period of November 1, 2005, through June 30, 2006	E-267-07-017-D	19-Jun-07	\$9,072,896	\$0	N/A	
97	Audit of Costs Incurred and Billed by Development Alternatives, Inc. (DAI) Under USAID Contract No. RAN-C-00-04-00002-00 for the Period July 1, 2005, through November 30, 2006	E-267-07-018-D	2-Aug-07	\$76,483,598	\$41,588	\$41,588	
98	Audit of Costs Incurred and Billed by the Volunteers For Economic Growth Alliance Under USAID Associate Cooperative Agreement No. EGA-A-00-04-00002-00 for the Period July 7, 2004, through January 6, 2006	E-267-07-019-D	12-Aug-07	\$12,089,702	\$113,347	\$113,347	
99	Audit of Costs Incurred and Billed by The Louis Berger Group, Inc. Under Contract No. 267-C-00-04-00435-00 for the Period August 1, 2004, through September 30, 2006	E-267-07-020-D	16-Aug-07	\$49,309,032	\$2,916,731	\$373,108	OIG questioned \$339,228 in costs that were claimed by LBG but were considered by the Defense Contracts Audit Agency (DCAA) to be ineligible based on its contract with USAID. These costs related to labor, entertainment, and a down payment on vehicles. Additionally, OIG questioned \$2,577,503 in costs that could not be supported by documentation.

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
100	Audit of Costs Incurred and Billed by The Louis Berger Group, Inc. Under Contract No. 267-C-00-04-00417-00 for the Period September 27, 2004, through September 30, 2005	E-267-07-021-D	10-Sep-07	\$12,129,022	\$157,791	\$156,898	
101	Audit of Costs Incurred and Billed by the National Democratic Institute for International Affairs Under Cooperative Agreement No. AFP-A-00-04-00014-00 from July 9, 2004, to June 30, 2006	E-267-07-022-D	12-Sep-07	\$20,728,350	\$0	N/A	
102	Audit of Costs Incurred and Billed by the International Republican Institute Under cooperative Agreement No. REE-A-00-04-00050-00 from July 26, 2004, through July 31, 2006	E-267-07-023-D	12-Sep-07	\$12,267,907	\$0	N/A	
103	Audit of Costs Incurred and Billed by Research Triangle Institute (RTI) Under Contract No. 267-C-00-05-00505-00 from January 1, 2006, to December 31, 2006	E-267-07-024-D	20-Sep-07	\$42,332,303	\$139,719	\$88,495	
104	Audit of Direct Costs Incurred and Billed by Research Triangle Institute (RTI) Under Contract No. GHS-I-04-03-00028-00 from April 26, 2005, to December 31, 2006	E-267-08-001-D	4-Oct-07	\$14,510,148	\$38,082	\$34,887	
105	Audit of Costs Incurred and Billed by Sallyport Global Services Ltd. Under its Subcontracts with The Louis Berger Group, Inc. under USAID Contract Nos. 267-C-00-04-00417-00 for the Period September 27, 2004, through September 30, 2005, and 267-C-00-04-00435-00 for the Period August 1, 2005, through March 31, 2007	E-267-08-002-D	12-Dec-07	\$32,371,474	\$0	N/A	
106	Audit of Costs Incurred and Billed by International Relief and Development, Inc. (IRD) Under USAID Cooperative Agreement No. AFP-A-00-03-00002-00 for the period November 1, 2005, through March 31, 2007 [in addition to assist audit E-267-08-014-D]	E-267-09-003-D	14-Nov-08	\$32,049,797	\$110,033	\$106,377	
107	Audit of Costs Incurred and Billed by America's Development Foundation Under Contract No. GEW-C-00-04-00001-00 from October 1, 2006, through June 30, 2007	E-267-08-003-D	23-Jan-08	\$14,145,617	\$32,000	\$0	
108	Audit of Costs Incurred and Billed by Creative Associates International, Inc. (CAII) Under Contract No. EPP-C-00-04-00004-00 from July 1, 2005, through February 28, 2007	E-267-08-004-D	4-Feb-08	\$31,209,197	\$166,518	\$166,518	
109	Audit of Costs Incurred and Billed by Management Systems International Under USAID Contract No. AEP I-00-00-00024-00, Task No. 08, from June 26, 2003, through May 31, 2005	E-267-08-005-D	4-Feb-08	\$5,214,033	\$95,247	\$60,034	
110	Audit of Costs Incurred and Billed by Bechtel National, Inc. Under Contract Nos. EEE-C-00-03-00018-00 (Phase I) and SPU-C-00-04-00001-00 (Phase II) from November 1, 2006, to September 30, 2007	E-267-08-006-D	12-Feb-08	\$44,632,750	\$71,968	\$71,968	

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No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
111	Audit of Costs Incurred and Billed by IntraHealth International, Inc. Under its Subcontract No. 15-330-0208954 with Research Triangle Institute (RTI) Contract No. GHS-1-04-03-00028-00 for the Period April 26, 2005, through December 31, 2006	E-267-08-007-D	24-Feb-08	\$1,204,745	\$0	N/A	
112	Audit of Costs Incurred and Billed by International Business and Technical Consultants, Inc. (IBTCI) Under Contract No. 267-C-00-05-00508-00 from January 1, 2006, through December 31, 2006	E-267-08-008-D	6-Mar-08	\$4,033,466	\$1,188	\$1,188	
113	Audit of Costs Incurred and Billed by BearingPoint, Inc. Under Contract No. 267-C-00-04-00405-00 for the Period October 1, 2006, through September 30, 2007	E-267-08-009-D	15-Apr-08	\$42,472,368	\$36,181	\$16,003	
114	Audit of Costs Incurred and Billed by Agricultural Cooperative Development International/ Volunteers Overseas Cooperative Assistance (ACDI/VOCA) Under Cooperative Agreement No. AFP-A-00-03-00003-00 from August 1, 2004, to March 21, 2007 (Report No. E-267-08-010-D)	E-267-08-010-D	13-May-08	\$38,562,534	\$39,236	\$0	
115	Audit of Costs Incurred by Mercy Corps Under USAID Cooperative Agreement No. AFP-A-00-03-00001-00 from August 1, 2007, through March 31, 2007	E-267-08-011-D	20-May-08	\$44,249,994	\$4,749,842	\$0	OIG questioned \$669,646 in costs that were claimed by Mercy Corps but were considered by DCAA to be ineligible based on the Mercy Corps contract with USAID. These costs related to severance and redundancy payments. Additionally, OIG questioned \$4,050,196 in cost-sharing expenses that were less than the agreed-upon amount.
116	Audit of Costs Incurred by The Louis Berger Group, Inc. Under Contract No. 2670C-00-04-00435-00 from October 1, 2006, through September 30, 2007	E-267-08-012-D	27-May-08	\$14,868,026	\$0	N/A	
117	Audit of the Subcontract Costs Submitted by Sallyport Global Services Ltd. (Sallyport) for Security Services and Life Support Services Under USAID Prime Contract No. 267-C-00-04-00435-00 with The Louis Berger Group, Inc. for the period October 1, 2006, through September 30, 2007	E-267-08-013-D	6-Jul-08	\$9,127,387	\$360	\$360	
118	Audit of Costs Incurred and Billed by International Relief and Development, Inc. (IRD) Under USAID Cooperative Agreement No. AFP-A-00-03-00002-00 for the period November 1, 2005, through March 31, 2007	E-267-08-014-D	12-Aug-08	\$29,687,291	\$45,080	\$45,080	
119	Audit of the Costs Incurred and Billed by International Relief and Development, Inc. (IRD) Under USAID Cooperative Agreement No. 267-A-00-06-00503-00 for the Period May 29, 2006, through September 30, 2007	E-267-09-001-D	14-Nov-08	\$138,717,704	\$211,858	\$26,042	
120	Audit of Costs Incurred and Billed by the Sandi Group Under its Subcontract with the Louis Berger Group, Inc. Under USAID Contract No. 267-C-00-04-00435-00 for the Period August 1, 2005, through September 30, 2006	E-267-09-002-D [rescinded]	14-Nov-08	N/A	N/A	N/A	

Iraq Financial Audit Findings

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
121	Audit of Costs Incurred and Billed by Management Systems International (MSI) Under USAID Contract No. DFD-I-01-05-00221-00 for the Period July 27, 2006, through September 30, 2007	E-267-09-004-D	14-Nov-08	\$36,723,963	\$362,759	\$10,739	
122	Audit of Costs Incurred and Billed by The Services Group, Inc. Under Contract No. 267-C-00-04-00435-00 for the period of October 1, 2006, through September 30, 2007	E-267-09-005-D	14-Nov-08	\$4,687,302	\$3,547	\$3,547	
123	Audit of the Costs Incurred and Billed by Development Alternatives, Inc. (DAI) Under USAID Contract No. RAN-C-00-04-00002-00 for the Period July 1, 2006, through December 31, 2006	E-267-09-006-D	27-Jan-09	\$4,166,871	\$198,734	\$0	
124	Audit of Costs Incurred and Billed by Save the Children Federation, Inc. Under Cooperative Agreement No. AFP-A-00-03-00005-00 for the Period from August 1, 2004, to April 1, 2006	E-267-09-007-D	28-Jan-09	\$25,677,841	\$50,057	\$37,225	
125	Audit of Costs Incurred and Billed by Louis Berger Group, Inc. (LBI) Under Contract No. 267-C-00-07-00500-00 for the Period from May 14, 2007, to May 13, 2008	E-267-09-008-D	8-Mar-09	\$18,718,246	\$40,965	\$17,599	
126	Audit of Direct Costs Incurred and Costs Billed by the International Foundation for Electoral Systems for Subawards through the Consortium for Elections and Political Process Strengthening Under USAID Cooperative Arrangements Numbers 267-A-00-04-00405-00, AFP-A-00-004-00014-00, and REE-A-00-04-00050-00 for the Period from July 9, 2004, through June 30, 2007	E-267-09-009-D (rescinded)	29-Apr-09	N/A	N/A	N/A	
127	Report on the Application of Agreed-Upon Procedures on Bechtel National, Inc.'s Settlement of Subcontractors' Requests for Equitable Adjustments - Iraq Infrastructure Reconstruction Project Phase I and II Contract Nos. EEE-C-00-03-00018-00 and SPU-C-00-04-00001-00	E-267-09-010-D	8-May-09	\$0	N/A	N/A	
128	Audit of Direct Costs Incurred and Billed by CHF International Under USAID Agreement No. AFP-A-00-03-00004-00 (ICAP I) for August 1, 2005 through April 30, 2007, and USAID Agreement No. 267-A-00-06-00507-00 (ICAP II) for September 30, 2006 through September 30, 2007	E-267-09-011-D	28-May-09	\$64,233,050	\$1,648,253	\$35,724	OIG questioned costs of \$1,369,706, primarily for an unauthorized transfer of funds from ICAP I to ICAP II and related indirect costs.
129	Audit of Costs Recorded by Sabre International Security Under USAID Cooperative Agreement No. 267-A-00-06-00507-00 for the Period of September 30, 2006 through September 30, 2007; and USAID Agreement No. 267-A-00-06-00503-00 for the Period May 29, 2006, through September 30, 2007	E-267-09-012-D	2-Jun-09	\$17,809,903	\$14,077,122	\$296,560	OIG questioned costs of \$13,995,951 because of a lack of adequate supporting documentation (inadequate accounting system to segregate costs by specific contract).
130	Audit of Direct Costs Incurred by Research Triangle Institute (RTI) Under Contract No. 267-C-00-05-00505-00 from January 1, 2007, through December 31, 2007	E-267-09-013-D	25-Jun-09	\$73,546,102	\$847,709	\$87,037	

Iraq Financial Audit Findings

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
131	Audit of Costs Incurred and Billed by International Business and Technical Consultants, Inc. Under USAID Contract No. 267-C-00-05-00508-00 for the Period of January 1, 2007, through December 31, 2007	E-267-09-014-D	25-Jun-09	\$3,894,132	N/A	N/A	
132	DCAA Evaluation Report on Floor Checks of BearingPoint, Inc.'s Financial Management Information System Project Employees in Iraq	E-267-09-015-D	14-Jul-09	\$0	N/A	N/A	
133	Audit on Costs Verified for BearingPoint, Inc. Under USAID Contract No. 267-C-00-04-00405-00 for the Period October 1, 2007, through May 15, 2009	E-267-09-016-D	20-Jul-09	\$69,707,089	\$73,362,868	\$6,632	OIG questioned costs of \$73,362,868 because of BearingPoint general ledger, accounting, and billing system weakness.
134	Audit of Costs and Payments Made to Business Systems House (BSH) by Research Triangle Institute (RTI) for the Period from March 23, 2003, to September 30, 2007	E-267-09-017-D	3-Aug-09	\$15,529,384	\$15,529,882	\$6,216,018	OIG questioned \$1,979,445 in RTI costs because they were ineligible under the terms of their contracts with USAID and \$13,550,437 in costs because those costs were unsupported.
135	DCAA Evaluation Report on BearingPoint, Inc.'s Purchase Existence and Consumption Practices in Baghdad, Iraq	E-267-09-018-D	10-Aug-09	\$0	N/A	N/A	
136	Audit of Direct Costs Incurred and Costs Billed by the International Foundation for Electoral Systems Under USAID Cooperative Agreement Nos. 267-A-00-04-00405-00 From October 1, 2005 through June 30, 2007; AFP-A-00-04-00014-00 From July 9, 2004 through June 30, 2006; and REE-A-00-04-00050-00 from July 26, 2004 through July 31, 2006	E-267-10-001-D	29-Oct-09	\$32,534,090	\$1,118,016	\$95,379	OIG questioned International Foundation for Electoral Systems costs of \$250,407 as ineligible under the terms of their agreements and \$867,609 because they were unsupported.
137	Audit of Billed Amounts by Gulf Catering Company Under USAID Contract No. 267-C-00-05-00514-00 from October 1, 2005 through October 31, 2008	E-267-10-002-D	9-Nov-09	\$3,074,309	\$314,907	\$12,353	
138	Audit of Direct Costs Incurred by Air Serv International Under USAID Grant No. DFD-G-00-04-00192-00	E-267-10-003-D	23-Jun-10	\$22,753,106	\$181,954	\$181,954	
139	Audit of Costs Incurred and Billed by Int'l Relief & Development, Inc. under USAID Cooperative Agreement No. 267-A-00-06-00503-00, for the Period of October 1, 2007 through September 30, 2008	E-267-11-001-D	7-Nov-10	\$341,760,396	\$40,043,349	\$2,575,095	OIG questioned \$40,043,349 of costs incurred and billed by IRD in order to verify that the billings used the appropriate indirect cost rates.
140	Audit of Costs Incurred and Billed by Research Triangle Institute , under USAID Contract No. 267-C-00-05-00505-00, for the Period of January 1, 2008, through December 31, 2008	E-267-11-002-D	10-Dec-10	\$99,735,645	\$109,017	\$43,880	
141	Close-Out Audit of Fund Accountability Statement of USAID Resources Managed by Int'l Relief & Development, Inc. under Cooperative Agreement No. 267-A-00-06-00503-00 "Community Stabilization Program," for the Period from October 1, 2008, to October 31, 2009	E-267-11-001-N	16-Mar-11	\$133,509,611	\$18,613,798	\$483,782	OIG questioned \$18,613,798 relating to program intervention and support costs that were not supported.
142	Audit of USAID Resources Managed and Expenditures Locally Incurred by AECOM International Development Under "Iraq Legislative Strengthening Program," USAID/Iraq Task Order No. 263-I-03-06-00015-00, for the Period From October 1, 2008, to September 30, 2010	E-267-11-002-N	16-May-11	\$2,387,975	\$0	N/A	

Iraq Financial Audit Findings

No.	Audit Title	Report Number	Report Date	Total Costs Audited	Questioned Costs	Sustained Costs	Details for Questioned Costs over \$1 million
143	Independent Audit of International Business and Technical Consultants, Inc. (IBTCI) Report on Costs Incurred and Billed Under USAID Contract No. 267-C-00-05-00508-00 for the Period of January 1, 2008, through December 31, 2008	E-267-11-003-D	29-Jun-11	\$4,753,419	\$67,685	No determination	
144	Independent Audit of International Resources Group, Ltd. Report on Costs Incurred and Billed Under USAID Contract No. 517-C-00-04-00106-00 for the Period of January 1, 2008, through February 28, 2009	E-267-11-004-D	12-Sep-11	\$5,853,973	\$0	N/A	
144	Financial Audits Issued			\$4,805,288,410	\$236,380,799	\$17,203,305	
	Percentage of Total Costs Audited				4.9%	0.4%	

Planned Performance Audits of USAID/Iraq-Funded Activities Fiscal Year 2012

Audit of USAID/Iraq's Financial Development Program

On July 19, 2010, USAID/Iraq awarded a cost-reimbursable contract to AECOM International Development with total estimated costs of \$53 million for a program scheduled to end in July 2014. This new program is designed to assist Iraqi counterparts to develop a comprehensive financial sector infrastructure that will help ensure the long-term growth of the sector.

USAID/Iraq's Financial Development Program main goals are to enhance the advocacy capacity of the private financial sector, improve the soundness of the private financial sector through institution building and targeted reforms, and improve the quality and availability of finance and business education.

The objective of this audit is to provide oversight to this important program both in terms of program success and the efficient use of increasingly scarce U.S. government funding.

Survey of Security Contractor Services Employed by USAID/Iraq's Contractors and Grantees

Private security contractors operating in Iraq provide a variety of security services including the protection of individuals, life-support, office facilities, and non-military transport movements. From July 1, 2007, to June 30, 2009, USAID/Iraq maintained a portfolio of contracts and grants with 12 implementing partners, who held 17 subcontracts for private security services in Iraq.

In February 2011, the U.N. Office for the Coordination of Humanitarian Affairs (OCHA) issued a report, "To Stay and Deliver: Good Practice for Humanitarians in Complex Security Environments". The report set out to identify and document those strategies and practices that have enabled humanitarian organizations to maintain effective operations in contexts characterized by high security risks.

Although the report's context (security for humanitarian agencies) does not transpose directly to the USAID environment, it illustrates the need to compare and analyze differing security mechanisms employed by implementing partners and their effect on costs and efficiency.

The objective of the survey is to compare and analyze differing security mechanisms employed by implementing partners and their effect on costs and efficiency. Additionally, the survey will follow up on recommendations 1 and 3 of Report No. E-267-11-001-S to ensure that mission implementing actions have been effective.

Audit of USAID/Iraq's Access to Justice Program

In September 2010, USAID/Iraq awarded a contract to DPK Consulting to implement the Access to Justice Program. The contract is a cost-plus-fixed-fee reimbursement, term type contract with a base period of three years and two one-year option periods. The estimated cost plus fixed fee is \$45 million for the base period and \$63 million if both option years are exercised. As of March 2011, \$32.5 million was obligated, and \$2.5 million was disbursed.

The program focuses on vulnerable and disadvantaged populations, including women, widows, orphans, displaced persons, detainees, the poor and those who are at risk because of their ethnicity or religion.

The Access to Justice Program focuses on three areas: (1) public awareness campaigns to make vulnerable Iraqis more aware of their rights and legal resources available to them; (2) linking vulnerable populations with government institutions responsible for upholding their rights through legal professionals and organizations; and (3) advocacy of a legal framework and procedural processes to recognize and protect the rights of the vulnerable and disadvantaged. The program supports these areas through grants.

The objectives of the Access to Justice Program are:

- 1) Improve the practical knowledge of vulnerable and disadvantaged Iraqis of their responsibilities, rights and remedies under Iraqi law.
- 2) Increase the competence and availability of legal professionals and civil society partners to assist vulnerable and disadvantaged Iraqis.
- 3) Improve government processes and procedures to facilitate access of vulnerable populations to government services and legal remedies.

This audit will determine whether this program is achieving its main goal to improve the vulnerable and disadvantaged populations access to Iraq's legal system.

Audit of USAID/Iraq's Design for Sustainability in the Primary Health Care Project

To provide support to the Iraqi Ministry of Health and its partners to improve the quality of primary health care services for the Iraqi population, in March 2011 USAID/Iraq awarded a \$75 million cost-plus-fixed-fee completion type contract to University Research Co. LLC. USAID's Primary Health Care Project in Iraq is a partnership with the Iraqi Ministry of Health. Ministry contributions include leadership, commitment, allocation of resources (personnel, clinical facilities, health commodities, and equipment, furnishings, etc.), and provision of clinical care. To complement these efforts, USAID is to contribute technical expertise and support to help build sustainable institutional capacities to improve services delivery at the primary health care level.

The concept of sustainability or the continued benefits of foreign development assistance is embodied in the Foreign Assistance Act and in USAID policy. The critical elements to achieve sustainability are capacity building with local institutions, partnership with governments and organizations, and building leadership and ownership among the country's people.

This audit will determine whether USAID designed the selected program to be sustainable and help

ensure that their impact continues after USAID funding ceases.

Audit of USAID/Iraq's Community Action Program III Activities Implemented by ACDI/VOCA

On October 1, 2008, USAID awarded ACDI/VOCA a \$35 million cooperative agreement (No. 267-A-00-08-00504-00) for the implementation of Cap III activities in four provinces in the Northern Iraq including: Diyala, Kirkuk, Ninawa and Salah Ad Din. Modification No. 8 to the cooperative agreement dated September 30, 2010, focused activities on areas of social and/or economic marginalization including significant vulnerable populations, internally displaced persons, and in conflict or underserved areas. As of September 30, 2010, USAID/Iraq had obligated \$64 million, increased the total estimated amount of the agreement to \$87 million, and extended the period of performance to September 30, 2012. As of February 17, 2011, USAID/Iraq had disbursed \$53 million under the agreement.

The program facilitates the creation and training of community action groups responsible for identifying and prioritizing community needs, mobilizing community and other resources, and monitoring project implementation. The program also strengthens the capacity of the lowest levels of local government to draw on the Iraqi Government's own resources to meet community-identified needs.

CAP III also carries on the work of assisting victims of military operations in Iraq through the congressionally mandated Marla Ruzicka Iraqi War Victims Fund. USAID's partners may receive these funds to assist civilian victims of armed conflict, and USAID helps the families of victims establish a means of sustainable support.

This audit will determine whether USAID/Iraq's Community Action Program III has been effective in supporting community organizations, community-level projects, and assistance to victims of armed conflict.

Performance Audits

Fiscal Year 2011

USAID/Iraq's Microfinance Activity Under Its Provincial Economic Growth Program (No. E-267-11-003-P)

Date:	August 4, 2011
Implementing Partners:	Louis Berger Group
Audit Period:	April 18, 2010 to March 1, 2011
Funding:	As of December 31, 2010, USAID/Iraq had obligated \$137,772,580 and had expended \$88,610,824.

Background—Summary of Findings

Continued stability in Iraq requires activities—such as microfinance—that stimulate private sector growth and create jobs. In Iraq, collateral requirements are high, and many poor and low-income individuals are excluded from bank services. Microfinance institutions were established in Iraq starting in 2003 with funds from the U.S. Government to provide financial services to this population who would otherwise be unable to secure loans.

Iraq's current microfinance activity began in January 2008 with the Provincial Economic Growth Program. Contracted to the Louis Berger Group, Inc., it is expected to cost \$174 million and be in operation through January 2013. The Provincial Economic Growth Program includes seven program areas, one of which is microfinance. Under the microfinance activity, Louis Berger has provided technical assistance and training to 9 microfinance institutions, and as of December 2010, the USAID-supported microfinance institutions have provided 257,209 loans valued at \$593 million.

Although OIG was unable to confirm any loans with borrowers because of security restrictions, the auditors determined that the mission's microfinance activity had increased access to sustainable financial services. The contractor had also made progress in promoting institutional development.

OIG found that multiple improvements could be made, however. The contract with Louis Berger did not specifically require a focus for loans to the poor, and the activity did not have indicators to measure such lending, despite statutory and regulatory direction to do so. In addition, Louis Berger did not consistently calculate the numbers of jobs that were sustained at firms receiving microloans, one of the goals of the program. As the contractor changed the methodology in calculating jobs from year to year and the mission neither verified data nor conducted a data quality assessment, OIG questioned the reliability of data reported to USAID for the reported number of jobs.

Recommendations—Management Decisions

The audit made 3 recommendations:

1. That USAID/Iraq revise its performance monitoring plan to include performance indicators and targets for reaching poor borrowers for the remaining 2 years of the Provincial Economic Growth Program, particularly for microfinance institutions that have attained performance targets for financial sustainability.

The mission required the contractor to revise its performance monitoring plan. The revision to the performance monitoring plan also included updating the Performance Indicator Reference sheets to explain known data limitations and data sources. The contractor submitted the revised plan to the mission for review and approval, and the mission sought to complete its implementation of these actions by September 30, 2011. This recommendation remains open.

2. That USAID/Iraq require the contractor to update its performance monitoring plan to specify data review mechanisms, identify any known data limitations, and clarify data sources.

As stated above, the mission required the contractor to revise its performance monitoring plan to include indicators and targets for reaching poor borrowers. The revision to the performance monitoring plan also included updating the Performance Indicator Reference sheets to explain known data limitations and data sources. The contractor submitted the revised plan to the mission for review and approval and the mission sought to complete its implementation of these actions by September 30, 2011. This recommendation remains open.

3. That USAID/Iraq perform a data quality assessment of the jobs performance indicator: Number of jobs (new and existing) that are sustained at firms receiving microloans.

The mission planned to conduct a data quality assessment in October 2011. The contractor included in the revised performance monitoring plan a data review mechanism to verify and validate the data on jobs created and sustained. The mission planned to inspect these systems and document the review in a formal data quality assessment and expected to complete this assessment by December 30, 2011. This recommendation remains open.

Audit of USAID/Iraq's Agribusiness Program (No. E-267-11-002-P)

Date: May 16, 2011

Implementing Partners: Louis Berger Group

Audit Period: November 23, 2009, to February 14, 2010

Funding: As of September 30, 2010, \$145 million had been obligated and \$109 million had been disbursed

Background—Summary of Findings

In May 2007, USAID/Iraq awarded a \$343 million contract to Louis Berger Group (LBG) to expand the competitiveness of the private sector in the agriculture and agribusiness sectors. An audit performed by OIG found that despite its contractual obligations LBG fell short on all of its goals. These goals included: increasing agricultural sector productivity; increasing total sales of USAID-assisted enterprises by at least \$300 million; increasing and monitoring the value of financial resources raised by assisted enterprises (i.e., agribusiness loans); and generating at least 40,000 new agricultural and agribusiness jobs—20,000 full-time and 20,000 part-time.

In almost all cases, LBG did not measure results, report results or show adequate documentation. The lack of supportable agribusiness program results was attributed to several factors, foremost among them was mismanagement. Although USAID/Iraq did propose—through the contract and through approval of the contractor's performance monitoring plan—a rigorous methodology for measuring results of the program, the mission

and the contractor did not use it and simply did not focus on managing for results. This was evident through numerous problems with program implementation. For instance, USAID officials did not regularly receive results, did not enforce the requirement for reporting results and did not monitor the results that were reported. Although over the three-year period this contract had more than five different contracting officer technical representatives (COTRs), USAID could not explain why the performance monitoring plan was not used. Documentation that was essential to project oversight—such as proof of any of the COTR's inspection and receipt or acceptance of deliverables and copies of other performance records, were not included in any program files.

Because of these problems, USAID/Iraq did not track whether the agribusiness program goals were on or behind schedule. Additionally, subcontracts lacked adequate documentation and grants with special conditions as well as grants awarded to microfinance institutions were not monitored.

Recommendations—Management Decisions

The audit made 17 recommendations:

1. That USAID/Iraq establish mechanisms to verify the contractor's significant reported results.

The mission has taken steps to establish mechanisms to verify the contractor's results. In doing so, USAID/Iraq now works with the PRT representatives and the locally hired Foreign Service National (FSN) staff to verify the results reported by the contractor. Furthermore, because of the COTR's improved working relationship with the FSN staff, the COTR is now able to notify the contractor's chief of party as soon as problems are brought to the COTR's attention by the FSN staff so that concerns and potential problems concerning verification of results can be addressed immediately. Thus this recommendation is closed.

2. That USAID/Iraq increase program oversight through the remainder of Option Period 1 to verify that the contractor focuses on expected results.

The mission has taken steps to increase the program's oversight and to verify that the contractor focuses on expected results. To resolve the issues identified pertaining to the lack of focus by the contractor on expected results, USAID/Iraq approved the hiring of a new monitoring and evaluation specialist with 13 years of work experience in agricultural development that included recent work experience in postconflict areas. Additionally, the COTR is making frequent field site visits (most recently to the fish farms in Babel) to discuss with fish farm owners the importance of keeping proper records to account for sales. These actions, together with ongoing discussions between the COTR and the monitoring and evaluation specialist, have substantially increased USAID/Iraq's oversight abilities to verify that the contractor is focusing on expected results. Thus this recommendation is closed.

3. That USAID/Iraq require its contracting officer's technical representatives (COTRs) to provide activity managers with copies of applicable sections of contracts and agreements to improve their ability to measure progress against expected results.

The mission agreed to a modified recommendation since Mission Order 202-3-4-3 will no longer be valid at the end of June 2011. The mission agreed to incorporate in future guidance on the roles of activity managers a statement that they should receive copies of the applicable sections of a contract or an agreement to assess progress against contractual or agreement requirements.

We also recognize the importance of activity managers receiving a copy of the applicable sections of a contract or agreement so they can assess progress against contractual or agreement requirements. We acknowledge that the COTR is now providing the information to the PRT representatives and FSN staff that they need to measure progress against expected results.

According to mission officials, they are hiring new staff to take over activity manager responsibilities from the PRT representatives. Once the hiring process is completed and the roles and responsibilities are defined, the mission plans to update the mission order for activity managers. The mission provided a target date of completion for the updated mission order of December 31, 2011. Therefore, we have modified our recommendation to state that USAID/Iraq should require COTRs to provide activity managers with copies of applicable sections of contracts and agreements, such as the scope of work, and required deliverables as a means to improve their ability to measure progress against expected results. Thus this recommendation remains open.

4. That USAID/Iraq require the contractor to comply with its internal procedures to support claimed subcontract costs, and verify the contractor's completed actions.

The mission agreed with the recommendation to require the contractor to comply with its internal procedures that would provide adequate records to support claimed subcontract costs. According to

mission officials, they have emphasized to the contractor the need to properly document all subcontractor costs and completed actions. Mission officials have gone to the contractor's office to review project documents and have scheduled additional trips to the contractor's office in June 2011. In response to the draft report, the mission stated that the contractor is making substantial progress in compiling its records to document and support subcontract costs. The mission expects to complete its review of supporting documentation for claimed subcontracts costs by December 31, 2011. Thus this recommendation remains open.

5. That USAID/Iraq suspend payments to the contractor for costs related to subcontracts until implementing actions are completed for Recommendation 4.

The mission disagreed with the recommendation to suspend payments because of the short project life span remaining in relation to the number of subcontracts outstanding. In its written response, the mission referenced an administrative agreement between USAID and the contractor dated November 5, 2010. Under the agreement, the contractor outlined reforms and remedial actions that included improving the transparency and accuracy of its accounting system and financial controls related to government contracts, improving internal controls and its related compliance, making significant personnel changes, and reviewing policies and procedures.

We acknowledge that this contract expires in August 2011. However, as previously stated, the contractor is currently compiling its records to document support costs that were incurred between July 2007 and January 2009 (approximately two and half years after the fact). Furthermore, our audit conclusion is still applicable—that the absence of supporting documentation has made the subcontracts susceptible to unintentional errors, loss, misappropriation, and fraud.

Therefore, due to the absence of auditable supporting records as of May 2011, we continue to recommend the suspension of costs until actions implemented under Recommendation 4 are completed. Thus this recommendation remains open.

6. That USAID/Iraq determine the allowability of and collect, as appropriate, \$9,805,244 in questioned, unsupported costs for 19 identified subcontracts that were also susceptible to fraud.

The contracting officer has requested information in support of the subcontract costs from the contractor. The contracting officer and other mission officials have also visited the contractor's office three times over the last 30 days to review the contractor's files, and officials plan more trips in June 2011. The contractor is currently compiling its records, and the contracting officer is expected to make a determination regarding questioned costs by December 31, 2011. Thus this recommendation remains open.

7. That USAID/Iraq require the contractor to comply with its internal procedures and grant requirements in the contract by developing an adequate records system to support claimed grant costs, and verify the contractor's completed actions.

According to mission officials, they are currently reviewing supporting records to verify the contractor's compliance with its procedures to maintain adequate supporting records. The mission anticipates the completion of the review by December 31, 2011.

We also acknowledge that an approved waiver to competition requirements existed during the period under audit when the grants in question were issued. Although we disclosed our findings to mission officials on November 28, 2010, the waiver was not brought to our attention until April 18, 2011. Additionally, during our review of the contractor's memorandum of negotiations for these grants, no mention was made of this existing waiver for the contractor's basis of the grant awards, and this contract requirement under Section C.5 had not been modified to comply with the waiver when this waiver was still effective. We modified our report to reflect the existence of the waiver but did not alter our audit result because other examples illustrated that the contractor did not monitor or retain support for the grants awarded under this contract. Thus this recommendation remains open.

8. That USAID/Iraq suspend payments to the contractor for costs related to grants until implementing actions are completed for Recommendation 7.

The mission disagreed with the recommendation to suspend payments because of the short project life span remaining in relation to the number of subcontracts outstanding. In its response, the mission referenced an administrative agreement between USAID and the contractor dated November 5, 2010. Under the agreement, the contractor outlined reforms and remedial actions that included improving the transparency and accuracy of its accounting system and financial controls related to government contracts, improving internal controls and its related compliance, making significant personnel changes, and reviewing policies and procedures.

We acknowledge that this contract expires in August 2011. However, as previously stated by the mission, the contractor is currently compiling records to document support costs that were incurred between July 2007 and January 2009 (approximately two and half years after the fact). Furthermore, our audit conclusion is still applicable—that the absence of supporting documentation has made the grants susceptible to unintentional errors, loss, misappropriation, and fraud.

Therefore, due to the absence of auditable supporting records as of May 2011, we continue to recommend the suspension of costs until actions implemented under Recommendation 7 are completed. Thus this recommendation remains open.

9. That USAID/Iraq make a complete inventory of grants awarded by the contractor since program inception, review grant files to ensure that documentation is adequate to support procurement and monitoring requirements, and question and collect amounts for those grants not adequately supported.

The mission agreed with the recommendation and will require the contractor to submit a complete inventory of grants awarded to be spot-checked by USAID/Iraq. Additionally, the mission will require that a sample of grants be reviewed in the incurred cost audits to ensure that documentation is adequate to support procurement and monitoring requirements and to question and collect for those grants not adequately supported. The mission expects this action to be completed by December 31, 2011. Thus this recommendation remains open.

10. That USAID/Iraq determine the allowability of and collect, as appropriate, \$6,947,938 in questioned, unsupported costs for the five identified grants with special conditions.

The contracting officer has requested information in support of the grant costs from the contractor. The contracting officer and other mission officials have also visited the contractor's office three times over the last 30 days to review the contractor's files, and officials plan more trips in June 2011. The contractor

is currently compiling its records, and the contracting officer is expected to make a determination regarding questioned costs by December 31, 2011. Thus this recommendation remains open.

11. That USAID/Iraq determine the allowability of and collect, as appropriate, \$6,296,758 in questioned, unsupported costs for the three identified grants to microfinance institutions.

The contracting officer has requested information in support of the grant costs from the contractor. The contracting officer and other mission officials have also visited the contractor's office three times over the last 30 days to review the contractor's files, and officials plan more trips in June 2011. The contractor is currently compiling its records, and the contracting officer is expected to make a determination regarding questioned costs by December 31, 2011. That USAID/Iraq determine whether evaluations issued during fiscal years 2009 and 2010 have all been appropriately shared with implementing partners, and if not, immediately share the evaluation results. Thus this recommendation remains open.

12. That USAID/Iraq determine what kind of budget and financial reports will support the mission's oversight role, and instruct the contractor to provide reports that meet this need.

The mission partially agreed with the recommendation. We recognize that it has been 2 years since the March 2009 evaluation of the agribusiness program was completed, and we also acknowledge that the mission has shared the 2010 evaluation results of the agribusiness program with the contractor. However, the recommendation applies to other existing USAID/Iraq programs that had evaluations completed in fiscal years 2009 and 2010 but had not been shared with the implementers. We discussed the clarification of the recommendation with mission officials, and they disagreed that Recommendation 12 should be applied to all USAID/Iraq programs that had evaluations performed during fiscal years 2009 and 2010. Nevertheless, the mission position is contrary to USAID guidance ("Responding to Evaluation Findings,") and its own Mission Order 08-10-01. Thus this recommendation remains open.

13. That USAID/Iraq require the contractor to update the performance management plan so that it contains realistic targets and aligns with planned projects to clearly measure progress against expected results, and approve the updated performance management plan in writing.

The mission agreed with the recommendation, and the contractor is now regularly submitting the commodity cluster financial report that was required since September 2008. We also recognize that the COTR is monitoring costs under subcontracts and grants awarded to implement program projects by using additional monthly tracking summaries provided by the contractor. Thus this recommendation is closed.

14. That USAID/Iraq conduct a data quality assessment of contractor performance indicators for increased gross sales and jobs created.

The mission agreed with the recommendation and updated its performance management plan (PMP) as of March 14, 2011. We acknowledge that the PMP indicators are now clearly reflected and linked to the current annual work plan for fiscal years 2010-2011. We also acknowledge that the two strategic objectives reflected in the program's results framework as described in the PMP are now also reflected in the contract under Modification 13. Furthermore, we understand the ongoing challenges faced by the program to obtain verifiable results to measure progress against expected results due to lack of formal records kept by project grantees and subcontractors to record sales accurately. The COTR is working on solutions to the record-keeping issue and expects to finalize the PMP by July 31, 2011. Thus this recommendation is closed.

15. That USAID/Iraq require that the contractor submit its property accounting system for approval, and determine whether that system is acceptable for managing government property according to USAID Acquisition Regulation requirements.

The mission agreed with the recommendation. We acknowledge that a data quality assessment for all program indicators was performed, including performance indicators for gross sales and jobs created. We also acknowledge that the results of the data quality assessment were submitted to USAID/Iraq in January 2011 and are pending approval by the COTR by July 31, 2011. Thus this recommendation is closed.

16. That USAID/Iraq require the contractor to submit annual property reports for government property for 2007, 2008, 2009, and 2010 according to USAID Acquisition Regulation requirements.

The mission agreed with the recommendation. Mission officials also agreed that the contractor did not have an approved property accounting system and stated that it was one of the systems currently being updated by the contractor in order to meet the terms of the administrative settlement in November 2010 between USAID and the contractor. We acknowledge that, under an administrative settlement between USAID and the contractor reached in November 2010, the contractor's accounting policies and procedures are being revised to ensure that cost accounting by the contractor is true, accurate, and complete and follows the applicable federal statutes and regulations. The mission expects to complete final action on this recommendation by March 31, 2012. Thus this recommendation remains open.

17. The draft report recommended that USAID/Iraq require the contractor to submit annual property reports for government property for 2007, 2008, 2009, and 2010 according to USAID Acquisition Regulation requirements.

The mission agreed with the recommendation, and has tasked the contractor to provide the required summaries for years 2007 through 2010 to comply with USAID Acquisition Regulation requirements. The mission expects to complete final action on this recommendation by December 31, 2011. Thus this recommendation remains open.

Review of USAID/Iraq's Contractors' Compliance With the Trafficking Victims Protection Reauthorization Act of 2008 (No. E-267-11-002-S)

Date:	December 12, 2010
Implementing Partners:	Najlaa International Catering Services and GSI Business Services Inc.
Audit Period:	October 11, 2010, through November 24, 2010
Funding:	From February 1, 2010 to February 1, 2012, the estimated contract cost is \$8 million.

Background—Summary of Findings

The William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008, Public Law 110-457, requires OIG to investigate a sample of contracts and subcontracts under which there is a high risk that the contractor may engage in acts related to trafficking in persons. These acts include confiscation of an employee's passport, restriction of an employee's mobility, abrupt or evasive repatriation of an employee, deception of an employee regarding the work destination, and acts otherwise described in the Trafficking Victims Protection Act of 2000 (Divisions A of Public Law 106-386).

This review assessed whether USAID/Iraq and its contractors have established sufficient controls to prevent trafficking in persons and whether USAID/Iraq's contractors and subcontractors engaged in trafficking-in-persons practices. Because the majority of the third-country nationals working to implement the mission's program activities were professional staff at low risk of trafficking, the review focused on USAID/Iraq's two support contracts to Najlaa International Catering and GSI Business Services. These companies employed low-skilled, low-wage, third-country nationals to provide food service, housekeeping, and maintenance, and their

contracts were valued at a total of \$8 million dollars.

USAID/Iraq has established internal controls to manage the risk of trafficking in persons on its compound, and the review found no indication that contractors and subcontractors on the two USAID/Iraq contracts engaged in trafficking in persons. Third-country nationals employed under the contracts enjoyed more freedom of movement in their free time than their U.S. counterparts, and none of the contract employees complained of threats, abuse, or coercion.

Additionally, the employees indicated that their pay under the two contracts equaled or surpassed what they had received from other employers in Iraq.

After reviewing the report's observations, the mission identified the most critical issue with potential for trafficking as contractor staff members' ability to return to their home countries.

In addition, one of the two USAID/Iraq contractors did not have employment agreements with its low-skilled, low-wage staff, making them susceptible to abuse.

Recommendations—Management Decisions

There were no recommendations made for this audit.

Survey of Security Incidents Reported by Private Security Contractors of USAID/Iraq's Contractors and Grantees (No. E-267-11-001-S)

Date: November 29, 2010

Implementing Partners: Research Triangle Institute-Unity Resources Group, International Relief Development-Sabre International Security, Louis Berger Group-SallyPort Global Services, Management Systems International, Cooperative Housing Foundation-Unity Resources Group, Relief International-Triple Canopy, AECOM International Development, BearingPoint-Garda World, Development Alternatives International, Amor Group

Audit Period: July 1, 2007, through June 30, 2009

Funding: As of December 31, 2009 incurred expenditures totaled \$483 million.

Background—Summary of Findings

Section 862(a) of the National Defense Authorization Act for Fiscal Year 2008 (NDAA FY 2008) contains provisions for the oversight of all private security contractors in areas of combat operations, including Iraq and Afghanistan.

From July 1, 2007, to June 30, 2009, USAID/Iraq maintained a portfolio of contracts and grants with 12 implementing partners, who held 17 subcontracts for private security services in Iraq. According to information provided by USAID/Iraq's implementing partners, these 17 subcontracts for security services incurred cumulative expenditures of \$483 million as of December 31, 2009. USAID/Iraq reported that the implementing partners incurred expenditures of \$2.1 billion in program expenses over the same period; therefore, security services accounted for approximately 23 percent of the implementing partners' total costs.

OIG's survey of security incidents reported by private security contractors found that over 2 years, USAID/Iraq's implementing partners and their private security contractors had

documented and reported 94 serious security incidents. Two of these, Research Triangle Institute and International Relief and Development, accounted for 72 (74 percent) of the serious incident reports.

USAID/Iraq has taken numerous steps to implement recommendations from a prior OIG audit,¹ including issuing a formal notice to partners notifying them of reporting requirements, modifying award documents to require incident reporting, and ensuring that all private security contractors for USAID implementing partners register with the Ministry of Interior.

Nevertheless, partners did not always provide sufficient oversight of their private security contractors (PSCs) with respect to incident reporting. This lack of monitoring led to reporting deficiencies and missing security incident reports. Additionally, none of USAID/Iraq's implementing partners had established documented internal procedures

¹ "Audit of USAID/Iraq's Oversight of Private Security Contractors in Iraq," Audit Report No. 267-09-002-P, March 4, 2009.

to monitor the reporting of security incidents to ensure that such incidents were properly reported. Because jurisdiction of private security contractors has been turned over to

the Iraqi Government, it is critical that implementing partners and their PSCs adhere to policies, procedures, and requirements.

Recommendations—Management Decisions

The audit made 5 recommendations:

1. That USAID/Iraq require its implementing partners to establish procedures to monitor the reporting of security incidents to ensure that such incidents are properly reported in accordance with Embassy and USAID guidance and verify that each implementing partner has completed this corrective action.

The mission revised the language of the “Serious Incident Reporting” clause to be included in all mission award documents. Although it was a positive response to the recommendation, revising the clause language does not address all the elements of the recommendations—specifically, the need to verify that each implementing partner has completed corrective actions. Because of ineffective implementation of our March 2009 recommendations, OIG is restating its original recommendation and adding a requirement for the mission to verify implementing partners’ actions. Furthermore, the mission response does not address when the language revisions will be incorporated into mission award documents. A management decision can be reached when the mission submits an action plan, with target dates for completion, for implementing the recommendations including verification of implementing partners’ actions. This recommendation is closed.

2. That USAID/Iraq provide training for the implementing partners to coordinate and reinforce roles and responsibilities and to address control weaknesses in security incident reporting requirements.

The mission stated that they will use the quarterly partner meetings as the forum to provide information and guidance on the implementation of the requirements contained in the SIR clause set forth in the mission’s response to recommendation 1. The management comments from the mission did not state a target date for completion of the training, however, subsequently, the mission provided additional documentation to support that the quarterly partner meetings were used as a forum to provide information and guidance on the implementation of the requirements. Therefore, this recommendation is closed.

3. That USAID/Iraq require its implementing partners to establish and maintain records of reported serious security incidents and verify that each implementing partner has completed this corrective action.

The mission revised the language of the “Serious Incident Reporting” clause to be included in all mission award documents. Although it was a positive response to the recommendation, revising the clause language does not address all the elements of the recommendations—specifically, the need to verify that each implementing partner has completed corrective actions. Because of ineffective implementation of our March 2009 recommendations, OIG is restating its original recommendation and adding a requirement for the mission to verify implementing partners’ actions. Furthermore, the mission response does not address when the language revisions will be incorporated into mission award documents. A management decision can be reached when the mission submits an action plan, with target dates for

completion, for implementing the recommendations including verification of implementing partners' actions. This recommendation is closed.

4. That USAID/Iraq develop and provide training for its agreement/contracting officer's technical representatives for their roles in receiving, reviewing, and forwarding serious security incident reports to the designated USAID/Iraq mailbox and other associated security incident responsibilities.

The mission included a specific section on the handling of review, reporting, and distribution of the serious incident reports in its AOTR/COTR designation letters, and in July 2010, the mission added a mandatory briefing with the Office of Acquisition and Assistance to the mission's check-in process for COTR/AOTRs. The briefing includes a detailed review of the SIR reporting procedures and their delegated responsibilities. Thus, this recommendation is closed.

5. That USAID/Iraq request Embassy Baghdad to issue instructions for private security contractors and their personnel in accordance with Interim Final Rule 32 CFR 159.4(c).

USAID/Iraq determined and the RIG/ Iraq agreed that a management decision had been reached to implement the recommendation. Reference (c) indicates that on April 14, 2011, USAID/Iraq sent a formal request to the US Embassy/Iraq's Regional Security Office (RSO) requesting issuance of guidance to private security contractors and their personnel in accordance with Interim Final Rule 32 CFR 159.4(c). This recommendation is closed.

Audit of USAID/Iraq’s Payroll Payments to Foreign Service Nationals, Third-Country Nationals, and U.S. Personal Services Contractors (No. E-267-11-001-P)

Date: November 22, 2010

Implementing Partners: Foreign Service Nationals, third-country nationals, and U.S. personal services contractors

Audit Period: January 13, 2010, through May 24, 2010

Funding: In calendar year 2009, \$8.2 million had been disbursed to direct-hire workforce in payroll, benefits, and allowances.

Background—Summary of Findings

In 2009, USAID/Iraq paid about \$8.2 million in payroll, benefits, and allowances to its non-U.S. direct-hire employees. This amount included approximately \$6.5 million in payroll to 57 third-country nationals and 34 U.S. personal services contractors, \$1 million in payroll to 43 Iraqi or Foreign Service National staff, \$100,000 in severance and retirement payments to nine Foreign Service National staff, and \$564,000 in involuntary separate maintenance allowances (for maintaining family members elsewhere than at the foreign post of assignment, of necessity) to 53 of its third-country nationals and U.S. personal services contractors. Third-country nationals who work in Iraq are entitled to the same benefits and allowances as U.S. personal services contractors, and the U.S. Government’s General Schedule pay scale determines both groups’ salaries. Foreign Service Nationals’ pay and benefits are established in the local compensation plan prepared by the Department of State.

OIG performed this audit in response to a USAID/Iraq request. The mission request

stemmed from concerns about the frequent rotation of staff and the resulting risk of inaccurate salary payments. The objective of the audit was to determine whether USAID/Iraq had properly calculated and disbursed payroll payments to its Foreign Service Nationals, third-country nationals, and U.S. personal services contractors.

Payments to third-country nationals and U.S. personal services contractors were generally accurate. In addition, payments for involuntary separate maintenance allowances were generally accurate.

Payroll and severance or retirement payments to Foreign Service Nationals were often inaccurate and subject to systemic errors. Severance and retirement payments for 8 of 9 Foreign Service National employees were not computed accurately, and overtime payments for 12 of 48 Foreign Service Nationals were not computed accurately. Other errors came to light that, although not systemic or material, required management attention.

Recommendations—Management Decisions

The audit made 8 recommendations:

1. Clarify in writing the relevant sections of the Local Compensation Plan for the Bangkok payroll office to understand the types of allowances to be included in the computation of unused annual leave.

The mission sought clarification from the embassy for the Local Compensation Plan. The Local Compensation Plan has been updated, effective October 10, 2010, and the section related to allowances for payment of unused annual leave was updated with the necessary explanation. This recommendation is closed.

2. Establish written procedures to obtain the computation package of severance and retirement payments from the Bangkok payroll office for verification before processing payment.

The mission has established written procedures requiring the financial management office to (1) obtain from the Bangkok payroll office the computation of severance and retirement payments and (2) review the computation for accuracy before processing payments for separated employees. This recommendation is closed.

3. Determine the amount of underpayments in unused leave and severance pay to Foreign Service National employees, and pay any amounts due.

The mission's payroll specialist is coordinating with the mission human resources office to obtain the personnel actions to determine the amount of underpayments in unused leave and severance pay to separated Foreign Service National employees. Accordingly, a management decision has been reached and this recommendation is open.

4. Remind staff of the mission's overtime policy and the procedures for recording overtime in time and attendance sheets.

The mission's payroll specialist provides a biweekly e-mail reminder to the mission's Foreign Service National staff of the overtime policy and approval processes. The e-mail also references the mission order on overtime and provides instructions for proper recording of overtime in time and attendance sheets. This recommendation is closed.

5. Establish procedures to require the financial management office to review time sheets for overtime hours recorded and resolve discrepancies before entering the time into the electronic time and attendance system.

The mission has payroll desk procedures that address the review of time and attendance. The relevant procedure requires the payroll specialist to review time and attendance and make sure that the overtime and leave forms are signed by the authorized supervisors. The payroll specialist questions any discrepancies, which are corrected before the specialist records information in the electronic time and attendance system. This recommendation is closed.

6. Clarify in writing the different overtime rates and the standard workweek in Iraq, as stated in the Local Compensation Plan, for the Bangkok payroll office.

The mission discussed the issue of different overtime rates and the standard workweek in Iraq with the embassy's human resources officials. The embassy's human resources office has addressed the problem with the Bangkok payroll office, and the necessary corrections were made in the payroll system at the beginning of calendar year 2010. This recommendation is closed.

7. Recompute underpayments to employees and pay any amounts due, and prepare bills of collection to recover overpayments from employees.

The mission recomputed the amounts of underpaid involuntary separate maintenance allowance and post differential. The mission is in the process of making payments to employees for underpayments and issued a bill of collection to a former employee to recover an overpayment. This recommendation is open.

8. Reinforce to all staff the mission's overtime approval processes.

The mission sends staff a biweekly e-mail reminder of the mission's overtime policies and approval processes. The e-mail reminder includes as an attachment the mission order on overtime policy. This recommendation is closed.

Performance Audits

Fiscal Year 2010

Audit of USAID/Iraq's Implementation of the Iraq Financial Management Information System (No. E-267-10-002-P)

Date:	September 19, 2010
Implementing Partners:	BearingPoint, Inc.
Audit Period:	July 2003, through July 2009
Funding:	As of November 1, 2009, USAID had expended approximately \$32.6 million.

Background—Summary of Findings

The Iraq Financial Management Information System was designed to help the Iraqi Government formulate, execute, and monitor central government budgets. The system was developed under two contracts between USAID and BearingPoint Inc. that ran from July 2003 through July 2009 for a total cost of \$37.4 million (including \$4.8 million from the U.S. State Department.)

Although BearingPoint completed a substantial amount of systems development, equipment procurement, and training, the Iraq Financial Management Information System has not been fully implemented and has not achieved its goals of helping the Government of Iraq formulate, execute, and monitor central government budgets. The system was not being used as the Government of Iraq's system of record, and the system could not produce complete trial balances, useful reports for individual ministries and offices, or information needed to perform bank reconciliations. It also could not support voucher numbers that would uniquely identify individual ministries and offices or support multiple budgets for individual ministries and offices.

These issues occurred for two main reasons. First, the contractor did not provide key contract deliverables, including purchasing and budget modules, an offline data-entry tool, or enhanced reporting tools, and participants were not satisfied with the training that the contractor had provided. Second, in the urgent pressure to develop the system in postwar Iraq, the contractor did not follow certain best practices for systems development, including obtaining functional user requirements, selecting a system on the basis of system and user requirements, developing a concept design, obtaining customer buy-in and support, or conducting system testing. Had the contractor followed these best practices, it could have prevented many of the problems we found. In addition, USAID/Iraq stated that a lack of support and commitment by some officials within the Iraqi Ministry of Finance had hindered implementation of the system.

To address these issues, the report recommends that USAID refrain from funding further system development efforts until the Iraq mission has developed a strategy for correcting system deficiencies.

USAID concurred with the recommendation and is not planning any further funding of the Iraq Financial Management Information

System because of a lack of support for it within the Iraqi Ministry of Finance.

Recommendations—Management Decisions

The audit made one recommendation to improve USAID/Iraq project management:

1. That USAID/Iraq refrain from further funding of the Iraq Financial Management Information System until the mission develops a documented action plan that specifically addresses ongoing impediments to the successful implementation and sustainability of the system. This action plan should include the following elements: (1) identification of outstanding technical problems in full collaboration with the Ministry of Finance of the Government of Iraq, (2) determination of whether these outstanding technical problems can be resolved and by whom, (3) resolution of outstanding technical problems before training is provided in an area with functional issues, (4) training designed to meet the needs identified by Iraq system users from the Ministry of Finance, and (5) identification of and adherence to information technology best practices, such as Control Objectives for Information and Related Technology.

USAID/Iraq concurred with our recommendation. According to the mission, all funding has concluded and USAID/Iraq is not planning any further funding of the Iraq Financial Management Information System. USAID/Iraq stated that if the Iraqi Ministry of Finance were to demonstrate an unequivocal commitment to support the Iraq Financial Management Information System and requested USAID assistance, the mission would consider additional support. If such support were provided in the future, it would be developed using an action plan that includes the elements in the OIG recommendation. Based on the mission's plans and comments, we consider this recommendation to be closed.

Audit of USAID’s Internally Displaced Person Activities in Iraq (No. E-267-10-001P)

Date:	March 31, 2010
Implementing Partners:	International Medical Corps, International Relief and Development, and Mercy Corps
Audit Period:	October 1, 2006, through September 30, 2008
Funding:	Cumulative awards under the program totaled \$190 million during fiscal years 2007 and 2008 awards. We examined eight awards totaling \$115 million, of which \$51 million was expended during the period.

Background—Summary of Findings

USAID’s Office of Foreign Disaster Assistance (OFDA) provided emergency assistance to help Iraq’s 2.8 million internally displaced persons meet their basic needs. We found that OFDA’s partners had completed 90 percent of planned activities and that these activities had achieved goals of saving lives, alleviating human suffering, and reducing the social and economic impact of humanitarian emergencies for internally displaced and vulnerable persons. However, we also observed several significant issues requiring OFDA’s attention.

We found significant anomalies in signatures and fingerprints submitted as evidence of payments to beneficiaries. As a result, we questioned \$766,490 in incurred costs and referred the matters to our Office of Investigations.

The program was also characterized by other kinds of overstatements about the number of

service beneficiaries. OFDA’s partners reported 33.7 million beneficiaries, but this figure overstated the population of Iraq by 3 million individuals. In one case, 262,482 individuals reportedly benefited from the purchase of medical supplies meant to treat only 100 victims of a specific attack.

The audit concludes that OFDA personnel extended five of seven awards beyond existing award completion dates even though they lacked the authority to do so. After receiving these unauthorized award extensions, the implementing partners incurred \$10 million in additional costs. These unauthorized commitments occurred because OFDA had not taken action to promptly address a prior OIG audit recommendation to formally designate individuals authorized to manage the awards.

Recommendations—Management Decisions

The audit made 12 recommendations to improve internally displaced persons activities:

1. That OFDA establish and implement a plan for both OFDA and partner staff to provide performance monitoring and oversight for its awards in Iraq. Such a plan should include, among other actions, regular reviews of partner reports, compliance with award requirements, and random checks to ensure that implementing partners have support for claimed results.

OFDA concurred with the recommendation and presented a list of actions to address it. OFDA planned to complete all of these actions by the end of fiscal year 2010. The actions included completing standardized program reporting guidance, completing requirements for implementing partners to periodically report on the progress of program activities and performance, ongoing development of standard reporting indicators for OFDA programs, ongoing development of a Web-based online database system to improve program results data, and the continued development of third-party services to provide field monitoring and evaluation of program activities. On the basis of the management comments provided by OFDA, a management decision has been reached on recommendation 1. This recommendation was closed after OFDA completed the planned actions indicated in its response.

2. That OFDA's agreement officer determine the allowability and collect, as appropriate, the \$46,980 in questioned ineligible costs billed by International Medical Corps for Implementation Plan No. 11 under Cooperative Agreement No. DFD-A-00-05-00030-00.

OFDA provided no response to this recommendation pending the outcome of our office's investigation into the matter. In the meantime, this recommendation remains open.

3. That OFDA's agreement officer determine the allowability and collect, as appropriate, the \$168,080 in questioned ineligible costs billed by Mercy Corps for Project Code DY/145 under Grant No. DFD-G-00-05-00027-00.

OFDA provided no response to this recommendation pending the outcome of our office's investigation into the matter. In the meantime, this recommendation remains open.

4. That OFDA's agreement officer determine the allowability and collect, as appropriate, the \$373,021 in questioned ineligible costs billed by Mercy Corps for Project Code DY/161 under Grant No. DFD-G-00-05-00027-00.

OFDA provided no response to this recommendation pending the outcome of our office's investigation into the matter. In the meantime, this recommendation remains open.

5. That OFDA's agreement officer determine the allowability and collect, as appropriate, the \$178,409 in questioned ineligible costs billed by Mercy Corps for Project Code DY/171 under Grant No. DFD-G-00-05-00027-00.

OFDA provided no response to this recommendation pending the outcome of our office's investigation into the matter. In the meantime, this recommendation remains open.

6. That OFDA provide clear guidance to its implementers on how to count beneficiaries.

The guidance for counting individuals is included in the USAID/OFDA Guidance for Unsolicited Proposals and Reporting launched October, 2008. Therefore this recommendation is closed.

7. That OFDA perform an immediate review of its portfolio of awards in Iraq and ensure that each award, as appropriate, has an up-to-date, designated agreement officer's technical representative.

OFDA disagreed with this recommendation and deemed it unnecessary to complete an immediate review of its portfolio of awards in Iraq to ensure that each award had an up-to-date designated agreement officer's technical representative (AOTR). Nevertheless, OFDA provided documentation of AOTR designation letters for all current grants and cooperative agreements in Iraq. On the basis of our review of these documents, we consider this recommendation closed.

8. That OFDA prepare an action memorandum to the Director, Office of Acquisition and Assistance, requesting the ratification of \$3,150,751 in costs billed by the Agency for Technical Cooperation and Development during the period from June 30 to September 30, 2008, under Grant No. DFD-G-00-05-00106-00.

In a memorandum sent to USAID/OFDA Deputy Director by the RIG/Iraq on September 29, 2010, the agreement officer (AOTR) conducted a detailed inspection and prepared a written memorandum to clarify the situation. The agreement officer also determined that ratification was not required to rectify the recommendation because no unauthorized commitment with respect to obligation of funds was involved. However, a memorandum to the file and the inclusion of AOTR letter was required to correct procedural authorities in regard to AOTR designations. This recommendation is closed.

9. That OFDA prepare an action memorandum to the Director, Office of Acquisition and Assistance, requesting the ratification of \$455,151 in costs billed by International Medical Corps during the period from March 31 to July 31, 2007, under Grant No. DFD-A-00-05-00030-00.

This recommendation is closed. For more information on the status of this recommendation, see the discussion under recommendation 8.

10. That OFDA prepare an action memorandum to the Director, Office of Acquisition and Assistance, requesting the ratification of \$1,864,831 in costs billed by International Medical Corps during the period from June 30 to September 30, 2008, under Grant No. DFD-G-00-05-00026-00.

This recommendation is closed. For more information on the status of this recommendation, see the discussion under recommendation 8.

11. That OFDA prepare an action memorandum to the Director, Office of Acquisition and Assistance, requesting the ratification of \$2,219,896 in costs billed by International Relief and Development, Inc., during the period from June 30 to September 30, 2008, under Grant No. DFD-G-00-05-00028-00.

This recommendation is closed. For more information on the status of this recommendation, see the discussion under recommendation 8.

12. That OFDA prepare an action memorandum to the Director, Office of Acquisition and Assistance, requesting the ratification of \$2,305,033 in costs billed by Mercy Corps during the period from June 30 to September 30, 2008, under Grant No. DFD-G-00-05-00027-00.

This recommendation is closed. For more information on the status of this recommendation, see the discussion under recommendation 8.

Performance Audits

Fiscal Year 2009

Audit of USAID/Iraq's Rapid Assistance Program (No. E-267-09-005P)

Date:	August 16, 2009
Implementing Partner:	Development Alternatives, Inc.
Audit Period:	September 28, 2007, to September 30, 2010
Funding:	As of March 31, 2009, cumulative obligations and expenditures under the program totaled approximately \$165.0 million and \$64.2 million, respectively, and USAID had awarded 566 grants, valued at \$75.9 million.

Background—Summary of Findings

USAID's \$200 million Iraq Rapid Assistance Program (IRAP) was designed to provide provincial reconstruction teams in Iraq with flexible mechanisms (grants) to make funds available to community-based leaders and local organizations and institutions. These funds were intended to support efforts to improve citizen access to public services, education, and economic opportunities. Development Alternatives, Inc. (DAI), a consulting firm located in Washington, DC, was hired by USAID to implement the IRAP.

OIG's audit found that at least 30 of 40 grants tested—75 percent—were contributing positively to IRAP's goals and had fully or substantially achieved the grants' intended results. However, the audit also identified a series of financial irregularities involving at

least 18 of the 40 grants reviewed—45 percent—that underscored the need for improved oversight.

An examination of available expense records disclosed evidence of fictitious invoices, possible cost manipulation, and other improper billing practices. Indications of possible fraud or abuse were further substantiated during the audit when allegations were received of a payroll scheme under one of the active grants. The scheme reportedly involved both the grantee and the implementing partner's subcontractor—the entity responsible for monitoring the grantee. These irregularities were referred to OIG's Office of Investigations for further investigative review.

Recommendations—Management Decisions

The audit made three recommendations to improve monitoring procedures and controls:

1. That USAID/Iraq require its implementing partner to establish appropriate procedures for monitoring active IRAP grants to ensure that (1) implementation problems are identified, addressed, and reported to both USAID/Iraq and the responsible USAID PRT representative in a timely manner and (2) the quality of the work performed and goods provided are at an acceptable level that is consistent with the intent of the grant.

DAI launched an internal review into and methodological examination of the specific issues we raised. The contractor planned monthly training on specific monitoring functions and procedural controls and required its senior local staff members to conduct surprise site visits, as security conditions permit, to ensure that implementation is occurring as planned.

DAI also required its staff to perform spot checks to independently verify the quality of goods and services provided and to inform USAID and the relevant provincial reconstruction team representative of any issues or concerns related to grant implementation. DAI planned to supplement these monitoring efforts by hiring individuals capable of performing spot checks and visits to IRAP grant venues independent of DAI's local staff and that of its subcontractors.

The mission also reported that DAI took steps to improve the reporting and line of communication between it and the provincial reconstruction teams, particularly with regard to the availability of status updates on all IRAP grant activities. This recommendation is closed.

2. That USAID require the contractor to adhere to prescribed payroll procedures when administering grantee payroll activities.

The contractor instructed its subcontractors to desist from transferring payroll funds to grantees and started requiring its expatriate grant managers to conduct surprise visits to the grant sites, as security permits, to ensure that salary payments are distributed in line with procedures.

DAI has also tasked one of its grants managers with reviewing grants involving salary payments to verify that these payments are made properly each month and are documented using a predesigned form, indicating the amount each employee is authorized to be paid and signed by the employee, the grantee, and subcontractor representative overseeing the distribution.

Finally, DAI has committed to ensuring that its staff and that of the subcontractor undergo continuous training on DAI financial policies and procedures established for the program. This recommendation is closed.

3. That USAID require the contractor to ensure that invoices and other records supporting expense claims are reviewed more thoroughly so that irregularities are detected and addressed.

The mission reported that DAI initiated an internal investigation to determine whether the irregularities we identified are more widespread.

DAI committed to having an internal auditor from its U.S. home office travel quarterly to Iraq to review existing systems and the subcontractors' expenses. The contractor also outlined a process performing a detailed review of the vouchers and supporting expense records provided to DAI by its subcontractors to ensure that receipts are allowable, allocable, reasonable, and valid. This recommendation is closed.

Audit of USAID/Iraq’s Economic Governance II Program (No. E-267-09-004P)

Date: June 3, 2009

Implementing Partner: BearingPoint, Inc.

Audit Period: September 3, 2004, to September 12, 2008

Funding: As of December 16, 2008, \$223 million had been obligated and \$195 million disbursed.

Background—Summary of Findings

The Economic Governance II (EGII) Program, begun in September 2004, was designed to provide technical assistance to the Government of Iraq to develop and enable economic reforms through policy, regulations, laws, and institutional structures that would foster a competitive private sector. To implement the program, USAID awarded a \$223 million contract to BearingPoint, Inc., to develop and implement international best-practice techniques that would improve Iraq’s economic governance and promote an environment for growth led by the private sector.

However, after 4 years the program has not been successful in providing the foundation for an open, modern, mixed-market economy, and it has not made a significant impact upon the economic environment in Iraq. The EGII Program aimed to improve seven key economic areas through the accomplishment of 398 individual tasks. However, USAID officials did not establish a systematic mechanism to monitor the myriad tasks and thus could not track whether the tasks had been performed, were on schedule, or were behind schedule. As a result, fewer than half of the originally planned 398 tasks had been performed.

Recommendations—Management Decisions

The audit report made 12 recommendations:

1. That USAID develop a systematic monitoring process for the EGII Program to collect, record, organize, and track the status of each task required by the contract, or its modification, within 30 days from the issuance of this report.

USAID has developed a systematic monitoring and evaluation process for the EGII Program that will collect, record, organize, and track the status of each task required by the contract or its modification. This recommendation is closed.

2. That USAID review and revise the EGII Program performance indicators listed in its performance management plan to ensure that they are reasonably attributable to USAID activities, in accordance with USAID’s Automated Directives System 203.3.

USAID/Iraq has adjusted the performance targets and indicators to capture the results under all major program components and to ensure that they are reasonably attributable to USAID activities. This was done in the revised performance monitoring plan approved by USAID/Iraq on May 3, 2009. This recommendation is closed.

3. That USAID request the contractor to prepare a schedule of all program-funded information technology (IT) projects in accordance with USAID's Automated Directives System 548.3.

The EGII contractor has responded to USAID/Iraq's request to prepare a schedule of all program-funded IT projects in accordance with USAID's Automated Directives System 548.3, and a schedule of EGII's IT projects costing over \$100,000 was prepared by the contractor on February 11, 2009. This recommendation is closed.

4. That USAID review all technology projects and submit those with a cost of at least \$100,000 to USAID's Office of Chief Information Officer/Business, Consulting, and Customer Service Division for approval.

USAID/Iraq reviewed all IT projects from the EGII Program and submitted those with a cost of \$100,000 to USAID's Office of Chief Information Officer/Business, Consulting, and Customer Service Division for approval. This recommendation is closed.

5. That USAID/Iraq modify the EGII Program contract to require that all program-funded activities with an information technology component of at least \$100,000 over the full information technology project life cycle be submitted to USAID for independent verification and validation review and approval, in accordance with Automated Directives System 548.3.

USAID/Iraq modified the EGII Program contract to reiterate the requirement on March 5, 2009. This recommendation is closed.

6. That USAID's Office of Acquisition and Assistance modify the EGII Program contract to reduce the subcontract consent threshold to the appropriate level.

The subcontract threshold was never included in the EGII contract. Because of a letter of authorization signed by the awarding contracting officer, the contractor utilized a higher threshold for subcontract consent than is authorized by the FAR. USAID/Iraq's Office of Acquisition and Assistance rescinded that letter of authorization on February 11, 2009, and required the contractor to abide by the subcontracting consent threshold stipulated in the FAR (\$100,000 for all non-commercial items/services subcontracts). This recommendation is closed.

7. That USAID require its EGII Program contractor to prepare and submit a comprehensive nonexpendable property report of program-funded assets as required by USAID Acquisition Regulation 752.245-70.

USAID/Iraq EGII contractor responded to USAID/Iraq's request to prepare a comprehensive nonexpendable property report of program-funded assets and submitted it to the mission on April 28, 2009. This recommendation is closed.

8. That USAID require its EGII Program contractor to complete a nonexpendable property plan as required by USAID Acquisition Regulation 752.245-71(b).

USAID/Iraq EGII contractor executed and completed its nonexpendable property plan and submitted it to USAID/Iraq. This recommendation is closed.

9. That USAID's EGA [Economic Growth and Agriculture] Office develop policies and procedures to ensure that annual reports on all nonexpendable property are conducted by its contractors in accordance with USAID Acquisition Regulation 752.245-71(b).

USAID/Iraq's EGA Office developed policies and procedures to ensure that annual reports on all nonexpendable property are conducted by its contractors. This recommendation is closed.

10. That USAID/Iraq's Office of Acquisition and Assistance, in conjunction with input from the EGII Program cognizant technical officer, modify the EGII Program contract to include the minimum performance reporting requirements that are necessary to monitor the contractor's performance. The schedule should include the content of the required reports, their frequency, and due dates.

USAID/Iraq modified the EGII Program contract to include the minimum performance reporting requirements that are necessary to monitor the contractor's performance. The schedule includes the content of the required reports, their frequency, and the due dates. This recommendation is closed.

11. That USAID/Iraq update an EGA Office procedure, dated August 20, 2004, to include a regular review of cognizant technical officer work files by the cognizant technical officer's supervisor, to ensure that they are being prepared.

USAID/Iraq's EGA Office updated its procedure on April 30, 2009, to include a regular review of cognizant technical officer work files by the cognizant technical officer's supervisor, to ensure that they are being prepared. This recommendation is closed.

12. That USAID direct the EGII Program contractor to modify the subcontract language in the two independent consultant agreements to include the required provision pertaining to the executive order on terrorism financing and to obtain a copy of the modified contract as confirmation.

The EGII Program contractor modified the language in its standard independent consultant agreements and subcontracting agreements in section H.12 to include the required provision pertaining to the executive order on terrorism financing. This recommendation is closed.

Audit of USAID/Iraq's Local Governance Program II Activities (No. E-267-09-003P)

Date:	May 31, 2009
Implementing Partner:	Research Triangle Institute
Audit Period:	May 2005 to September 2008
Funding:	As of February 24, 2009, \$370 million had been obligated and \$312 million had been disbursed.

Background—Summary of Findings

As part of the Local Governance Program—Phase II (LGPII) USAID awarded Research Triangle Institute a 2-year, \$90 million base contract. The contract had 3 option years, 2 of which had been exercised, extending the contract through 2009. Including the option years, the award had increased to \$370 million, and as of November 19, 2008, \$290 million had been disbursed. The project was designed to consolidate gains made during the first Local Governance Program, which ran from 2003 to 2005, and to continue working with Iraqis to establish and strengthen the conditions, institutions, capacity, and legal and policy framework for a democratic local governance system. LGPII achieved some success with the technical assistance and training that it provided to Iraq's provincial councils.

LGPII also aimed to strengthen local governance by building the capacity of local council members and Iraqi governmental officials. However, USAID/Iraq did not establish criteria for selecting recipients of training and, moreover, approved a demand-driven and decentralized approach that essentially allowed Iraqi officials to enroll in whatever training courses they felt would benefit them. Consequently, approximately 27,000 Iraqis received training, but the success or short-term impact of that significant amount of training on improving local governance was not measured. In addition, controls to prevent officials from taking courses more than once had not been established. As a result, officials misused the training program by taking some courses multiple times.

Recommendations—Management Decisions

The audit report made five recommendations:

1. That, under the Local Governance Program—Phase III (LGP III), USAID specifically review and approve any training course proposed by its implementing partner to be offered to Iraqi governmental officials.

The task order for LGP III contains explicit language that requires the contractor to submit all training materials for prior review and approval by the mission. The contracting officer's technical representative (COTR) for LGP III confirmed that as of April 30, 2009, RTI had been diligent in meeting the requirements of the contract and was submitting training courses for USAID review in a timely manner. This recommendation is closed.

2. That USAID develop and implement controls under LGP III to ensure that training participants do not take training courses more than once unless justified.

USAID/Iraq Office of Democracy and Governance verified with its contractor that for LGP III, there are minimal formal training events planned and therefore the risk of duplicative training is practically nonexistent. LGP III monitoring and evaluation staff will also review the training database quarterly to determine whether any participants have been taking courses more than once and will report this information in progress reports to the COTR. Also, a revised training participant registration form has been implemented that requires training applicants to indicate whether they have been enrolled in prior training programs with justification. This recommendation is closed.

3. That USAID require LGP III implementing contractor to develop criteria for selecting training participants and to implement controls to ensure compliance with the selection criteria.

The potential pool of recipients of LGP III training/technical assistance has been clearly identified and limited only to provincial council members and governors and their staffs. This recommendation is closed.

4. That USAID require contractor performance reviews (CPRs) to be prepared promptly by contracting officers and not redelegated to other staff members.

USAID issued a notice in late December 2009 with guidance on reporting and evaluating CPRs. The notice reaffirms the need for initiating the CPR evaluation process on an annual basis and upon completion of performance. This notice also advises contracting officers that they cannot redelegate their responsibility for entering CPRs in the contractor performance review database. This recommendation is closed.

5. That USAID/Iraq establish a procedure to ensure that contractor performance reviews prepared by contracting officers and COTRs are accurately supported and represent the actual performance of the contractors.

USAID issued a notice in late December 2009 with guidance on reporting and evaluating CPRs. This notice reminded USAID/Iraq's COTRs and office chiefs of the mission's procedures relating to CPRs. This recommendation is closed.

Audit of USAID/Iraq's Oversight of Private Security Contractors in Iraq (No. E-267-09-002P)

Date:	March 4, 2009
Implementing Partner:	Various implementing partners
Audit Period:	October 1, 2007, to September 30, 2008
Funding:	As of September 30, 2008, cumulative obligations and expenditures associated with these subcontracts totaled approximately \$375.1 million and \$278.9 million, respectively.

Background—Summary of Findings

USAID relies on private security contractors to provide a variety of security services for its programs in Iraq, including protection of individuals, nonmilitary transport convoys, buildings, and housing areas. While the USAID mission in Iraq does not maintain any direct contracts with private security contractors, security services are procured by the mission's implementing partners, who have primary responsibility for oversight. OIG conducted this audit to determine whether the mission had managed its contracts and grant agreements with implementing partners to ensure that the partners provided adequate oversight of the contractors.

At the time of the audit, the mission maintained a portfolio of 12 contracts and grant agreements that had a private security subcontract, and cumulative obligations for these contracts totaled more than \$375 million.

The audit found that USAID's implementing partners were not adequately overseeing the private security contractors' reporting of serious incidents to ensure that those incidents were reported properly. This was

the case at all three of the implementing partners visited, as evidenced by the partners' lack of familiarity with prescribed reporting procedures, as well as the limited records on file documenting previously reported incidents. Often relying on the security contractors to report these incidents, partners felt little need to become involved in overseeing the reporting process. As a result, partners were not in a position to detect reporting deficiencies such as the ones identified by the audit, allowing some incidents to be reported improperly or, in one case, not reported at all.

In addition, incident reports issued by the security contractors were often not received by the USAID mission. With these contractors now subject to Iraqi laws—under the terms of the latest Security Agreement with the Government of Iraq—stronger oversight is needed to ensure that private security contractors clearly understand and follow prescribed operational procedures in reporting serious incidents and that they notify the U.S. Government of these incidents promptly.

Recommendations—Management Decisions

OIG made the following recommendations:

1. Require implementing partners to establish procedures to monitor the reporting of serious incidents to ensure that such incidents are properly reported.
2. Require implementing partners to notify the mission of all serious incidents by including the mission in the reporting of these incidents.

USAID/Iraq modified 21 active prime contracts and assistance awards to include serious incident reporting requirements that outline procedures for implementing partners to monitor and report such incidents to the mission. In March 2009, USAID/Iraq communicated these new requirements to all implementing partners. These recommendations are closed.

Audit of USAID/Iraq's National Capacity Development Program (No. E-267-09-001P)

Date: November 25, 2008

Implementing Partner: Management Systems International, Inc. (MSI)

Audit Period: July 31, 2006, to August 4, 2008

Funding: Cumulative obligations and expenditures as of December 13, 2008, for this \$339.5 million level-of-effort contract were \$299,353,003 and \$131,607,443, respectively.

Background—Summary of Findings

The emerging Government of Iraq inherited a challenging governance apparatus characterized by weak and disorganized institutions lacking in transparency, accountability, and interministerial coordination. This resulted in weak service-delivery and policy-making capabilities. To help the Government of Iraq strengthen the capabilities of key ministries to deliver services to its people, USAID awarded a \$339.5 million contract to Management Systems International, Inc. (MSI), to implement the National Capacity Development Program.

Through the National Capacity Development Program, USAID is focused on improving the broad managerial capacity of key ministries to deliver services. The goal is to be accomplished by providing training and mentoring for officials at selected key ministries. However, 2 years into the 3-year program, there was no evidence to measure whether this overall goal of capacity building is being achieved.

In addition, OIG observed that there was a poor response rate to post-training surveys that sought to ascertain whether Iraqi trainees had found their training valuable in improving their ministry or unit. Also, at the time of the audit, certain other key program activities had not been carried out. For example, the program had not been able to place advisers in two government ministries, and the Ministry of Oil had not developed a capacity building plan.

The audit did note that certain program activities were being carried out. For example, the program provided training to almost 3,000 Iraqi civil servants, awarded scholarships for postgraduate study abroad, and established 3 regional training centers. Nevertheless, data was not available to show that these and other such activities were in fact contributing to an overall goal of helping to increase the managerial capacity of Iraqi ministries.

Recommendations—Management Decisions

OIG made the following four recommendations to USAID/Iraq to improve its management of the program:

1. That USAID include outcome indicators that measure improvement of Iraqi ministries to deliver core services in the performance management plan.

The mission has added outcome indicators to its National Capacity Development Performance Development Plan, including an indicator on budget execution, to help measure the improved service delivery of key ministries. This recommendation is closed.

2. That USAID require the contractor to work with the Ministry of Oil to draft a capacity development plan.

The mission concluded that it was not feasible to develop a capacity development plan with the Ministry of Oil but required the National Capacity Development contractor to use the Organizational Self-Assessment and Transformation Program (OSTP) as a substitute for a capacity development plan. The contractor worked with the Ministry of Oil using the OSTP tool in four divisions covering the full range of Ministry of Oil upstream and downstream operations and identified priorities for organizational reform, including those in the areas of people knowledge, leadership, processes, and finance. This recommendation is closed.

3. That USAID implement a plan to increase the response rate for surveys so as to provide valid results in measuring outcome measures.

USAID/Iraq amended the National Capacity Development Performance Management Plan for FY 2007-2009 to increase the response rate for surveys with the aim of capturing valid results. This recommendation is closed.

4. That USAID add an output indicator to measure the number of scholarships utilized.

USAID/Iraq added an output indicator to the National Capacity Development Performance Management Plan for FY 2007-2009 to measure the number of graduate-level scholarships utilized abroad. This recommendation is closed.

Performance Audits

Fiscal Year 2008

Audit of USAID/Iraq's Agribusiness Program (No. E-267-08-006P)

Date:	September 30, 2008
Implementing Partner:	Louis Berger Group, Inc. (LBG) Texas A&M—College Station Associates in Rural Development, Inc. (ARD) Agland Investment Services, Inc. (AIS) International Center for Agricultural Research in the Dry Areas (ICARDA) Sallyport Security Corporation (SSC).
Audit Period:	May 14, 2007, through July 15, 2008
Funding:	3-year, \$209 million cost-plus-fixed-fee contract with two 1-year options worth \$68 and \$66 million respectively. As of July 15, 2008, \$92.5 million had been obligated.

Background—Summary of Findings

Iraq has experienced a dramatic decline in agricultural production during the past few decades. While Iraqi farmers supplied about half of the country's food supply in 1980, by 2002 more than 80 percent of many basic staples had to be imported. Given that agriculture and related businesses constitute Iraq's largest source of employment and are second only to oil in their contribution to national income, revitalizing Iraqi agribusiness

is an important element in creating a stable, prosperous, and democratic Iraq.

To address this issue, USAID awarded a 3-year, \$209 million contract in May 2007 to a consortium led by the Louis Berger Group, Inc., to implement an agribusiness program known as *Inma*—Arabic for "growth." This program was designed to provide agricultural and business development services to USAID beneficiaries in strategic locations in Iraq.

Recommendations—Management Decisions

Because of delays in the startup of USAID's Agribusiness Program, auditors could not determine whether 10 of 12 activities were achieving planned results or the degree to which the program was having an impact on Iraq. The program only recently completed its first year of activities and had not yet yielded performance data. The program has produced interim reports indicating that some program activities are making early progress toward achieving their targets. However, auditors determined that 2 of 12 agribusiness activities reviewed by the audit were not achieving intended results. These activities are described below.

1. *Dates.* The program set an initial target of increasing the gross sales of dates by 150 percent over 3 years. This target likely will not be achieved because it is too ambitious for the current state of the Iraqi date industry. Also, the program did not build on USAID's previous date-production initiative as called for in the Inma contract. Diminished results for dates will make the program's overall sales and employment goals more difficult to achieve.
2. *Education.* The master's degree activity likely will not realize its goal—to award master's degrees in agribusiness to 25 Iraqi citizens—because few qualified candidates have been identified to begin studying in the fall of 2008. As a result, the \$5 million allocated to cover the travel, living, and educational costs of the participants likely will not be fully used.

The audit also identified other areas in which USAID could improve its management of the agribusiness program: adding or revising performance indicators; improving the utility of financial reports; and ensuring that a provision to prevent the possible financing of terrorism is included in all subcontracts. This report includes eight recommendations to address the identified findings:

1. That USAID review and revise the performance target for the date sector in light of current market information and adjust targets for other agricultural commodities, as appropriate, to help ensure that the overall sales and employment targets for agribusiness program are achievable.

USAID/Iraq agreed that the performance target of a 150-percent increase in date sales over 3 years was overly ambitious. Inma and International Business and Technical Consultants, Inc. (IBCTI),¹ revised this target to a more realistic level. Adjusted targets were included in a performance monitoring plan approved by USAID. This recommendation is closed.

2. That USAID reassess the feasibility of sending 25 students to the United States for its master's degree activity under the Inma program and adjust its planned results accordingly.

USAID/Iraq agreed with the recommendation and engaged in intensive external and internal consultations in July and August 2008. On August 26, 2008, the mission director decided to not proceed with the master's program. The program was deemed to be not feasible, because the compressed time line (1 year) was not in the original proposal and none of the selected candidates had achieved passing grades on the English-readiness test (Test of English as a Foreign Language—TOEFL). The program's problems could have forced the mission to extend the contractor's base period to allow students in the United States to complete their studies. At a meeting on August 30, 2008, the mission director's decision was communicated to the Iraqi Deputy Minister of Agriculture. This recommendation is closed.

3. That USAID reprogram any funds remaining from the \$5 million allocated to the master's degree activity and put them to better use.

USAID/Iraq agreed with the recommendation and stated that no participant training funds were used to support any activities related to soliciting potential candidates for the master's program, interviewing them, or making selections. Much of this work was conducted by the Iraqi Ministry of Agriculture and the U.S. Department of Agriculture.

¹ IBCTI is a company hired by USAID to help with monitoring activities in Iraq.

USAID/Iraq was able to reprogram the entire \$6 million in participant training (\$5 million for the master's program plus \$1 million for extension institutes). These funds will be used by Inma for grants to support the development of agribusinesses in Iraq. This recommendation is closed.

4. That USAID establish appropriate performance indicators to monitor Inma's expanded grant and master's degree activities, as well as any other major program components without performance indicators, in accordance with USAID's Automated Directives System 203.3.

USAID/Iraq agreed with this recommendation and performed an extensive review of Inma's performance monitoring plan. The review suggested that Inma completely rewrite portions of the plan to capture performance indicator results adequately under all major program components, including the grants-to-loan component. No performance indicators were developed for the master's degree activity, as USAID was not proceeding with that activity under Inma. The revised performance monitoring plan was approved by USAID. This recommendation is closed.

5. That USAID review Inma program performance indicators listed in its performance monitoring plan to ensure that they are reasonably attributable to USAID activities, in accordance with USAID policy.

USAID/Iraq agreed with this recommendation. In addition to the actions taken in response to recommendation 4, IBTCI carried out a results-framework assessment of the revised performance monitoring plan. The assessment specifically addressed the necessity of having performance indicators that were reasonably and directly attributable to Inma activities. This recommendation is closed.

6. That USAID develop clear and meaningful cost reporting by discrete activity and commodity cluster in conjunction with the Inma contractor.

USAID/Iraq agreed with this recommendation and has taken final action. The mission's offices of Economic Growth and Agriculture and Acquisition and Assistance discussed this recommendation with Inma and the LBG headquarters officials. USAID requested that LBG develop a new set of financial-cost reporting charts that will allow USAID management to gain improved clarity into the distribution of Inma program expenditures by functional expenditure categories. Contract modification No. 8 (267-C-00-07-00500-00) includes an amendment that requires Inma to "report on resources spent in Iraq by commodity clusters and activities under each cluster, and by input category." These are to be included in Inma's monthly financial reports. The mission expects that this new reporting format will be finalized before the end of September. The first report containing the new financial reporting format, by discrete activity and commodity cluster, will be received on October 15, 2008. This recommendation is closed.

7. That USAID verify that the Inma contractor modifies the subcontract language with the Euphrates Fish Farm (EFF) to include the required provision pertaining to the Executive Order on Terrorism Financing.

USAID/Iraq agreed with this recommendation and final action has been taken. On August 24, 2008, OAA sent a letter to LBG referencing the audit findings and recommendation. The letter indicated that the clause—Executive Order on Terrorism Financing—within section H.8 of the contract was not included in Inma's subcontract with EFF. The clause stipulates that the executive order clause on terrorism financing has to be included in all subcontracts. OAA informed LBG that it is required to

(1) modify the EFF subcontract to correct the omission; (2) provide USAID with evidence that the modification has been completed; and (3) provide written assurances that the clause will be included, as mandated, in all existing and future subawards made by LBG. On September 3, 2008, Inma forwarded the modified subcontract with EFF to the mission. This recommendation is closed.

8. That USAID obtain written assurance from the Inma contractor that the required provision pertaining to the Executive Order on Terrorism Financing is included in all current Inma subawards.

USAID/Iraq agreed with this recommendation and final action has been taken. On August 24, 2008, OAA sent a letter to LBG referencing the audit findings and recommendation. On September 2, 2008, LBG replied by letter stating that "all of our existing subcontracts will be modified to include the appropriate clause and it will also be included in all new subcontracts." This recommendation is closed.

Audit of USAID/Iraq's Community Action Program II (No. E-267-08-005P)

Date: August 5, 2008

Implementing Partner: Cooperative Housing Foundation (CHF)
Agricultural Cooperative Development International and
Volunteers in Overseas Cooperative Assistance
(ACDI/VOCA)
International Relief and Development (IRD)
Mercy Corps

Audit Period: January 16 to May 26, 2008 (audit fieldwork)

Funding: Cooperative agreement with CHF (primary) and three
implementing partners for a total of \$150 million from October 1,
2006, to September 30, 2008. The entire \$150 million had been
obligated and \$75.7 million disbursed as of May 26, 2008.

Background—Summary of Findings

The ultimate goal of the Community Action Program II (CAP II) was to “strengthen responsible and effective local governance in Iraq by institutionalizing community-level mechanisms and capacity for citizen participation in local decision-making and development.” The program was designed to promote grassroots democracy and better local governance via a “project and process” methodology of demand-driven community development. This was to be accomplished through the establishment of community action groups composed of elected volunteers who would then spearhead community-prioritized development projects. Projects were to be funded principally by USAID but also draw upon community and local government contributions. Typical projects consisted of improving community schools, health care, roads and bridges, and water and sewerage, as well as promoting business development.

USAID implemented the program through a single cooperative agreement with an “umbrella” implementing partner that would then pass a portion of the funding on to three

other implementing partners. Each of the four partners was responsible for implementing the program in a different geographic region of Iraq. The program continued the work of a prior Iraq Community Action Program, which began in May 2003 and ended on April 30, 2007.

The Office of Inspector General (OIG) conducted this audit to determine whether USAID’s CAP II was achieving planned results and to assess the impact of those results.

Performance information, most notably reports from implementing partners, provincial reconstruction team members, and independent program monitors, indicated that positive program activities were taking place in USAID’s CAP II. The implementing partners have issued annual and quarterly reports highlighting program achievements in their respective areas of responsibility throughout Iraq. These reports contained detailed information regarding specific projects, as well as onsite photographs. The partners also provided weekly reports to the

provincial reconstruction teams operating in their geographic regions. The USAID representatives on the provincial reconstruction teams were designated as activity managers and, as such, their role included reviewing the weekly reports, approving quarterly work plans, suggesting potential projects, and making occasional site visits.

Reports from USAID's monitoring and evaluation contractor also provided convincing evidence that project activities were taking place successfully. The contractor visited 221 projects to validate whether those projects actually existed. Once confirmed, monitors moved on to inspect project use, sustainability, and acceptance by the community. In a report issued in August 2007, the monitoring contractor indicated that more than 90 percent of the projects visited were operational and that the remaining 10 percent were often not operational for justifiable reasons. By way of example, projects that were operational included the following:

- Installation of a water network and water station provided safe drinking water for several villages in the Karbala Governorate.
- Construction of a new sports hall in Maysan provided youth with a place to practice and organize sport contests.
- Desks and blackboards were provided for nine schools in Basra. Before the project, children sat on the floor and teachers could not use the old, faded blackboards.

Regarding the achievement of planned results, however, OIG found a lack of realistic and consistently defined performance targets, as well as problems with performance data quality. Further, because of delays in obtaining baseline data and the lack of comparable measurements over time, we were unable to determine the impact of the program on higher-level objectives.

Recommendations—Management Decisions

OIG made four recommendations:

1. That USAID reevaluate current performance indicator targets under its CAP II to determine whether they are realistic and ensure that realistic targets are included in the revised performance management plan and the project reporting system.

USAID/Iraq worked with the implementing partner to ensure that data reported for year one was accurate and to establish new targets for year two that reflected realistic assumptions. Management updated both the performance monitoring plan and the project reporting system to reflect these changes. Although these actions would have little impact on the current program, management pointed out that the changes would provide strong baseline data for an anticipated follow-on program. This recommendation is closed.

2. That USAID develop procedures to ensure that changes to performance indicators and targets are properly documented.

USAID/Iraq issued a mission order that addresses how revisions to performance monitoring plans should be documented. This recommendation is closed.

3. That USAID perform a data quality assessment to ensure that flaws in the project reporting system are identified and corrected.

Management concurred that relevant CAP II performance data should be accurate to set a baseline for the performance monitoring plan of the anticipated follow-on program. However, management noted that the project reporting system would not be used after CAP II ends and that, therefore, correcting the system's flaws would not serve any useful purpose. Accordingly, management stated that it would conduct a data quality assessment only of CAP II indicators that would be pertinent for setting baselines for the follow-on program. Management conducted a review and updated the project reporting system for CAP II that culminated in the submission and approval of a cleaned-up project data table. This recommendation is closed.

4. That USAID develop a plan to standardize data collection processes and analysis methods among the program implementing partners.

Management indicated that USAID/Iraq worked with its implementing partners to standardize the reporting of program data. This helped ensure that reported data matched the definitions in the approved performance monitoring plan and that the data was reported consistently among partners. The recommendation is now closed.

Audit of USAID/Iraq's Monitoring and Evaluation Performance Program (No. E-267-08-004P)

Date: July 3, 2008

Implementing Partner: International Business and Technical Consultants, Inc. (IBTCI)

Audit Period: May 2005 to October 19, 2007

Funding: 3-year, \$13.4 million cost-plus-fixed-fee term contract with two additional 1-year options worth \$11.4 million

Background—Summary of Findings

The presence of a USAID mission in an active war zone has imposed unique constraints on USAID's normal mode of operations. Chief among these constraints has been the inability of USAID officials to adequately monitor program activities as they are occurring in the field. To address this constraint, USAID/Iraq employs a contractor to carry out its Monitoring and Evaluation Performance Program (MEPP).

The Office of Inspector General conducted this audit to determine (1) whether the program in Iraq is producing reports that are timely, relevant, and useful for performance management and (2) whether USAID is using those results to manage its portfolio. The audit covers the second phase of this program.

The audit concluded that IBTCI's monitoring and evaluation reports were generally timely, relevant to the programs being reviewed, and useful for performance management.

However, the audit found that the reliability of monitoring reports could be enhanced if IBTCI coordinated with the U.S. military to spot check the performance of its field monitors. In addition, the frequency of monitoring high-risk activities, such as trash collection campaigns in Baghdad, should be increased.

The audit also determined that, while USAID/Iraq was generally using the results of the program to manage its portfolio, the mission could use those results more effectively by systematically documenting its responses to findings and recommendations and by granting the USAID Program Office authority to initiate monitoring and evaluation activities. In addition, ensuring that evaluation reports are shared with implementing partners and that awards specifically require monitoring and evaluation plans would also enhance the effectiveness of this program.

Recommendations—Management Decisions

OIG made six recommendations:

1. That USAID/Iraq establish policies and procedures to work with its provincial reconstruction team (PRT) representatives to obtain information from U.S. military officials that will help verify the accuracy of field monitoring reports.

The mission issued a policy encouraging its PRT representatives to obtain information from U.S. military sources that would help verify the accuracy of field monitoring reports. This recommendation is closed.

2. That USAID/Iraq take steps to increase the frequency of monitoring those activities demonstrated to be highly vulnerable to fraud and abuse.

The mission took steps to increase the monitoring of projects within the Community Stabilization Program. In addition, the mission developed a risk analysis framework for its entire portfolio to aid in the development of effective monitoring strategies to help reduce the potential for fraud and abuse. This recommendation is closed.

3. That USAID/Iraq establish policies and procedures to document compliance with the Automated Direction System for evaluations (section 203.3.6.7) and also to document responses to findings and recommendations contained in monitoring reports of mission programs conducted under MEPP II.

The mission issued a policy stipulating that its responses to findings and recommendations in all monitoring and evaluation reports must be adequately documented and included as part of the final report. These responses should also include input from implementing partners. This recommendation is closed.

4. That USAID/Iraq establish policies and procedures requiring (1) a formal review of evaluation findings, conclusions, and recommendations with the relevant implementing partner and (2) documentation of the results of that review.

The mission issued a policy that requires implementing partners to acknowledge receipt of monitoring or evaluation reports within 2 weeks of transmittal. This policy also codified the current practice of reviewing evaluation reports orally with the implementing partner. These procedures—in conjunction with the additional input to be solicited from implementing partners as part of the mission’s response to evaluation findings and recommendations—met the intent of the recommendation. This recommendation is closed.

5. That USAID/Iraq establish policies and procedures permitting the USAID/Iraq Program Office to initiate monitoring and evaluation activities conducted under MEPP II.

The mission codified the recommended policies and procedures in a new mission order. This recommendation is closed.

6. That USAID/Iraq establish policies and procedures that require implementing partners to submit appropriate monitoring and evaluation plans for acquisition and assistance awards.

The mission developed language to be included in acquisition and assistance awards requiring implementing partners to submit appropriate monitoring and evaluation plans. This recommendation is closed.

Audit of USAID/Iraq’s Management of Its Official Vehicle Fleet (No. E-267-08-003P)

Date: June 24, 2008

Implementing Partner: None

Audit Period: November 21, 2007, to March 5, 2008

Funding: \$25.1 million

Background—Summary of Findings

USAID/Iraq’s Executive Office coordinates and manages all administrative and logistical needs for the mission, including motorpool operations and maintenance. USAID’s records indicate that the mission has had responsibility for 188 official and program vehicles, many of which were armored, with a total acquisition value of approximately \$25.1 million. The audit was designed to determine whether USAID managed its official vehicle fleet in accordance with USAID’s Automated Directives System (ADS).

Although USAID has managed many aspects of its official vehicle fleet in accordance with the ADS, it did not always maintain vehicle records, dispose of excess vehicles, report missing vehicles, use authorized armoring

technicians, train drivers, or equip vehicles with operable security radios in accordance with Agency policy. Commendably, USAID has taken action to dispose of 99 excess vehicles, but it needs to take further action to dispose of up to 64 additional excess vehicles to reach the optimal number justified by its staffing level. The estimated value of the 64 excess vehicles totaled approximately \$2.2 million as of March 5, 2008.

In addition, the audit found that USAID/Iraq needed to:

- Report missing vehicles in Basrah.
- Use authorized technicians to repair ballistic glass.
- Complete required driver training.

Recommendations—Management Decisions

OIG made seven recommendations:

1. That USAID/Iraq implement procedures to maintain vehicle records for all mission-controlled vehicles in accordance with ADS 536.

The controller for USAID/Iraq stated in writing that the mission has been maintaining vehicle records since August 2008; he also provided examples of records now being produced. This recommendation is closed.

2. That USAID/Iraq determine how to use or dispose of excess vehicles, with an estimated value of \$2,179,969, in accordance with applicable policies and procedures.

A management decision was reached on June 24, 2008, that excess vehicles, valued at \$2,179,969, will either be put to better use or disposed of in accordance with applicable policies and procedures. Subsequent to the management decision, USAID/Iraq determined and RIG/Baghdad acknowledged a revised management decision that 76 excess vehicles, valued at \$1,480,648, would either be put to better use or disposed in accordance with applicable policies and procedures. Of these 76 vehicles, 49 were disposed of and the remaining 27 were transferred to provincial reconstruction teams. This recommendation is now closed.

3. That USAID/Iraq establish a procedure to help ensure that dispatch analyses are completed on an annual basis in accordance with ADS 536.

On August 7, 2008, USAID/Iraq issued the recommended procedure to help ensure that the analyses would be completed. The recommendation is now closed.

4. That USAID/Iraq report on the armored vehicles that could not be located in Basrah to the Regional Security Office and the USAID Office of Security, Physical Security Programs Division, in accordance with ADS 563.

On July 30, 2008, USAID/Iraq reported to the USAID SEC/Physical Security Programs Division, and to the Regional Security Office, the vehicles that could not be located. The recommendation is now closed.

5. That USAID/Iraq report on all known mission-controlled armored vehicles that might have damaged ballistic protection to the USAID Office of Security, Physical Security Programs Division, in accordance with ADS 563 and inform that office of all repairs performed on armored vehicles by unauthorized mission personnel, according to volume 12 of the Foreign Affairs Manual section 387.

USAID/Iraq reported the armored vehicles that might have had damaged ballistic protection, and armored vehicles repaired by unauthorized personnel, to the USAID SEC/Physical Security Programs Division on July 28, 2008. This recommendation is now closed.

6. That USAID/Iraq implement procedures so that any future damage to mission-controlled vehicles is reported in accordance with ADS 536 and that damage to armored vehicles is reported to the USAID Office of Security, Physical Security Programs Division, in accordance with ADS 563.

On July 3, 2008, USAID/Iraq's executive officer issued a procedural memorandum to all USAID/Iraq mechanics, drivers, and general service officers, describing the procedures and guidelines for reporting damage to mission armored vehicles. This recommendation is closed.

7. That USAID/Iraq arrange to have its drivers receive the defensive driver and surveillance detection training required by ADS 563 either by enrolling them in the course in the U.S. or exploring the possibility of having them trained in Iraq.

USAID/Iraq devised and implemented a plan to provide drivers defensive and surveillance detection training. This recommendation is closed.

Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund (No. E-267-08-002P)

Date: April 3, 2008

Implementing Partner: CHF International
Agricultural Cooperative Development International
Volunteers in Overseas Cooperative Assistance International Relief
and Development, Inc. (IRD)
Mercy Corps

Audit Period: October 1, 2005, to December 31, 2006

Funding: USAID/Iraq received \$40 million in U.S. appropriations for assisting Iraqi war victims, of which \$15 million has been obligated.

Background—Summary of Findings

The Office of Inspector General in Baghdad conducted this audit to determine whether USAID had complied with provisions contained in public laws to help ensure that funds appropriated for the Marla Ruzicka Iraqi War Victims Fund (the Marla Fund) were used as intended. Although USAID was complying with provisions contained in public laws, we found some areas in which the Agency could increase the positive impact of the Fund.

According to USAID, hundreds of thousands of civilian Iraqis harmed by military operations received assistance through Marla Fund projects that, among other things, rebuilt homes destroyed in the war, restored livelihoods, and provided needed medical treatment. In addition, we found that Marla Fund activities had the unforeseen benefit of winning community support for other USAID programs when entering new communities because of the goodwill generated by the fund.

Nevertheless, we identified a significant inconsistency between USAID/Iraq's management of the Marla Fund in Iraq and the management of a similar USAID-funded program in Afghanistan. Specifically, USAID/Iraq limited Marla Fund assistance to

Iraqi civilian war victims who had suffered harm caused only by U.S. or Coalition Forces, whereas the Afghanistan fund did not have such a limitation. Consequently, Iraqi war victims harmed by other causes, such as insurgent activity, were not eligible to receive Marla Fund assistance.

Moreover, Marla Fund implementing partners did not consistently prioritize funds as intended. Specifically, legislative materials indicated that funds for war victims in Iraq should focus on families of Iraqi civilians harmed during military operations. While three Marla Fund implementing partners provided assistance in accordance with this directive, one partner concentrated its funding principally on community infrastructure projects rather than families of victims. As a result, millions of dollars were used to finance community infrastructure projects in one region of Iraq rather than to assist Iraqi war victims in dire need after suffering personal losses as a result of military operations.

Finally, despite USAID's emphasis on capacity building and sustainability, USAID/Iraq had not developed plans to help ensure that assistance to Iraqi civilians who were innocent

victims of the war in Iraq would be sustained after USAID funding ceased. As a result, Iraq may be ill-prepared to deal with the harm

suffered by Iraqi civilians as a result of the war after U.S. assistance has ended.

Recommendations—Management Decisions

The audit recommended that USAID:

1. Reconsider its practice of limiting Marla Fund beneficiaries to Iraqi civilians who suffered losses caused solely by U.S. and Coalition Forces.

USAID/Iraq concurred with the recommendation and took action to expand eligibility coverage to all Iraqi civilians harmed by military operations, regardless of which side caused the harm. This recommendation is closed.

2. Encourage Marla Fund implementing partners to focus future projects on families in dire need rather than community infrastructure.

USAID/Iraq provided guidance to implementing partners in October 2008 to give preference to individuals and families harmed by military actions. This recommendation is closed.

3. Determine whether funds should be relocated to implementing partners operating in regions in which those funds could be better used.

USAID/Iraq concurred with the recommendation and agreed to insert language into the CAP III annual program statement, which will initially distribute Marla funds on the basis of the intensity of coalition forces military operations. Additional funds will be reserved for later obligation based on possible new areas of need over the course of the program. This recommendation is closed.

4. Develop a plan to address the future sustainability of assistance to civilian Iraqi war victims.

USAID/Iraq concurred with the recommendation and in October 2008 e-mailed implementing partners with a request that they encourage communities and local governments to take up the cause of assistance to victims as a means of reconciliation. Other programs will also help build Iraqi government capacity to provide service delivery similar to the Marla Fund long after dedicated war-victim funding has ended. This recommendation is closed.

Audit of USAID/Iraq's Community Stabilization Program (No. E-267-08-001P)

Date: March 18, 2008

Implementing Partner: Not identified for security reasons

Audit Period: September 13, to December 10, 2007

Funding: 3-year, \$544 million program implemented by a U.S. nonprofit organization that receives funding through a cooperative agreement.

Background—Summary of Findings

Since 2005, the U.S. Government's strategy in Iraq has been to achieve a stable, prosperous, and democratic Iraq by focusing on increased security in conjunction with economic and political development. USAID's contribution to this strategy centered on stabilizing strategic cities, improving local services and local government capacity, and continuing to support Iraqi communities. A major element in USAID's plan to achieve these ambitious tasks is the Community Stabilization Program (CSP), which is overseen by USAID's Focused Stabilization Office. Launched in May 2006, CSP is a 3-year, \$544 million program implemented by a U.S. nonprofit organization that receives funding through a cooperative agreement.

The purpose of the audit was to determine whether the program was achieving its intended results as they relate to community infrastructure and essential services, and to determine whether USAID had designed and

implemented the program to sustain benefits after USAID's involvement had ended. The audit found that Iraq citizens' perceptions of local government effectiveness seemed to have improved. However, auditors could not determine whether the program was achieving an intended result—to help defeat the insurgency by reducing the incentives for participating in it—because they could not rely on one of the major measurements of the program: employment generation.

Auditors also found evidence of potential fraud involving the possible diversion of CSP funds to militia by means of overpriced trash-collection contracts, timesheet irregularities, and possible phantom workers for the community cleanup campaigns. Estimates of the potential fraud could amount to over \$8 million, while indications of similar problems were present in other districts in Baghdad and provinces throughout Iraq.

Recommendations—Management Decisions

The audit report recommended that:

1. USAID/Iraq immediately suspend ongoing Community Stabilization Program projects in the particular district discussed in this report in order to eliminate any additional exposure to fraud and reprogram the unpaid balance. As of November 17, 2007, the unpaid balance for these projects totaled \$8,541,076.

A management decision has been reached on recommendation 1 and final action was taken September 15, 2008. USAID reprogrammed the unpaid balance for the legitimate CSP projects after calculation errors in the reported unpaid balance were corrected and verified. This recommendation is closed.

2. USAID/Iraq review Community Stabilization Program projects in other Baghdad districts and communities in which the program operates to determine whether they should be suspended for the reasons cited in recommendation 1.

USAID fully addressed recommendation 2 and the recommendation was closed on August 12, 2008.

3. USAID/Iraq meet with appropriate officials from the Community Stabilization Program, Provincial Reconstruction Teams, and the United States military to improve coordination and discuss the feasibility of vetting potential Community Stabilization Program contractors through military intelligence databases.

On February 24, 2008, mission management met with appropriate officials and approved a communications protocol to help guide the interactions and relationships among CSP, Provincial Reconstruction Teams (PRTs), and the Focused Stabilization Program Office. The protocol includes guidance that CSP may contact the PRT or military unit for information on local contractors and may request support for background checks and other information on contractors and/or program participants. A management decision was made on June 30, 2008, and final action took place on August 12, 2008. This recommendation is closed.

4. USAID/Iraq take steps to increase its monitoring of Community Stabilization Program projects, with special emphasis on preventing and detecting fraud by obtaining reasonable assurance that the number of workers paid corresponds to the number that actually worked.

Mission management will ensure that CSP's implementing partner has adequate and effective written quality-control procedures in place to ensure that the number of workers paid corresponds to the number that actually worked. A management decision was reached on March 18, 2008, and final action was taken on June 20, 2008. This recommendation is closed.

5. USAID/Iraq's Focused Stabilization Program Office establish policies and procedures reminding Focused Stabilization Program Office employees of their responsibility to promptly report any allegations of fraud and abuse to the Office of Inspector General.

Focused Stabilization Program Office employees were informed of their responsibilities with regard to reporting possible fraud, and on January 14, 2008, OIG representatives gave a fraud awareness

presentation to senior CSP field staff at their quarterly conference. The Focused Stabilization Program Office will invite OIG to give similar presentations at future conferences. This recommendation is closed.

6. USAID/Iraq's Focused Stabilization Program Office have Office of Inspector General investigators provide a fraud awareness briefing to Community Stabilization Program implementing partner officials.

Focused Stabilization Program Office employees were informed of their responsibilities with regard to reporting possible fraud, and on January 14, 2008, the OIG gave a fraud awareness presentation to senior CSP field staff at their quarterly conference. The Focused Stabilization Program Office will invite the OIG to give similar presentations at future conferences. This recommendation is closed.

7. USAID/Iraq conduct a data quality assessment that specifically focuses on the job creation data being reported by the Community Stabilization Program implementing partner and take appropriate action based on the results of that assessment.

Mission management reached management decision and took final action on this recommendation on August 20, 2008. This recommendation is closed.

8. USAID/Iraq's Focused Stabilization Program Office work with the Community Stabilization Program implementing partner to reconcile the employment data reported in its monitoring and evaluation database with the employment data reported in its quarterly progress report.

USAID and its partner began revising the CSP monitoring and evaluation plan on June 30, 2008, and reconciled employment data. Final action was completed on August 28, 2008.

9. USAID/Iraq determine the allowability and collect as appropriate the \$39,821 in questioned ineligible costs billed by the Community Stabilization Program's implementing partner under Cooperative Agreement No. 267-A-00-06-00503-00, for the specific projects included in the finding.

In May 2008, management made a determination that \$5,140 of the questioned costs was not allowable. Final action was taken on August 28, 2008.

10. USAID/Iraq's Focused Stabilization Program Office work with the Community Stabilization Program implementing partner to recalculate all prior baseline and follow-up surveys to accurately reflect the changes in survey methodology noted above.

On August 10, 2008, the implementing entity submitted and USAID accepted the recalculated baseline and follow-up survey data. The recommendation is now closed.

11. USAID/Iraq's Focused Stabilization Program Office work with the Community Stabilization Program implementing partner to amend the monitoring and evaluation plan to incorporate the changes in survey methodology noted above.

This recommendation is closed. On August 13, 2008, USAID approved the revised CSP monitoring and evaluation plan that incorporates changes in survey methodology, as recommended.

12. USAID/Iraq's Focused Stabilization Program Office establish policies and procedures to formally document and track the status of recommendations made by the monitoring and evaluation contractor.

In October 2007, the Focused Stabilization Program Office established policies and procedures to follow up on external monitoring reports. This recommendation is now closed.

13. USAID/Iraq's Focused Stabilization Program Office reassess the performance indicators in its monitoring and evaluation plan to more closely link outputs to results, and to document the reasons for its determination.

Mission management agreed to continue to reassess its CSP performance indicators. This recommendation is closed.

14. USAID/Iraq's Focused Stabilization Program Office request the Community Stabilization Program implementing partner to instruct its program office directors to more consistently follow the established branding policy.

In September 2007, the Focused Stabilization Program Office and its implementing partner agreed that reasonable efforts should be made to ensure that activities are attributed to the appropriate Government of Iraq entity. A management decision was made on this recommendation on June 8, 2008, and final action took place on June 20, 2008. The recommendation is closed.

Performance Audits

Fiscal Year 2007

Audit of USAID/Iraq's Participation in Provincial Reconstruction Teams in Iraq (No. E-267-07-008P)

Date:	September 27, 2007
Implementing Partners:	Departments of State, Justice, and Agriculture U.S. Army Corps of Engineers Multinational Force—Iraq Other Coalition members
Audit Period:	February through May 2007
Funding:	No direct USAID funding is provided to provincial reconstruction teams.

Background—Summary of Findings

The primary means of interaction between the U.S. Government and Iraqi provincial governments are the provincial reconstruction teams (PRTs), which are a joint civil and military effort. The PRTs assist Iraqi provincial governments in developing a transparent and sustained capacity to meet the basic needs of the population.

The audit showed that the PRTs benefited from USAID's participation and, in most cases, that USAID/Iraq had well-established programs on the ground. The PRTs were able to use the work of USAID/Iraq's implementing partners as a tool in meeting with provincial councils.

However, the audit also found that USAID/Iraq lacked procedures to ensure coordination between the PRT representatives and the USAID cognizant technical officers (sector specialists responsible for managing the implementing partners). Some coordination took place between the USAID PRT representatives and the USAID sector specialists in Baghdad, but it was not sufficient. PRTs were not being consulted regarding the design and implementation of the activities in their areas, and sometimes they were not aware of USAID activities in the areas.

Recommendations—Management Decisions

The audit made the following two recommendations: (1) that USAID adopt procedures to ensure that its cognizant technical officers (CTOs) in Iraq use its PRT representatives for program site visits and (2) that USAID review the implementation of its new procedures and evaluate the coordination between its technical officers and PRT representatives within 90 days of the issuance of this report. Management decisions have been made on both recommendations.

USAID management indicated that mission CTOs from each of its programs met with PRT representatives on September 16, 2007, in Baghdad. All present agreed that field visits were taking place, but the formal documentation was lacking. Mission management prepared and presented to the PRT representatives a site visit form on which to document visits, including useful feedback for CTOs. Further, CTOs and field officers discussed and determined a protocol for CTOs to either make site visits themselves or recommend that a PRT representative make a site visit. The mission noted in its response that site visits would continue to be limited because of security issues and shared “movement resources” in the field.

These recommendations are now closed.

Audit of USAID/Iraq's Local Governance Activities (No. E-267-07-007P)

Date: July 31, 2007

Implementing Partner: Research Triangle Institute International

Audit Period: October 1, 2005, to December 31, 2006

Funding: As of December 31, 2006, USAID had obligated \$175.4 million and disbursed \$61 million.

Background—Summary of Findings

This second local governance activities program was designed to reinforce gains made in the first program. The contractor was to carry out the following services: (1) promote policy reform in support of local governance, (2) support clarification of roles and responsibilities of different levels of government, (3) promote increased efficiency of local service delivery, and (4) assist in the development of regularized mechanisms of citizen participation in the government decision-making process.

The audit found that the local governance activities did not have intended outcomes or baselines to measure progress because USAID failed to enforce contract requirements that the contractor submit for approval quarterly implementation plans detailing intended outputs or a performance management plan. The audit also found that USAID failed to perform the required contractor performance evaluations.

Recommendations—Management Decisions

OIG recommended that USAID:

1. Require that the contractor submit the current quarterly implementation plan within 30 days from the issuance of this report, and if this plan is not submitted, that the contracting officer determine whether this contract should be terminated for default.
2. Establish a procedure to ensure that all future quarterly implementation plans are submitted as required.
3. Conduct an evaluation of the contractor's performance within 30 days from the issuance of this report.

USAID concurred with the recommendations. Mission management stated that the contractor is regularly providing quarterly implementation plans, and the cognizant technical officer developed a calendar of deliverables that both the mission and the contractor share. Also, USAID conducted the evaluation as recommended. Final action had been implemented on these recommendations as of March 31, 2008.

Audit of the Office of Foreign Disaster Assistance Program in Iraq (No. E-267-07-006P)

Date: July 11, 2007

Implementing Partners: Various

Audit Period: October 1, 2004, through September 30, 2006

Funding: During the period covered by the audit, the Office of Foreign Disaster Assistance had obligated \$77.5 million and expended \$61.8 million for activities in Iraq.

Background—Summary of Findings

For the 4 years ending September 2006, the USAID Office of Foreign Disaster Assistance (OFDA) provided \$190.7 million in humanitarian assistance to internally displaced persons and other vulnerable populations. Assistance included water and sanitation, health, livelihood support, and emergency relief commodities. The majority of activities achieved their intended outputs. Of the 61 activities initiated during the audit period, 38 (62 percent) achieved their intended outputs, 22 (36 percent) lacked sufficient supporting documentation to determine whether intended outputs had been achieved, and 1 (2 percent) did not fully achieve the intended output. Activities that

achieved intended outputs included the provision of water, shelter, and sanitation and the distribution of nonfood items, such as blankets, plastic sheeting, and stoves. The digging of wells was the one activity that did not achieve its intended output.

OIG determined that OFDA did not designate cognizant technical officers (CTOs) properly. CTOs are required to maintain contact with recipients and ensure compliance with the terms and conditions of the agreements. Although the office named CTOs in the original award agreements, the agreements were not modified to reflect changes in the designated officers.

Recommendations—Management Decisions

OIG made two recommendations:

1. Develop and implement a system to ensure that performance data provided by its implementing partners is supported by readily available documentation.

OFDA developed a projects monitoring database, which ensures constant communications between OFDA/Iraq and its implementing partners. Since the establishment of the projects monitoring database, OFDA's implementing partners report regularly using standard tracking formats, which cover all active sectors. Security obstacles, however, remain. This recommendation is closed.

2. Issue designation letters for CTOs and modify its cooperative agreements and grants to incorporate language allowing the officers to be designated separately for the cooperative agreements and grants.

OFDA developed and implemented the use of the CTO designation letters for all active OFDA/Iraq agreements. In addition, OFDA modified each active agreement to incorporate the CTO designated for each activity. This recommendation is closed.

**Audit of USAID/Iraq’s Activity Planning and Its Process Under
Section 2207 of Public Law 108–106
(No. E-267-07-005P)**

Date: June 6, 2007

Implementing Partner: The Regional Inspector General in Baghdad

Audit Period: September 4 through December 18, 2006

Funding: During fiscal years 2004, 2005, and 2006, USAID/Iraq obligated and disbursed approximately \$3 billion in IRRF II funds.

Background—Summary of Findings

On November 6, 2003, Congress approved Public Law 108–106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, which provided funding for the Iraq Relief and Reconstruction Fund II (IRRF II). Section 2207 of this law requires the Director of the Office of Management and Budget to submit to the House and Senate Committees on Appropriations a report on the proposed uses of all funds under IRRF II. During fiscal years 2004, 2005, and 2006, USAID/Iraq obligated and disbursed approximately \$3 billion in IRRF II funds. The section 2207 report is prepared quarterly and covers the use of all appropriated funds under IRRF II on a project-by-project basis. The report also covers the proposed use of anticipated obligations for the quarter following the report. The law further requires that this report be updated and submitted quarterly to the House and Senate Committees on Appropriations.

The Inspector General’s Office in Baghdad conducted an audit to determine whether USAID had planned and reported on selected activities in accordance with applicable guidance.

The audit found that USAID had followed applicable guidance when planning and

reporting on selected activities. USAID followed its Automated Directives System’s 12 preobligation requirements when planning its activities and completed the 5 required steps for activity planning. For example, USAID ensured that (1) there was an illustrative budget for the activity, providing a reasonably firm estimate of the cost to the U.S. Government, and (2) there was a plan for monitoring the performance of the activity. USAID also ensured that it had a procurement plan and an activity approval document and that the activity was formally approved.

USAID reported quarterly on its activities that are funded under the Iraq Relief and Reconstruction Fund II to the Iraq Reconstruction Management Office (IRMO). Quarterly reporting of project expenditures is a requirement of section 2207 of Public Law 108–106, the Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004, but section 2207 does not define what a project is. USAID defines a project, for the purpose of section 2207, as all subsectors covered by an obligating instrument. IRMO defines a project as any activity covering one subsector.

Recommendations—Management Decisions

Although IRMO was aware that USAID used a definition of a project different from IRMO's when preparing its quarterly report, IRMO accepted USAID's section 2207 quarterly reports. Therefore, OIG did not make a recommendation.

Audit of USAID/Iraq's Telecommunications Activities (No. E-267-07-004P)

Date: May 3, 2007

Implementing Partner: Bechtel National, Inc.

Audit Period: January 2005 through June 2006

Funding: \$46.1 million disbursed (31.1 million direct funding and \$15 million in distributable costs)

Background—Summary of Findings

USAID was tasked by the Iraq Reconstruction Management Office (IRMO) to participate in this project to construct a functioning consolidated fiber network for the Government of Iraq. The project, which involved multiple partners, was intended to provide fiber optic material and construction equipment, employ 1,000 citizens, and improve the data and voice transmission network to provide future benefits to approximately 10 million Iraqi people.

The audit found that, even though USAID had provided equipment, employed some Iraqis, and expanded some of Iraq's

telecommunications facilities, the \$46.1 million project had yet to benefit the millions of Iraqis as intended. Although Bechtel completed its work on June 30, 2006, the project had not achieved all intended results because the United Nations Development Program and the Ministry of Electricity had not completed their portions. OIG believes that the Iraqis may not receive the full benefit of a consolidated fiber network because the effort lacked someone to oversee and coordinate the project. Also, the Iraqi Ministry of Electricity, one of the participants and a beneficiary of the project, disagreed with it from the outset.

Recommendations—Management Decisions

The audit recommended that USAID in Iraq work with IRMO and the Ministry of Electricity to develop a plan to allow the full impact of the project to be realized by installing necessary equipment and making it operational. It further recommended that USAID develop a system to ensure that preliminary planning for future construction or rehabilitation projects include obtaining a written agreement from key partners regarding essential responsibilities.

USAID disagreed with the two audit recommendations but said that it has continued to work with IRMO (now ITAO) and other key participants to collectively identify and remove constraints and assist in developing a plan so that the full impact of the network can be realized. Specifically, USAID reported that it had deobligated and transferred \$22.4 million to IRMO in contract funds that supported the network and that IRMO had transferred some of those funds to the U.S. Army Corps of Engineers for the sustainability of the network. This recommendation is closed.

Followup Audit of USAID/Iraq's Education Activities (No. E-267-07-003P)

Date: February 4, 2007

Implementing Partner: Creative Associates, International

Audit Period: July 1, 2004, through September 30, 2006

Funding: As of June 30, 2006, cumulative obligations totaled about \$52 million while disbursements were about \$49 million.

Background—Summary of Findings

The Support to Iraqi Basic Education Program works closely with the Ministry of Education and local Directors General of Education throughout Iraq. The program seeks to build the capacity and increase the quality of the country's educational system.

A 2005 audit on education activities examined the basic education activities implemented by Creative Associates to determine whether they had progressed toward their 82 intended outputs. The audit found that basic education activities had progressed toward 33 of the planned 82 outputs (40 percent). Work had not started on 22 outputs (27 percent) and the remaining 27 (33 percent) were deleted from the plan because of a lack of funding, which resulted from security costs' almost doubling and the Iraq Reconstruction Management Office's reprogramming much of the funds originally planned for this project. The audit noted that the Ministry of Education did not have appropriate computer equipment to operate an educational management information system being developed by Creative Associates. OIG recommended that

USAID/Iraq develop a plan to ensure that the Ministry of Education gets the necessary computer equipment to operate the education management information system being developed by USAID's implementing partner. USAID addressed the recommendation by identifying the needed hardware and developing an implementation plan. The recommendation was closed by the time the audit report was issued.

This 2007 audit found that 7 out of 16 selected intended outputs (44 percent) were achieved and had appropriate documentation to support the achievements. The status of two outputs (12 percent) could not be determined because of the lack of supporting documentation. The remaining seven intended outputs (44 percent) were not achieved. In addition, the audit found that the actions taken to address the recommendation from the previous audit were not satisfactory. The computer equipment needed to be installed, and the education management information system needed to be operational.

Recommendations—Management Decisions

OIG recommended that the mission coordinate with its implementing partner to ensure that the servers are installed and the education management information system is operational.

USAID/Iraq verified through a review of documentation that the servers were delivered and installed. For the EMIS, IRMO (now ITAO) took over and issued a contract to Primus to continue work on the system. Therefore, USAID no longer has management oversight responsibility for the EMIS. This recommendation is closed.

Followup Audit of USAID/Agricultural Reconstruction and Development Program (No. E-267-07-002P)

Date: January 22, 2007

Implementing Partner: Development Alternatives, Inc.
(DAI) (RAN-COO-04-00002)

Audit Period: October 2003 through August 2006

Funding: As of June 30, 2006, DAI's contract obligations totaled \$101 million, of which \$80 million had been disbursed. As of January 31, 2007, \$101 million had been obligated and disbursed.

Background—Summary of Findings

In October 2003, USAID initiated a comprehensive national plan to revitalize the agriculture sector. The program was to run through December 2006. The program sought to significantly increase production levels and incomes and to strengthen the private sector in crop production, livestock, high-value agriculture, soil and water resource management, government-to-market transition, and marshland rehabilitation.

Of the 29 agricultural activities selected for review, 16 (55 percent) achieved their intended outputs, 12 (41 percent) were on schedule for doing so, and one was likely not to achieve its intended outputs. The 29 program activities reviewed included at least 1 activity from each of the 6 program areas—

crop production, livestock, high-value agriculture, soil and water resource management, government-to-market transition, and marshland rehabilitation. Significant activities that reached intended outputs included the procurement of seed-cleaning equipment and support for date palm infrastructure.

Operational requirements were given priority, and administrative requirements were not always accomplished. As a result, USAID/Iraq did not properly administer its contract with DAI with regard to payment vouchers, documentation of key events, and annual evaluations of contractor performance reporting.

Recommendations—Management Decisions

OIG recommended that the USAID/Iraq Office of Acquisition and Assistance verify that cognizant technical officers (CTOs) are documenting significant events and key decisions impacting on the design and monitoring of activities.

On July 15, 2007, USAID/Iraq developed and issued a management plan that, among other things, requires CTOs and all other program staff members to maintain electronic copies of all significant technical documents or written communications. The plan also requires the contracting officer's designee to conduct periodic verification checks for compliance with the management plan. Subsequently, the contracting officer conducted a verification check and found that program documentation in place at the Economic Growth and Agriculture Office is in compliance with the mission's management plan. Final action is complete.

Audit of USAID/Iraq's Civil Society Activities (E-267-07-001-P)

Date: November 5, 2006

Implementing Partner: America's Development Foundation (ADF),
GEW-C-00-04-00001

Audit Period: August 2004 through March 2006

Funding: At the time of audit (March 2006) obligations totaled \$43 million and disbursements totaled \$32 million, and as of January 2007, obligations totaled \$61 million and disbursements \$46 million.

Background—Summary of Findings

USAID/Iraq's civil society activities focused on fostering growth and development of civil society organizations in the areas of civic education, women's advocacy, anticorruption, and human rights. ADF established four civil society resource centers, implemented a small-grants program, and worked to develop a professional independent media sector in Iraq.

The audit found that USAID/Iraq's civil society activities implemented by ADF met 17 intended outputs out of 35 (49 percent), while ADF reported not meeting 8 (23 percent). Auditors were not able to determine the status of 10 (28 percent) because of a lack

of documentation and nonspecific reported outputs. ADF's performance monitoring plan was not complete or achievable. The plan did not have intended outputs listed for all indicators, and there were security issues that caused delays in the implementation of the program. For instance, ADF did not report an output for an indicator involving the adaptation, development, and validation of human rights training modules. Regarding security, ADF and partner staff were kidnapped, a partner office was bombed, and there was an attempted bombing at the ADF headquarters in Baghdad. Given the security issues, some of the performance-monitoring plan indicators were not achievable.

Recommendations—Management Decisions

OIG recommended that (1) USAID/Iraq review each indicator in ADF's performance monitoring plan for its civil society activities to provide reasonable assurance that each indicator has a measurable intended output and that the intended outputs are achievable in the timeframe specified in the plan and (2) USAID/Iraq develop procedures for its civil society activities to provide reasonable assurance that specific and accurate outputs are reported for each intended output and that adequate supporting documentation is maintained to substantiate the reported outputs.

Management decisions and final action were taken on both recommendations by the time the audit report was issued.

Mission management reviewed the indicators and proposed outputs. In addition, a schedule was created for regular reviews of the performance monitoring plan through the end of the contract.

USAID/Iraq developed a schedule for the review of its performance monitoring reports through the end of the contract. Both recommendations are considered closed.

Performance Audits

Fiscal Year 2006

Audit of USAID Transition Initiatives in Iraq (E-267-06-004-P)

Date:	August 16, 2006
Implementing Partner:	Development Alternatives, Inc.
Audit Period:	January 2003 to December 2005
Funding:	\$390 million had been obligated and \$338 million (87 percent) disbursed as of December 31, 2005.

Background—Summary of Findings

USAID's Office of Transition Initiatives (OTI) played the role of "gap-filler" in Iraq by providing fast-paced assistance to meet critical needs that other U.S. Government agencies could not provide. USAID concentrated on meeting immediate needs that fell within its mandate, which included providing short-term employment, restoring basic government and community services, increasing Iraqi access to information and communication, preventing violence and protecting human rights, and increasing Iraqi participation in social, political, and economic life.

The audit was not able to determine whether the transition initiatives program in Iraq had achieved its intended outputs because of security restrictions that limited the number of site visits auditors could make and because OTI and its implementing partner did not maintain sufficient documentation to verify activities.

The audit found that a projected \$146 million in grants did not have supporting documentation to verify the achievement of intended outputs, and a projected \$294 million in grants did not have sufficient documentation of monitoring. However, for the site visits and interviews the auditors were able to perform for 32 selected activities, intended outputs were met for 31 activities. Outputs consisted of a wide range of activities such as repairing roads, providing equipment to schools, providing local employment opportunities, and providing equipment to ministries.

The audit also found that a lack of coordination caused duplication of efforts. The Office of Transition Initiatives in Iraq coordinated with the U.S. military and had previously coordinated with other USAID offices in Iraq. However, the audit found that during the past year, the Office of Transition Initiatives did not coordinate with other USAID offices sufficiently.

Recommendations—Management Decisions

The OTI program in Iraq had ended by the time the audit report was issued, so no recommendations were made.

Audit of USAID/Iraq's Local Governance Activities (E-267-06-003-P)

Date: July 10, 2006

Implementing Partner: Research Triangle Institute International

Audit Period: March 2003 through May 2005

Funding: \$242 million was obligated at the time of the audit (January 2006). Disbursements in January 2006 totaled \$240 million (99 percent).

Background—Summary of Findings

During its first year, the local governance program focused on restoring basic services, developing transparent and accountable local governments, and strengthening civil society organizations. During the second year, the program focused on facilitating Iraq's transition to a sovereign state. OIG could not determine whether the local governance activities had achieved their intended outputs because USAID had not required Research Triangle Institute (RTI) International to submit all reporting and monitoring documents specified in the contract. Furthermore, USAID did not properly approve all rapid-response grants, prepare

contractor performance evaluations, or review payment vouchers submitted by RTI.

Reported accomplishments not verified by the audit included (1) forming or strengthening approximately 745 councils at various levels of government and within communities, (2) training more than 20,000 council members, (3) rehabilitating schools, health clinics, city office buildings, and community centers, and (4) conducting more than 20,000 civic program events for 750,000 Iraqi citizens covering elections, human rights, and democracy.

Recommendations—Management Decisions

OIG recommended that USAID:

1. Require RTI to submit quarterly work plans that include intended outputs and associated milestones.
2. Require RTI to submit semiannual performance monitoring reports in accordance with contract requirements and that the performance measurement plan be revised when program objectives are changed.
3. Establish procedures to ensure that grants issued under contracts are approved by authorized USAID personnel.
4. Adopt procedures to ensure that contractor performance evaluations are prepared as required by the Federal Acquisition Regulation and USAID's Automated Directives System.

5. Establish procedures to ensure contractor and grantee vouchers are reviewed for accuracy and reasonableness in comparison to the work performed.

Final action has been taken on all five recommendations. Details surrounding the actions taken by USAID are below.

Mission management modified the contract to require (1) quarterly implementation plans that include an activity-based budget for each of the significant activities designated in the contract; and (2) quarterly activity reports from the contractor that include a report of expenditures, by activity, as compared to the activity-based budget. In February 2006, USAID sent RTI a letter reminding the contractor that its work plans are to be submitted quarterly and should include intended outputs and associated milestones based on USAID requirements and those of the PRTs.

Mission management modified the contract to require the contractor to submit semiannual performance monitoring reports on December 10 and June 10 of each year and added language that would allow revisions to the performance measurement plan as necessary. Further, USAID/Iraq required RTI to participate in the mission-sponsored weeklong performance monitoring program workshop in May 2006 to provide them with input in the development of the performance monitoring program.

Mission management modified the contract to the effect that all grants exceeding \$250,000 and any amendments to existing grants shall be approved by the administrative contracting officer (ACO). Further, the contractor's grants manual will be approved by the ACO and incorporated by reference into the contract. Mission management also stated that no funds will be transferred from the contractor account to host government or state-owned enterprises under LGP II program. However, the mission's response did not address the approval of grants under contracts when the grants are less than \$250,000. According to ADS 302.3.5.6, the actual selection of grant recipients under contracts must be approved by USAID; this requirement is not limited to grants exceeding \$250,000.

USAID/Iraq's Office of Acquisition and Assistance (OAA) has requested and the Executive Office has agreed to revise the end-of-assignment checkout list to add a section on contractor performance evaluations, which has to be signed off by the OAA as a means to ensure compliance in this area. In addition, to correct the deficiency, the mission has prepared the contractor performance report for the period May 2005 to May 2006.

Mission management stated that (1) it would not be necessary to establish mission-specific procedures, given that cost principles of the Federal Acquisition Regulation, part 31.2, already apply to the contract, (2) the contract had been modified to require a SF-1034, detailing items billed as direct costs during the report period (prior to this modification, the contractor used the SF-269 to obtain funds through a letter of credit arrangement rather than on a reimbursement basis), and (3) the contractor has been providing financial statements since the modification. The mission provided documentation demonstrating that submitted vouchers were being reviewed.

Audit of USAID/Iraq's Nonexpendable Property (E-267-06-002-P)

Date: February 16, 2006

Implementing Partner: N/A

Audit Period: July 27, 2003, to September 30, 2005

Funding: Not applicable

Background—Summary of Findings

USAID/Iraq was established on July 27, 2003, to manage USAID's reconstruction and humanitarian relief assistance. In order to operate in the country, the mission constructed extensive facilities consisting of an office building, housing for personnel, and a warehouse. USAID also supported regional offices in Hillah, Basrah, and Erbil.

USAID/Iraq operated in an unusual environment, with a large turnover of staff, including three executive officers in the first year of operation. The mission also experienced a staff shortage, which resulted in contracting with the International Resources Group (IRG) for 1 year, effective in May 2003, for procurement and management of nonexpendable property.

After the IRG contract ended in June 2004, USAID/Iraq's Executive Office took over direct responsibility for the procurement, maintenance, management, and accountability of expendable and

nonexpendable property. Property management consisted of purchasing, receiving, inventorying, warehousing, issuing, and disposing of expendable and nonexpendable office and residential property in accordance with USAID and Federal regulations and policies.

The audit found that USAID/Iraq property, valued at \$23.5 million in its nonexpendable property database, was not managed in accordance with USAID guidance. Of this amount, auditors could not verify that a projected \$21.3 million was correctly valued, because amounts were not supported by documentation. Additionally, auditors could not verify the existence of a projected \$2.9 million in nonexpendable property. Furthermore, mission vehicles valued at \$2.3 million were not properly safeguarded, and questions of ownership existed regarding nonexpendable property shared with another U.S. Government agency.

Recommendations—Management Decisions

The audit determined that USAID/Iraq cannot use its current database to effectively manage nonexpendable property, which increases the potential for fraud, waste, and abuse. In order to correct the database and to prevent inaccuracies from occurring in the future, auditors made the following recommendations:

1. That USAID/Iraq perform a full inventory of all USAID/Iraq locations, tagging and recording each nonexpendable property item, to create a complete database.

2. That USAID/Iraq perform a detailed reconciliation between the database as of October 31, 2005, and the new database to be created in order to account for the identified exceptions.
3. That USAID/Iraq develop mission-specific written policies and procedures for its management of nonexpendable property.
4. That USAID/Iraq provide training to employees responsible for the management of its nonexpendable property.
5. That USAID/Iraq conduct a review to determine the status of the missing vehicles and refer the matter for investigation if appropriate.

Vehicles are often left unlocked so that personnel can easily enter the vehicle and start the engine to keep the battery from failing. Leaving the cars unlocked and failing to keep every key for the motor pool fleet in a secure location significantly increased the risk of theft or unauthorized use of a vehicle. Auditors therefore made the following recommendation:

6. That USAID/Iraq adopt policies and procedures directing mission personnel to keep all unattended vehicles locked and to store unused keys in a secure location.

Until the ownership of all property under USAID/Iraq's control is verified and the assets are properly tagged, the mission cannot ensure that it maintains control over its nonexpendable property. To address this problem, auditors made the following recommendation:

7. We recommend that USAID/Iraq verify the ownership of commingled property and remove its property tags from all nonexpendable property that it does not own.

Management decisions were reached on all seven recommendations by the time the audit was completed. Actions taken by the mission are discussed below. Final action has been taken on all recommendations.

As of March 20, 2006, USAID/Iraq completed a full inventory of all USAID/Iraq locations, tagging and recording each expendable property item to create a database.

USAID/Iraq's property management supervisor has created and implemented a new database. The catalog table was transferred to the new database and the validated inventory was migrated into the new database.

In October 2005, USAID/Iraq issued mission order MO-05-534-017 regarding the delegation of authority for property management and control of USAID/Iraq mission property. In addition to the new mission order, written mission-specific policies and procedures regarding nonexpendable property management, residential furnishings, and the inventory systems have been established.

Training was provided to local staff involved in the management of nonexpendable property. Future training has also been developed and will be provided to the employees throughout 2006.

USAID/Iraq located the missing vehicles in Kuwait, where they were awaiting repairs. On February 7, 2006, USAID/Iraq issued mission order 06-536-006, which sets forth the mission policies and procedures for USAID/Iraq motor pool operations.

As of March 20, 2006, USAID/Iraq completed a full inventory of all USAID/Iraq locations, tagging and recording each expendable property item to create a database. This inventory verified the property owned by USAID only. Commingled property in the field offices no longer exists.

Audit of USAID/Iraq's Basic Education Activities (E-267-06-001-P)

Date: December 20, 2005

Implementing Partner: Creative Associates International, Inc.

Audit Period: July 1, 2004, through July 31, 2005

Funding: This second contract for \$56.5 million was from July 1, 2004, to June 30, 2006; as of July 31, 2005, \$51.8 million had been obligated with \$15.5 million disbursed.

Background—Summary of Findings

The Support to Iraqi Basic Education Program works closely with the Ministry of Education and local Directors General of Education throughout Iraq. The program seeks to build the capacity and increase the quality of the country's educational system.

The audit looked at the basic education activities implemented by Creative Associates to determine whether they had progressed toward their 82 intended outputs. The audit found that basic education activities had progressed toward 33 of the 82 planned outputs (40 percent). Work had not started

on 22 outputs (27 percent), and the remaining 27 (33 percent) were deleted from the plan because of lack of funding, which resulted from security costs' almost doubling and the Iraq Reconstruction Management Office's reprogramming much of the funds originally planned for this project.

The audit report noted that the Ministry of Education did not have appropriate computer equipment to operate an educational management information system being developed by Creative Associates.

Recommendations—Management Decisions

OIG recommended that USAID/Iraq develop a plan to ensure that the Ministry of Education gets the necessary computer equipment required to operate the education management information system being developed by USAID's implementing partner.

USAID addressed the recommendation by identifying the needed hardware and developing an implementation plan. The recommendation was closed by the time the audit report was issued.

Audit of the Accuracy of Biographical Datasheets Provided by International Resources Group to USAID for Contracts in Iraq (9-267-06-001-P)

Date: November 6, 2005

Implementing Partner: International Resources Group (IRG)

Audit Period: February 5, 2003, to December 31, 2004

Funding: The combined cumulative value of contracts is \$57,993,046.

Background—Summary of Findings

On May 1, 2003, President Bush announced that major combat operations in Iraq had ended. At the same time, USAID deployed a number of technical staff to prepare for immediate reconstruction requirements. The USAID Mission in Iraq implements programs supporting four objectives: (1) restoring essential infrastructure; (2) supporting essential education, health, and social services; (3) expanding economic opportunity; and (4) improving government efficiency and accountability. These activities include reconstruction and rehabilitation of ports, roads, bridges, airports, communications networks, water systems, sewage systems, sanitation systems, housing and community facilities, schools, hospitals and clinics, and electricity generation, transmission, and distribution. They also provide clean water and health services for Iraqis affected by disaster.

USAID had two contracts with International Resources Group (IRG) to provide experienced personnel in helping USAID to manage reconstruction and rehabilitation activities in Iraq. IRG, established in 1978, is a for-profit, international professional services firm that helps governments, the private sector, communities, and households manage critical resources to build a cleaner, safer, and more prosperous world. In addition to providing general management and institutional strengthening services to public and private sector clients in the United States and around the world, IRG provides professional services through contracts to USAID.

This audit was conducted in response to OIG concerns that inaccuracies on IRG's biographical data sheets may be a systemic and widespread problem.

Recommendations—Management Decisions

No significant discrepancies were noted on the biographical data-sheet information that was tested during the audit. Additionally, the audit noted that IRG ensured this accuracy by verifying information—such as education, salary, and citizenship—shown on the form. In consideration of the results of this audit, no recommendations were made.

Performance Audits

Fiscal Year 2005

Audit of USAID/Iraq's Cash Control Procedures (E-267-05-005-P)

Date:	September 27, 2005
Implementing Partner:	N/A
Audit Period:	January 1 to May 31, 2005, with unannounced cash counts on July 11, 2005, and August 24, 2005
Funding:	Not applicable

Background—Summary of Findings

U.S. Department of State officials and U.S. disbursing officers may create imprest funds, also called petty cash funds that cashiers operate in order to pay small, routine operating expenses. Cashiers are officers or employees of the Federal Government who are authorized to disburse cash or carry out other cash operations.

As of July 2005, USAID/Iraq was operating a \$350,000 imprest fund. USAID/Iraq's cashier was authorized to disburse cash for a variety of reasons, including petty cash, procurement, payroll, travel-related reimbursements, and travel advances. The mission also used its imprest fund to establish small petty cash funds—ranging from \$500 to \$2,000—at its regional offices in Erbil, Hillah, and Basrah.

This audit was conducted to determine whether the mission (1) managed its cashiering operations in accordance with

established regulations, policies, and procedures and (2) properly calculated and disbursed cash payroll payments to its Foreign Service National workforce in accordance with established regulations, policies, and procedures.

USAID/Iraq properly managed its cashiering operations, and it properly calculated and disbursed its Foreign Service National cash payroll payments. However, auditors noted that the mission did not require its regional representatives to sign a form to confirm that they had received the petty cash funds sent to them. This unnecessarily exposed the mission, and the staff responsible for transporting and receiving the cash, to the risk that someone could misappropriate the funds and deny having any responsibility for them because of the uncertainty surrounding when accountability for the cash was transferred.

Recommendations—Management Decisions

Auditors made one recommendation for USAID/Iraq to finalize and implement its draft policy requiring regional offices to accept, in writing, petty cash funds delivered to them by the mission's cashier's office. The mission agreed with the recommendation and final action was taken by the time the audit report was issued.

Mission management finalized a new policy, "Petty Cash Administrator's Handbook," which explains the normal operating cycle of petty cash and the use of the emergency salary advance. Incorporated in the new policy is the requirement that the regional office director must sign for the receipt of funds. Additionally, the original signed copy for the receipt of funds must be returned to the mission's cashier.

Audit of USAID/Iraq's Water and Sanitation Rehabilitation Activities (No. E-267-05-004-P)

Date: June 30, 2005

Implementing Partner: Bechtel National, Inc.
Parsons Infrastructure & Technology Group
Army Corp of Engineers

Audit Period: April 17, 2003, through January 31, 2005

Funding: As of January 31, 2005, about \$2.4 billion had been obligated and \$1 billion disbursed.

Background—Summary of Findings

Under the Iraq Infrastructure Reconstruction Program, USAID issued two contracts to Bechtel. The first contract included repair of power generation facilities, electrical grids, and water and sanitation. Regarding water and sanitation, Bechtel was to rehabilitate, repair, and reconstruct water treatment plants, distribution systems, pump stations, wastewater collection systems and treatment plants, and solid-waste collection equipment and disposal facilities.

The audit answered two questions: (1) Were water and sanitation projects achieving their intended outputs, and (2) was USAID addressing institutional capacity-building in its projects to rebuild and rehabilitate Iraq's water and sanitation sector infrastructure? The audit determined that the projects were achieving their intended outputs with some

exceptions. Of the 34 projects reviewed, 30 achieved, or were achieving, their intended outputs (88 percent). All four projects (12 percent) not achieving intended outputs encountered performance problems because they were located in areas that were deemed "nonpermissive" because of precarious security conditions. Some of the four projects were hampered by the lack of cooperation from the local government, who would not provide safe access during implementation.

The audit also found that USAID was addressing capacity building by providing training and operational manuals and by taking steps to institute operations and maintenance support and training at the plant level in order to preserve the U.S. Government's investment.

Recommendations—Management Decisions

None.

Audit of USAID/Iraq's Electrical Power Sector Activities (E-267-05-003-P)

Date:	June 29, 2005
Implementing Partner:	Bechtel National, Inc.
Audit Period:	April 17, 2003, through January 31, 2005
Funding:	As of January 31, 2005, combined cumulative obligations for the contracts were approximately \$2.4 billion, while total disbursements were approximately \$1 billion.

Background—Summary of Findings

Two contracts to Bechtel were issued under the Iraq Infrastructure Reconstruction Program to repair, rehabilitate, or rebuild Iraq's infrastructure. Most of the money went to the electrical power sector.

The audit focused on 22 electrical projects implemented under both contracts with a combined funding level of \$1.1 billion. The audit found that 7 of the 22 power sector projects (32 percent) had not achieved or were not achieving planned outputs. The audit also determined that the problems preventing planned outputs from being achieved were beyond the mission's control. For example, two of the seven projects not achieving

planned outputs were affected by the U.S. Government's decision to reprogram more than \$1 billion from the electrical sector to security and other priority areas, resulting in the cancellation of the two projects. Several other projects were experiencing delays in part because of a non-USAID contractor, a lack of cooperation from the Ministry of Electricity staff at the plants, and security.

The audit also found that the mission was addressing institutional capacity building through training and instruction manuals. However, much more has to be done to address the existing problems and challenges in this area.

Recommendations—Management Decisions

The audit recommended that USAID develop a multiyear strategy outlining its long-range plan of activities to strengthen the Ministry of Electricity's institutional capacity to properly operate and maintain the electrical power infrastructure rebuilt or rehabilitated by the U.S. Government.

USAID initiated corrective action and began developing a 3-year transition strategy for institutional capacity building. As of May 1, 2006, USAID/Iraq approved and put into place a strategic plan for 2006-2008 that includes key approaches to address the Iraq infrastructure sectors. The plan includes the operation and maintenance of the electrical power sector infrastructure rebuilt and refurbished by the U.S. Government. This recommendation is considered closed, on the basis of final action completed in May 2006.

Audit of USAID/Iraq's Health System Strengthening Contract Activities (E-267-05-002-P)

Date: February 28, 2005

Implementing Partner: Abt Associates, Inc.

Audit Period: April 2003 through November 2004

Funding: At the time of the audit, \$23 million had been obligated and \$21 million disbursed.

Background—Summary of Findings

In general, the goals of the health strengthening contract activities were to help strengthen the overall health system and ensure the rapid normalization of health services. Specific activities included technical assistance to the Ministry of Health in connection with the provision of health services, education, information, and technical assistance.

The audit found that activities under the contract had not achieved their intended outputs. A review of documentation on file at USAID and furnished by the contractor showed that 60 percent of the activities (28 of 47) did not achieve their intended outputs. This occurred, in part, because the contractor did not ensure that activities were completed

as scheduled and that deliverables were produced. A reduction in January 2004 of the contract's cost ceiling from \$44 million to \$23 million prompted the contractor to cancel or curtail a number of its activities. These canceled activities included some that USAID had expected to complete prior to the ceiling reduction.

Although the contract had expired, which prevented USAID from taking action to address the unachieved outputs, the audit found that USAID needed to improve its process for reviewing and approving requests for modifications to future contracts. Specifically, USAID needed to develop written procedures to ensure the timely disposition of such requests.

Recommendations—Management Decisions

OIG recommended that USAID/Iraq develop written procedures covering the review and approval of contractor and cognizant technical officer requests for modifications to future health sector contracts to ensure timely and efficient disposition of these requests.

A management decision was reached when the audit report was issued, and final action was taken. Mission management issued an acquisition and assistance notice, which went into effect on January 11, 2005, establishing written procedures covering the mission's process for responding to contract modification requests. The mission furnished a copy of this notice, which specified the procedures to be followed by the cognizant technical officer and contracting officer in responding to such requests, including the timeframes that specific tasks are to be completed within to ensure that requests are addressed promptly. This recommendation is closed.

Audit of USAID/Iraq's Community Action Program E-267-05-001-P

Date:	January 31, 2005
Implementing Partners:	Mercy Corps International Relief and Development Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance Cooperative Housing Foundation Save the Children
Audit Period:	May 2003 to August 2004
Funding:	\$120 million obligated at time of audit (August 2004) and \$271 million obligated as of January 2007 under these same cooperative agreements, which cover the follow-on program, CAP II. Disbursements in August 2004 totaled \$38 million (32 percent). Disbursements for all agreements total \$233 million.

Background—Summary of Findings

The Community Action Program (CAP) was designed to aid Iraq's capacity to provide quality social services that had declined because of three wars, unemployment, economic decline, and lack of investment. Examples of projects funded under this program include repair to local sewerage systems and roads, rehabilitation of schools, and renovations of health clinics. The audit found that the program had achieved intended outputs. Tests performed on 89 statistically selected sample projects (out of a universe of 1,411 projects) show that the CAP achieved 98 percent of its intended outputs,

including citizen participation, intercommunity cooperation, local government cooperation, local employment generation, and consideration of environmental concerns.

The audit identified an internal control that needed to be strengthened to improve the program's monitoring and reporting processes. This internal control concerned the data contained in the project list used by USAID for monitoring and reporting purposes, which did not always agree with supporting documentation.

Recommendations—Management Decisions

The audit recommended that USAID develop and implement a plan of action to improve the integrity of the data in the CAP's project list to make it a more effective monitoring tool and a more accurate and reliable data source for reporting purposes.

A management decision was reached when the audit report was issued. USAID/Iraq developed and implemented a plan to improve the integrity of the data in the Community Action Program's project list. This recommendation is closed.

Audit of USAID’s Compliance with Federal Regulations in Awarding the Contract for Security Services in Iraq to Kroll Government Services International, Inc. (A-267-05-005-P)

Date: January 6, 2005

Implementing Partner: Kroll Government Services International, Inc.

Audit Period: March 31 to December 31, 2004

Funding: Cumulative disbursements totaled \$20,301,879.

Background—Summary of Findings

In August 2003, USAID took steps to obtain security services for its personnel and facilities in Iraq—including the purchase of 17 vehicles (14 of them armored)—after multiple attacks on mission staff. Using other than full and open competition, USAID selected Kroll Government Services International, Inc. (Kroll), to provide these services. On August 23, 2003, USAID authorized the use of a letter contract to Kroll for up to \$4.5 million, which would allow the contractor to begin immediately performing services, and submitted its proposed letter contract to Kroll for signature. This contract would have authorized costs of up to \$1 million. The letter contract did not contain most of the required clauses specified in the Federal Acquisition Regulation (FAR), and Kroll never signed it.

Over the next 7 months, USAID negotiated price and contract terms with Kroll while Kroll provided the requested security services in Iraq. At Kroll’s request, USAID agreed to change the contract type from a cost reimbursement contract—as originally proposed—to a fixed-price contract for commercial items. During the period September 1, 2003, to March 31, 2004, four

additional authorizing letters were given to Kroll, increasing the amount of costs that could be incurred to \$12.5 million, even though Kroll had never signed the letter contract. On March 31, 2004, USAID executed and Kroll signed a \$12.1 million fixed-price contract for commercial items for Kroll to provide facility security and protection services and vehicles for USAID/Iraq. Three contract modifications increased the total contract price to \$29,742,389 and extended the contract an additional 9 months to December 31, 2004.

OIG conducted an audit to determine whether USAID had complied with Federal regulations in awarding a contract for security services in Iraq. The audit determined that USAID (1) had not adequately documented the use of less than full and open competition or explained its contractor choice, (2) had obtained security services using a letter contract that did not meet FAR requirements, (3) had incurred multiple potential funds-control violations, and (4) had purchased 14 armored vehicles that did not meet U.S. Government armoring standards and had no documentation to support the \$1.9 million cost of the vehicles.

Recommendations—Management Decisions

OIG made the following four recommendations:

1. That USAID's Chief Acquisition Officer issue a notice reminding all personnel of the Bureau of Management's Office of Acquisition and Assistance, that adequate and complete documentation must be prepared and retained in all procurements when using less than full and open competition. This documentation should adequately explain the contractor selection and why multiple contractors could not or were not considered for the procurement.
2. That USAID's Chief Acquisition Officer issue a notice to all personnel of the Bureau of Management's Office of Acquisition and Assistance, reminding them that procurements for USAID activities are subject to all Federal procurement requirements. Specifically, the reminder should cover the proper preparation of letter contracts in accordance with the Federal Acquisition Regulation along with examples of fully compliant letter contracts prepared in the past by USAID.
3. That USAID's financial officer initiate an inquiry of this series of potential funds-control violations as required by ADS 634.3.5.3 and prepare the appropriate report on the results of the inquiry as required by ADS 634.3.5.4 to also include identifying corrective measures to be taken to address the applicable internal control weaknesses.
4. That the Office of Security initiate action to amend ADS 563 to extend its application to all USAID-financed armored vehicle purchases, including purchases by USAID's contractors.

USAID agreed with the recommendations, and all actions were completed by March 31, 2006.

1. *On March 30, 2006, the procurement executive issued (via email) a reminder to all contracting officers, stating that adequate and complete documentation must be prepared and retained in all procurement files when using less than full and open competition. The notice also reminded the contracting officers of the requirements of FAR 6.303 (justifications).*
2. *On March 30, 2006, the procurement executive issued (via email) a reminder to all contracting officers, reaffirming the agency's position regarding the use of letter contracts and the need to follow the guidelines in part 16.603 of the FAR. The notice included an example of a contract that satisfies FAR 16.603.*
3. *The Office of Financial Management conducted an inquiry and issued a report on March 23, 2005. The report disclosed that since a valid contract was in place, no funds-control violation had occurred regarding the establishment of an obligation without the required minimum. Since the original contract had unexpended funds remaining in an amount sufficient to cover services received in the initial days in April, and no voluntary services were being provided, no funds-control violation occurred regarding the modification of the contract without providing funding to pay for the extended services. Also, because funds were available in the mission's unobligated budget allowance, no funds-control violation occurred when the first amendment was not fully obligated.*
4. *On November 20, 2006, the Office of Security revised ADS 563, which established the policy directives and required procedures for armored vehicles purchased directly or funded by USAID and certain purchases by USAID contractors and subcontractors.*

Performance Audits

Fiscal Year 2004

Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract (A-000-04-004-P)

Date: September 23, 2004

Implementing Partners: Creative Associates International, Inc. (CAII)

Audit Period: May 2 through October 31, 2003

Funding: 2-year contract (with three 1-year options) issued June 30, 2004, for \$191.4 million

Background—Summary of Findings

In response to the emergency situation in Iraq, USAID awarded \$1.5 billion in contracts to carry out the initial phase of reconstruction work within the country. Among these contracts was a \$62.6 million contract awarded to CAII to provide technical and other assistance to facilitate rapid school enrollment and retention in primary and secondary schools. This contract was awarded on April 11, 2003, as a cost-plus-fixed-fee level of effort term contract using other than full and open competition.

To conform to congressional wishes, and to promote full and open competition, USAID did not exercise the renewal option with CAII. Instead, USAID awarded a new contract as part of the second phase of contracts awarded for work in Iraq. On June 30, 2004, USAID completed its procurement process and awarded a \$56.5 million (base period cost) cost-plus-fixed-fee term contract

to CAII. The contract's purpose is to support the Iraqi Ministry of Education in its efforts to improve the quality of Iraqi education in the areas of procurement and distribution of educational materials, community education grants, teacher training, early childhood development, model schools, and the development and establishment of a modern decentralized education system. This contract covers a 5-year period, including a 24-month base period plus three 1-year option periods. The total value of the contract is \$191.4 million.

OIG conducted an audit to determine whether USAID complied with Federal regulations in awarding the Iraq Basic Education Phase II Contract. OIG determined that USAID complied with applicable Federal regulations in the awarding of this contract.

Recommendations—Management Decisions

None.

Audit of USAID/Iraq's Economic Reform Program (E-266-04-004-P)

Date: September 20, 2004

Implementing Partner: BearingPoint, Inc.

Audit Period: July 18, 2003, through July 17, 2004

Funding: Obligated funds as of June 21, 2004, totaled \$79.6 million and disbursements totaled \$53.8 million. The contract has been fully disbursed.

Background—Summary of Findings

During the postwar period in Iraq, the Coalition Provisional Authority established multiple economic objectives, such as promoting conditions that would encourage sustainable economic growth, development of a private sector, and raising living standards. In support of these objectives, USAID awarded a contract to BearingPoint to provide economic reform, stimulate international trade engagement, increase employment, and create broad-based prosperity.

The audit found that USAID's program had partially achieved its intended outputs. A review of documentation at the mission and with the contractor showed that only 10 of the 38 planned activities (26 percent) were completed, while 6 were canceled (16 percent)

and the remaining 22 (58 percent) were still in progress as of May 31, 2004. Most of the 22 activities in progress had not been completed because of challenges beyond USAID's control, such as the limited control USAID had in managing this program in the design and implementation stages. The other challenge was security. BearingPoint's ability to monitor activities was severely restricted, and its security costs rose from \$894,000 to about \$37 million. The audit found that USAID needed to improve its recordkeeping procedures for documenting actions, decisions, and status of activities. Also, USAID needed to revise its contractor reporting requirements so that it could monitor progress more effectively.

Recommendations—Management Decisions

USAID should implement documented procedures dealing with decisions that impact the design and status of activities. Also, it should develop procedures to ensure that contractors furnish monthly financial reports that present a breakdown of the actual level of effort billed for the month by activity.

Management decisions and final action were taken by the time the audit report was issued. The actions taken by USAID are discussed below.

The mission's Office of Economic Growth established and implemented new documentation management procedures. These new procedures require all activity managers and cognizant technical officers within the office to maintain a work file that documents all significant actions associated with each contract. The procedures also

require all electronic communications to be printed and stored in the work file in accordance with ADS 502. In addition to providing a copy of an internal memo outlining these new procedures, the mission's response included guidance sent to the mission's Office of Economic Growth reminding the cognizant technical officers of their responsibility for establishing and maintaining adequate work files and specified the minimum documentation these files must contain.

Also, the mission's Office of Economic Growth developed new reporting requirements that have been implemented for all new contractors. These new requirements include monthly financial reports with a revised reporting format that provides more detailed information on the contractor's activities. Some of the additional information that will now be required to be furnished by the contractor includes the following:

- 1. Narrative on results achieved by activity, including benchmarks and results achieved*
- 2. Advisers by activity and work location*
- 3. Level of effort expended under each activity*
- 4. Overall expenditures and expenditures at the activity level*

**Audit of USAID’s Compliance with Federal Regulations in
Awarding the Iraq Phase II Reconstruction and Rehabilitation,
Program Advisors and Oversight Contract
(E-266-04-003-P)**

Date: August 6, 2004

Implementing Partners: International Resource Group, Ltd. (IRG)

Audit Period: Award process that culminated in a contract on March 30, 2004

Funding: 18-month contract for \$86.8 million with two 1-year options

Background—Summary of Findings

USAID awarded \$1.5 billion in contracts to carry out the initial phase of reconstruction work within Iraq. Among these contracts was a \$27.1 million contract awarded to IRG to provide experienced personnel for the implementation of emergency relief and short-term rehabilitation activities. This contract was awarded on February 7, 2003, as a cost-plus-fixed-fee contract using other than full and open competition.

USAID later determined that the statement of work under the IRG contract needed to be revised to address the changing situation and needs of the mission. USAID decided not to extend the contract but to award a new contract as part of the second phase of contracts awarded for work in Iraq. (Previously, Congress had expressed concern

about other than full and open competition contracts let in Iraq.) On March 30, 2004, USAID completed its procurement process and awarded an \$86.8 million cost-plus-fixed-fee term contract to IRG to provide experienced personnel for the implementation of development assistance promoting the reconstruction effort in Iraq. This contract covers a 42-month period that includes an 18-month base period plus two 1-year option periods.

OIG conducted an audit to determine whether USAID had complied with Federal regulations in awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors and Oversight Contract. OIG determined that USAID had complied with applicable Federal regulations.

Recommendations—Management Decisions

None.

Audit of USAID/Iraq's Infrastructure Reconstruction and Rehabilitation Program (E-266-04-002-P)

Date: June 3, 2004

Implementing Partner: Bechtel National, Inc.

Audit Period: April 16, 2003, through April 15, 2004

Funding: As of March 31, 2004, approximately \$450,000 had been disbursed from the \$1.03 million contract.

Background—Summary of Findings

The contract with Bechtel was for the repair, rehabilitation, or reconstruction of vital elements of Iraq's infrastructure. The audit examined 72 activities totaling \$686 million performed by Bechtel to determine whether they were on schedule to achieve planned outputs. The activities included the assessment and repair of power plants, municipal water systems, sewage treatment plants, the Umm Qasr seaport, government and public facilities, telecommunications facilities, and surface transportation components.

Of the 72 activities reviewed, the audit found that Bechtel had completed, or was scheduled to complete, 64 projects (89 percent) by the scheduled due date. Eight (11 percent) activities were completed late or were behind schedule. The audit noted that USAID was taking aggressive actions to address these scheduling issues. However, the audit also found that USAID's management controls related to the infrastructure projects were in need of improvement. For instance, the contractor did not always conduct environmental reviews, and job order plans were not always submitted as required.

Recommendations—Management Decisions

Four recommendations were made by the audit: (1) establish procedures regarding the documentation of environmental reviews and assessments; (2) develop and document procedures to ensure that specific plans are submitted with job orders, and obtain specific plans for the eight job orders that did not have specific plans; (3) develop procedures that address excess charges of approved job orders; and (4) complete and implement job-order closeout procedures.

USAID addressed all four recommendations, which were closed by the time the audit report was issued.

- 1. USAID and the U.S. Army Corps of Engineers (USACE) implemented procedures to notify the USACE environmental engineer when a draft job order was requested so that planning for an environmental review could begin before the official job order was approved. The standard operating procedures (SOP) entitled "Environmental Reviews and Assessments-Submission and Approval" define USACE's responsibilities and the process for monitoring, tracking, and reporting environmental review requirements; and (b) the mission provided an environmental checklist tracking sheet.*
- 2. USAID and USACE, in consultation with Bechtel, developed procedures to ensure that job-order-specific plans are submitted and approved. These procedures define the process and the responsibilities for*

submitting, distributing, modifying, and approving the plans. The mission also developed a tracking worksheet maintained by the USACE reporting the acceptance dates for all required plans.

3. The mission provided an SOP that states that sector managers will perform an in-depth analysis after USAID submits payment to Bechtel. If USAID identifies cost discrepancies in excess of \$5,000 of the approved job order amount, it will be noted in the subsequent recommendation letter, and BNI will be informed by USAID/Iraq and USACE to make an adjustment to either increase the amount of the rough order of magnitude for the job order or credit future invoices for the amount of the excess cost. If the cost discrepancy is less than \$5,000, it will be noted in the subsequent recommendation letter. No adjustments will be necessary until the job order is closed, when the rough order of magnitude will be increased in line with the actual cost.
4. The mission provided a copy of Bechtel's March 12, 2004, job order closeout procedure. The procedure defines the process for USAID final inspection and acceptance of job order performance requirements. The procedure applies to job orders issued under USAID's contract for the Iraq Infrastructure Reconstruction Project.

Capping Report on Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Phase I Contracts (A-000-04-003-P)

Date: May 19, 2004

Implementing Partner: N/A

Audit Period: April 29, 2003, to February 27, 2004

Funding: Combined cumulative value of contracts is \$1.5 billion.

Background—Summary of Findings

This capping report, prepared at the request of the USAID Administrator, summarizes the results of OIG's audits of USAID's compliance with Federal regulations in awarding 10 contracts under USAID's reconstruction efforts in Iraq. These 10 procurements had an approximate cost of \$1.5 billion and included awards for economic governance, personnel support, seaport administration, local governance, education, infrastructure reconstruction, monitoring and evaluation, health, airport administration, and agriculture.

Between June 2003 and March 2004, OIG issued 10 individual memorandum reports on the awards process. The audits found that USAID generally complied with the Federal Acquisition Regulation (FAR) in authorizing the expedited award of these contracts using other than full and open competition and that the contracts, valued at about \$1.5 billion, were valid and legal. However, the report pointed out instances in which

compliance with the FAR was not achieved and improvements that could be made in the awards process. The individual audits found instances in which USAID did not follow the FAR and the individual memorandum reports made specific recommendations for these issues, which included:

- Adequately documenting market research related to contractors available to perform work being sought.
- Obtaining and documenting legal analysis regarding apparent or possible conflicts of interest with contractors.
- Notifying and debriefing bidders who were not awarded a contract.
- Documenting the mitigation of an unfair competitive advantage noted on one award.

Recommendations—Management Decisions

OIG's previously issued individual memorandum reports discussed in detail its findings and recommendations relating to the 10 contracts. The capping report includes findings and recommendations that OIG believed had Agency-wide applications. For contracts awarded under less than full and open competition, the report recommends that USAID (1) develop and maintain a procurement process checklist to ensure that important procurement steps and procedures specified in the regulations are not overlooked, and (2) develop a standardized illustrative budget to be used in its requests for procurement and require the use of this standardized format in the cost proposals submitted to USAID by its offerors.

The Administrator requested that OIG determine whether the contracts were awarded in accordance with the FAR and review and make recommendations where improvements in the awards process could be made for future awards. To that end, OIG also suggested improvements in the following areas:

1. Documenting presolicitation meetings.
2. Developing guidance for determining whether "requests for proposals" should specify a facilities clearance requirement (a security clearance for the firm).
3. Standardizing the treatment of security costs in bidders' cost proposals overall and especially for Iraq contracts.
4. Developing support for the level of effort or technical assistance to be procured under a contract.

Management agreed with the recommendations and took final action on the recommendations.

1. *On September 13, 2005, the procurement executive issued Procurement Executive's Bulletin (PEB) 2005-06 entitled "File Standardization Pilot" to all USAID/Washington contracting/award officers. The PEB contains mandatory guidance and six checklists that cover each phase of the acquisition and assistance process. Within the checklist, specific reference is made to justification for other than full and open competition in Section I, "Pre-Solicitation Documents-Contract." Additionally, a sample action memorandum for justification for other than full and open competition has been posted on the Management Bureau's Office of Acquisition and Assistance Web site for contracting/award officers worldwide. Specific reference within the checklist is also made to organizational conflict of interest issues in Section III, "Pre-Award Documentation-Contracts." This section includes a mandatory field that must be annotated with an "X" by each contracting/award office that it seeks advice of General Counsel and formally document substantive issues.*
2. *On March 30, 2006, the procurement executive reissued Procurement Executive's Bulletin (PEB) 2005-09 entitled "Template for Budget Line Item Headings in Solicitations for Cost Reimbursement Contracts." The PEB established a standardized format for cost elements for cost proposals. The reissuance of PEB 2005-09 included a supplemental section on budget line-item definitions and illustrations.*

Audit of USAID's Compliance with Federal Regulations in Awarding the Iraq Infrastructure Reconstruction Program Phase II Contract (AIG/A Memo 04-006)

Date: April 20, 2004

Implementing Partner: Bechtel National, Inc.

Audit Period: Award process that culminated in a contract on January 5, 2004

Funding: \$1.8 billion

Background—Summary of Findings

OIG conducted an audit to determine whether USAID complied with Federal regulations in awarding the Iraq Infrastructure Reconstruction Program Phase II contract.

This is the first contract awarded by USAID in the second phase of contracts to be awarded for reconstruction work in Iraq. In the initial phase of work in Iraq, USAID awarded contracts for \$1.5 billion for economic governance, personnel support, seaport administration, local governance, education, infrastructure reconstruction, monitoring and evaluation, health, airport administration, and agriculture. USAID has also awarded grants, cooperative agreements, and interagency agreements in connection with Iraq reconstruction efforts. This contract to Bechtel was competitively awarded using full and open competition.

On October 2, 2003, USAID published a request for proposal (RFP) on the Federal

Business Opportunities Web site for the Iraq Infrastructure Reconstruction Program Phase II. Questions regarding the RFP were submitted by five firms and addressed in a subsequent amendment to the RFP. The firms were given until October 31, 2003, to respond, and an RFP amendment changed the closing date to November 6, 2003.

Three firms submitted proposals by the closing date. A technical evaluation panel reviewed the proposals and determined that all three were acceptable. These three firms submitted final revised technical and cost proposals by the closing date of December 9, 2003. After reducing the competition to the two higher ranked firms, additional discussions were held with both firms regarding their cost proposals. On January 5, 2004, USAID awarded Bechtel a cost-plus-fixed-fee term contract for approximately \$1.823 billion for the period of January 5, 2004, through December 31, 2005.

Recommendations—Management Decisions

OIG reviewed USAID documentation and conducted interviews to determine the events that took place and decisions made supporting the award of the contract. In our opinion, USAID complied with applicable Federal regulations in making the award. No recommendations were made.

Audit of USAID's Results Data for Its Education Activities in Iraq (E-266-04-001-P)

Date: March 19, 2004

Implementing Partner: Creative Associates International, Inc., Bechtel National, Inc., UNESCO, UNICEF, and five nongovernmental organizations

Audit Period: May 2, 2003, through October 31, 2003

Funding: USAID obligated \$116 million for education activities in Iraq as of October 31, 2003.

Background—Summary of Findings

The Revitalization of Iraq Schools and Stabilization of Education Program (RISE) was an emergency program that emphasized getting children to return to school. USAID entered into three contracts and issued nine grants to rehabilitate and supply Iraqi schools with educational material and supplies. USAID rehabilitated schools (1,356), delivered student kits (1,660,240), delivered teacher kits (81,735), delivered chalkboards (28,182), delivered furniture (198,474), edited

math and science textbooks (48), and printed textbooks (5,452,204).

The audit found that USAID did not accurately report data and results for its educational activities, as seven out of eight items reported by USAID differed from the numbers verified by the audit. Six of the seven items were underreported (i.e., more was accomplished than reported). One item exceeded the amount verified by the audit.

Recommendations—Management Decisions

The audit recommended that USAID develop procedures to verify data included in reports prior to the issuance of the reports to ensure that the data reported are accurate.

USAID agreed with the recommendation and established tighter monitoring systems by having an outside party act as a clearinghouse for information reported to outside audiences. The recommendation was closed by the time the audit report was issued.

Iraq Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System Number	Source	Allegation	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
1 A03092		Audit	Bribery/gratuity/kickbacks	PI		CRM	DOJ criminal referral, declined for prosecution
2 A03120		Walk in; employee	Pay and allowance	PI			
3 A04036		Other	Theft of government property	PI			
4 A04039		USAID employee	False claim	PI			
5 A04043		Contractor	Bribery/gratuity/kickbacks	PI			
6 A04079		USAID employee	Conflict of interest/ethics	PI			Employee resignation
7 A04091		USAID employee	Bribery/gratuity/kickbacks	PI			
8 A04106		Contractor	False claim	PI			
9 A04112		Confidential informant	False claim	PI			
10 A04148		Spinoff	False claim	PI			Policy change
11 A04163		USAID employee	False claim	EI			
12 A05005		Hotline	Other	EI			
13 A05014		Related case	False statement/perjury	EI			
14 A05054		Contractor	Procurement fraud	PI			
15 A05060		Other	Bribery/gratuity/kickbacks	PI			
16 A06004		Other	Other	PI			
17 A06010		USAID employee	Bribery/gratuity/kickbacks	PI		CRM-Iraq	Referred for criminal prosecution; declined for prosecution
18 A06017		Contractor	Procurement fraud	PI			
19 A06018		USAID employee	Administrative matter	EI	\$7,500	CRM-DC	DOJ criminal referral; declined for prosecution; collection (\$7,500); personnel suspension
20 A06058		USAID employee	False claim	EI	\$2,685		Administrative recovery (\$2,685); personnel reprimand
21 A06070		Other	False claim	PI			
22 A06071		Audit	Bribery/gratuity/kickbacks	PI			
23 A06073		Other	Bribery/gratuity/kickbacks	PI			
24 A06089		Other	Administrative matter	PI			Personnel reprimand
25 A06108		USAID employee	Theft of government property	PI			
26 A07008		USAID employee	False claim	PI			
27 A07012		USAID employee	False claim	EI	\$1,576		Administrative savings (\$1,576)
28 A07013		USAID employee	False claim	PI			
29 A07031	AF-BA-08-0042-I	USAID employee	Collusive bidding; program fraud; wire/mail fraud	PI			
30 A07034		USAID employee	Travel/per diem fraud	PI			Referred to Immigration and Customs Enforcement

Iraq Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System Number	Source	Allegation	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
31	A07055	Contractor	False claim	PI			
32	A07070	RIG	False statement/perjury	PI			Employee termination
33	A08016	USAID employee	False claim	PI			
34	D03059	Proactive	Other	PI			
35	D03060	Other	False statement	PI			
36	L06066	Other	False claim	PI			
37	A08011	Contractor	Bribery/gratuity/kickbacks; conspiracy; extortion; program fraud; theft	PI			
38	A04018	Other	False claim	PI	\$388,262	CRM-DC	Restitution (\$388,262); referred for criminal prosecution; declined for criminal prosecution
39	A04042	Confidential informant	Bribery/gratuity/kickbacks; false claim; false statement; program fraud	PI	\$5,566,237	CRM-FL/Civil	Employee terminations (2); administrative recovery (\$3,633,300) and savings (\$932,937); civil and criminal referrals; civil settlement (\$1,000,000)
40	A07011	USAID employee	False claim, false statement; wire/mail fraud	PI		CRM-DC/Civil	DOJ civil and criminal prosecution referrals; warrant executed, declined for criminal prosecution
41	A07019	Security	False claim; false statement; program fraud	PI			
42	A07044	USAID employee	False claim; false statement; wire/mail fraud; program fraud	PI		CRM-DC	DOJ criminal referral, declined for criminal prosecution
43	A07060	Contractor	Bribery/gratuity/kickbacks	PI		CRM-Iraq	DOJ criminal referral; declined for criminal prosecution, indictment, conviction
44	A07082	Audit	False claim; false statement; wire/mail fraud	PI			
45	A08007	Other	False claim; false statement; wire/mail fraud	PI		CRM-DC/Civil	DOJ criminal and civil referrals; declined for criminal prosecution
46	L06032	Other	Conspiracy; wire/mail fraud	PI	\$150,100	CRM-NC	DOJ criminal referral; arrest; indictment, guilty plea; conviction; sentenced to 33 months in jail and fined \$150,000; debarment; special fee assessment (\$100)

Iraq Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System Number	Source	Allegation	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
47	AF-BA-08-0010-I	Contractor employee	Bribery/gratuities/kickbacks; collusive bidding; false statement; program fraud	PI		CRM-Iraq	Local arrest warrant issued; referred to local authorities for criminal prosecution; declined for criminal prosecution
48	AF-BA-08-0008-I	Contractor	False statement; program fraud	PI		CRM-Iraq	Local arrest warrant issued; referred to local authorities for criminal prosecution; declined for criminal prosecution
49	AF-BA-08-0074-I	USAID employee	False claim; false statement, theft; program fraud	PI			
50	AF-H1-08-0058-I	Former contractor employee	False claim; false statement; program fraud; wire/mail fraud	PI	\$1,052,000	CRM-DC	DOJ criminal referral; bill of collection (\$1,052,000), declined for criminal prosecution
51	LA-H1-08-0090-R	Hotline; private citizen	Wire/mail fraud	PI			
52	A07032 AF-BA-08-0100-I	USAID employee	False claim; collusive bidding; Procurement Integrity Act; program fraud	PI		CRM-Iraq (2)	Arrest (3) - Iraqi pardon issued; (1) conviction; indictment, declination; sentencing 39 days
53	AF-BA-08-0170-I	Other agency referral	Bribery/gratuities/kickbacks; conspiracy; false claim	PI		CRM-DC (2)	DOJ criminal referral (2); arrests (2)
54	AF-BA-08-0177-R	Other agency referral	Procurement Integrity Act	PI			Audit scheduled
55	AF-H1-08-0181-R	Hotline; private citizen	Program fraud	PI			
56	AF-CA-09-0074-I	USAID employee	False claim; conflict of interest/ethics; program fraud; Procurement Integrity	PI		CRM-DC/Civil	DOJ criminal and civil referral, declined for criminal and civil prosecution
57	AF-BA-09-0089-I	USAID employee	Procurement Integrity Act	EI			
58	AF-BA-09-0125-I	Proactive	False claim; false statement	PI			
59	AF-BA-09-0126-I	Proactive	False claim; false statement	PI	\$9,546,958	CRM-DC	DOJ criminal referral; bill of collection (\$9,546,958), declined for criminal prosecution
60	AF-BA-09-0127-I	Proactive	Bribery/gratuities/kickbacks	PI			
61	AF-BA-09-0128-I	Proactive	False claim, false statement, collusive bidding	PI			
62	AF-BA-09-0129-I	OIG audit	False claim	PI			
63	AF-BA-09-0144-I	Other agency referral	Bribery/gratuities/kickbacks	PI			
64	AF-BA-09-0167-I	Other agency referral	Bribery/gratuities/kickbacks; collusive bidding; conspiracy; Procurement Integrity Act; program fraud	PI	\$296,560		Bill of collection (\$296,560)

Iraq Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System Number	Source	Allegation	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
65	AF-H1-09-0173-I	Private citizen	Bribery/gratuity/kickbacks	PI			
66	AF-BA-09-0200-I	Private citizen	Bribery/gratuity/kickbacks	PI			
67	AF-BA-09-0204-I	Contractor employee	Bribery/gratuity/kickbacks; conflict of interest/ethics	EI			
68	AF-BA-09-0205-I	Government Accountability Office	False claim; false statement; program fraud; theft; wire/mail fraud	PI			
69	AF-PR-09-0196-I	USAID employee	False claim; false statement	PI			
70	AF-H1-10-0046-I	Other agency referral	Conflict of interest/ethics	PI			
71	AF-BA-10-0058-I	USAID employee	False claim	PI			
72	AF-BA-10-0066-R	USAID employee	Conflict of interest/ethics	EI			
73	AF-BA-10-0067-R	Spinoff	Procurement Integrity Act	EI			
74	AF-BA-10-0073-I	Private citizen	Program fraud	PI			
75	AF-BA-10-0144-I	Proactive	False statement	EI			
76	AF-BA-10-0143-I	Proactive	Procurement Integrity Act	PI			
77	AF-BA-10-0158-I	Other agency referral	False claim, false statement, program fraud	PI			
78	AF-BA-10-0195-I	Private citizen	Program fraud	PI			
79	AF-H1-10-0177-I	Private citizen	Program fraud	PI			
80	AF-BA-10-0263-I	Contractor employee	Program fraud	PI			
81	AF-H1-11-0025-I	Private citizen	Program fraud	PI			
82	AF-CA-11-0012-I	Former contractor employee	False claim	PI		CRM-DC	DOJ criminal referral, declined for prosecution
83	AF-BA-11-0042-I	Contractor employee	Bribery/gratuity/kickbacks	PI			
84	AF-BA-11-0044-I	Contractor employee	Bribery/gratuity/kickbacks	PI			
85	AF-BA-11-0041-G	Private citizen	Bribery/gratuity/kickbacks	PI			
86	AF-BA-11-0050-I	USAID employee	False statement	PI		CRM-DC	DOJ criminal referral, declined for prosecution
87	AF-BA-11-0051-I	Audit	Bribery/gratuity/kickbacks	PI			
88	AF-BA-10-0152-G	Private citizen	Program fraud	PI			
89	AF-H1-10-0192-G	Private citizen	Program fraud	PI			
90	AF-H1-10-0212-G	Private citizen	False claim	PI			
91	LA-MA-10-0263-G	Contractor employee	Program fraud	PI			
92	AF-BA-10-0282-G	Confidential informant	Theft of government property	PI			
93	AF-BA-10-0315-G	Other agency referral	False statement	PI			
94	AF-H1-11-0065-P	Former contractor employee	Program fraud	PI			

Iraq Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System Number	Source	Allegation	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil/Criminal Actions	Results
95	AF-BA-11-0117-G	Private citizen	Program fraud	PI			
96	AF-BA-11-0139-G	USAID employee	Conflict of interest/ethics	EI			
97	AF-H1-08-0067-I	Other agency referral	Conspiracy, false statement, program fraud, theft, wire/mail fraud	PI		CRM-MO (7)	Arrests (6), indictments (6), convictions (6), suspension, debarment (5)
98	AF-H1-08-0033-I	Other agency referral	Conspiracy, false claim, false statement, program fraud	PI	\$105,500,000	CRM-NJ (3), Civil	Arrests (2), indictments (2), convictions (2), recovery (\$4,300,000); judgment (\$50,600,000), settlement (\$50,600,000).
99	AF-BA-11-0171-I	USAID employee	False claim	PI			
100	AF-BA-11-0187-G	Private citizen	Program fraud	PI			
101	AF-BA-11-0237-I	Anonymous	Conflict of interest/ethics	PI			
102	AF-BA-11-0244-I	USAID employee	False claim	EI			
103	AF-BA-11-0252-I	USAID employee	Theft of government property	PI			

\$122,511,878

Investigative Activity	3rd and 4th Quarter FY 2011	Cumulative Results*
Investigations opened	5	103
Investigations closed	5	85
Department of Justice referrals	1	36
Arrests	0	14
Indictments/Criminal Complaints/Criminal Information	0	11
Convictions/Pleas	0	10
Administrative actions**	0	36
Fraud awareness briefings	0	57
Attendees at fraud awareness briefings	0	1,045

* 2003 through September 2011

** Terminations, suspensions, reprimands, bills for collection,

Investigative Summaries

Fiscal Years 2004–11

Phantom Contractor Employee in Iraq Paid Over \$10,000

Allegation

A USAID contractor in Iraq was determined to have a phantom employee on its payroll. An investigation revealed that the individual worked at a local bank and served as an unofficial expeditor to circumvent normal channels and procedures. Such a position was not allowed under the contract and was not revealed to either USAID or to most of the contractor's own staff.

Status

An administrative referral concerning this matter was sent to USAID/Iraq in May, 2011. The agency responded that because the employee was not under the direct supervision of the contractor the individual probably should not have been classified as an employee. Further, even though the contractor's documentation of the employee's services was not consistent with the manner in which the services were provided, the services, as requested by the contractor, were directly related to program goals. This matter is now closed.

USAID Debars 5 People Belonging to an Islamic Charitable Entity With Ties to Terrorist Organizations

Allegation

Following a multiagency investigation, USAID debarred six individuals with links to the Islamic-American Relief Agency, an entity previously designated by the Treasury Department as a global terrorist organization because it provided financial support to Osama bin Laden, Al-Qaida, and the Taliban. One of the individuals was a former U.S. member of Congress.

Status

In the course of the investigation by OIG, the FBI, and the Internal Revenue Service, officials uncovered evidence that the suspects conspired to illegally transfer more than \$1 million to Iraq in violation of the International Emergency Economic Powers Act.

Investigation of Alleged Kickbacks Leads to \$1 Million Civil Action

Allegation

OIG initiated an investigation on the basis of allegations that an employee of a USAID contractor had accepted kickbacks to direct the award of a security subcontract. The contractor had received orders under the U.S. Air Force Augmentation Program contract for work on a USAID project to provide potable water for the populace of Baghdad, Iraq.

The investigation revealed that a security subcontractor had offered a \$1.2 million kickback to the contractor employee in exchange for being awarded a \$10 million security subcontract. The investigation further determined that the contractor employee received at least \$125,000 of the \$1.2 million kickback offer.

Status

As a result of the investigation, the Department of Justice reached a settlement agreement with the USAID contractor for \$1 million in damages.

Estonian Pleaded Guilty Pursuant to Investigation of Major Fraud Against the U.S.; Sentenced to Prison

Allegation

A former USAID contractor, who had worked from May through October 2003 on the \$239 million USAID governance contract, pleaded guilty to major fraud against the United States. He was sentenced to 33 months in prison and fined \$150,000. The subject was the first Estonian national ever extradited to the United States.

Status

The investigation revealed that the subject had unlawfully directed two subcontract agreements worth \$1 million to a Dubai firm in return for hundreds of thousands of dollars worth of goods and services, including improvements to a home in North Carolina and the purchase of two condominiums in Miami, Fla. He was also debarred from future government contracts by USAID.

OIG Investigation Leads to Claim Against a Vendor for \$9.5 million

Allegation

In May 2009, OIG initiated an investigation on the basis of allegations that a vendor, who was providing technical assistance to USAID, had submitted false claims or statements.

Status

The case involved a \$223 million economic governance contract to provide technical assistance to help Iraqis overcome problems involving legal, fiscal, institutional, and regulatory frameworks that complicate private investment and trade flows.

The investigation revealed that the vendor may have overbilled USAID by falsely certifying that it had completed unfinished work. In collaboration with OIG's Office of Audit, an analysis was performed that led to a claim for \$9.5 million in disallowed contract costs.

USAID Grantee Issued \$1.1 Million Bill of Collection

Allegation

OIG received an allegation in March 2008 that a USAID-funded grantee organization was making unallowable purchases, amounting to approximately \$37,000, with USAID funds.

Status

The investigation determined that the organization had made additional unauthorized purchases worth \$1.1 million. Administrative remedies were sought during the course of the investigation: The organization was officially notified by USAID that retroactive approval for the procurements would not be granted and that a bill of collection, totaling \$1.1 million, would be issued in the form of a demand letter.

Investigation Results in Recovery of \$5.5 Million

Allegation

In January 2004, OIG received allegations that officials employed by a USAID contractor were involved in embezzlement and solicited and received kickbacks.

Status

The complainant was able to obtain proof that the officials were involved in the alleged misconduct. As a result of OIG's investigative efforts, the contractor credited USAID \$3.6 million for delivered equipment that did not meet specifications. The contractor also agreed not to bill USAID for shipping costs, which resulted in savings of over \$900,000. In October 2009, the contractor entered into a civil settlement agreement with the U.S. Government, and the firm was required to repay an additional \$1 million.