



Iraq



January 2010

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Contents

Tab	Page
1. Executive Summary	1
2. Office of Inspector General—Overview	3
3. Introduction	5
4. Performance Audit Findings and Recommendations.....	7
5. Financial Audit Findings.....	35
6. Planned Performance Audits USAID/Iraq-Funded Activities—Fiscal Year 2010.....	47

Performance Audits

7. Fiscal Year 2009	
<i>USAID/Iraq's Rapid Assistance Program (August 16, 2009)</i>	51
<i>USAID/Iraq's Economic Governance II Program (June 3, 2009)</i>	54
<i>USAID/Iraq's Local Governance Program II (May 31, 2009)</i>	58
<i>USAID/Iraq's Oversight of Private Security Contractors in Iraq (March 4, 2009)</i>	60
<i>USAID/Iraq's National Capacity Development Program (November 25, 2008)</i>	62
8. Fiscal Year 2008	
<i>USAID/Iraq's Agribusiness Program (September 30, 2008)</i>	65
<i>USAID/Iraq's Community Action Program II (August 5, 2008)</i>	69
<i>USAID/Iraq's Monitoring and Evaluation Performance Program (July 3, 2008)</i>	72
<i>USAID/Iraq's Management of Its Official Vehicle Fleet (June 24, 2008)</i>	75

<i>USAID/Iraq’s Management of the Marla Ruzicka Iraqi War Victims Fund (April 3, 2008)</i>	78
--	----

<i>USAID/Iraq’s Community Stabilization Program (March 18, 2008)</i>	80
--	----

9. Fiscal Year 2007

<i>USAID/Iraq’s Participation in Provincial Reconstruction Teams in Iraq (September 27, 2007)</i>	83
---	----

<i>USAID/Iraq’s Local Governance Activities (July 31, 2007)</i>	85
---	----

<i>Office of Foreign Disaster Assistance Program in Iraq (July 11, 2007)</i>	86
--	----

<i>USAID/Iraq’s Activity Planning and Its Reporting Process Under Section 2201 of Public Law 108-106 (June 6, 2007)</i>	88
---	----

<i>USAID/Iraq’s Telecommunications Activities (May 3, 2007)</i>	90
---	----

<i>Followup Audit of USAID/Iraq’s Education Activities (February 4, 2007)</i>	92
---	----

<i>USAID/Iraq’s Agriculture Reconstruction and Development Program (January 22, 2007)</i>	94
---	----

<i>USAID/Iraq’s Civil Society Activities (November 5, 2006)</i>	96
---	----

10. Fiscal Year 2006

<i>USAID Transition Initiatives in Iraq (August 16, 2006)</i>	99
---	----

<i>USAID/Iraq’s Local Governance Activities (July 10, 2006)</i>	101
---	-----

<i>USAID/Iraq’s Nonexpendable Property (February 16, 2006)</i>	104
--	-----

<i>USAID/Iraq’s Basic Education Activities (December 20, 2005)</i>	107
--	-----

<i>Accuracy of Biographical Datasheets Provided by International Resource Group to USAID for Contracts in Iraq (November 6, 2005)</i>	108
---	-----

11. Fiscal Year 2005

<i>USAID/Iraq’s Cash Control Procedures (September 27, 2005)</i>	109
--	-----

<i>USAID/Iraq’s Water and Sanitation Rehabilitation Activities (June 30, 2005)</i>	111
--	-----

<i>USAID/Iraq’s Electrical Power Sector Activities (June 29, 2005)</i>	112
--	-----

<i>USAID/Iraq’s Health System Strengthening Contract Activities (February 28, 2005)</i>	114
<i>USAID/Iraq’s Community Action Program (January 31, 2005)</i>	116
<i>USAID’s Compliance with Regulations in Awarding the Security Contracts to Kroll Government Services International, Inc. (January 6, 2005)</i>	118

12. Fiscal Year 2004

<i>USAID’s Compliance with Federal Regulations in Awarding the Iraq Basic Education Phase II Contract (September 23, 2004)</i>	121
<i>USAID/Iraq’s Economic Reform Program (September 20, 2004)</i>	122
<i>USAID’s Compliance with Regulations in Awarding the Iraq Phase II Reconstruction and Rehabilitation, Program Advisors, and Oversight Contract (August 6, 2004)</i>	127
<i>USAID/Iraq’s Infrastructure Reconstruction and Rehabilitation Program (June 3, 2004)</i>	128
<i>USAID’s Compliance with Federal Regulations in Awarding the Iraq Phase I Contracts (May 19, 2004)</i>	130
<i>USAID’s Compliance with Federal Regulations in Awarding Iraq Infrastructure Reconstruction Program Phase II Contracts (April 20, 2004)</i>	133
<i>USAID’s Results Data for Its Education Activities in Iraq (March 19, 2004)</i>	135

Investigative Activity

13. Investigative Case Work and Fraud Prevention Briefings.....	137
14. Investigative Summaries.....	141

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 make sure that tax dollars are being spent wisely and effectively.

Trends

Our recent performance audits in Iraq have noted USAID's success in completing intended activities, performing timely reporting, and effectively complying with congressional and Agency 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 49 performance audits and memorandums issued to date, the majority cited concerns about security conditions. Our audits also identified trends in inadequate contract oversight or activities management (33 percent) and internal controls that needed improvement (20 percent).

Results—Fiscal Year 2003 to Fiscal Year 2010

Activities	Results
Performance audits/reviews	49
Recommendations made ¹	133
Recommendations closed	131
Recommendations open	2
Financial audits conducted	138
Questioned costs sustained	\$107.1 million
Investigations opened	69
Investigations closed	51
Investigations pending	18
Referrals for prosecution	16
Indictments	1
Convictions	1
Arrests	10
Administrative actions	8
Recoveries and savings	\$16.5 million
Fraud awareness briefings	52
Attendees at briefings	915

¹ Performance audits and reviews only.

Highlight—FY 2010 First Quarter

Investigation Into Kickbacks Yields \$5.5 Million in Recoveries and Savings

OIG's continuing pursuit of a past investigative lead in Iraq has produced significant savings and recoveries over the years, and resulted in a noteworthy civil settlement this quarter. In 2004, a Federal employee in Iraq reported to USAID/OIG that a U.S. contractor had been soliciting and receiving kickbacks from its subcontractors in Iraq. The company is a prime contractor to the Air Force Contract Augmentation Program (AFCAP), an indefinite-delivery, indefinite-quantity logistics contract for the U.S. Air Force. USAID requests support from the U.S. Air Force through AFCAP to provide goods and services in support of preparedness and worldwide rehabilitation operations. In August 2003, USAID had tasked AFCAP to install generator sets at water treatment facilities in and around Baghdad at a cost of about \$75 million.

USAID/OIG began investigating related allegations of extortion and embezzlement in 2004 and quickly achieved results. Through our review of seized documents and records, we were able to establish that the contractor had overcharged USAID for project commodities in the amount of \$3.6 million. When confronted with this OIG finding, the contractor credited the project for that amount. The contractor also agreed not to bill USAID for shipping costs, which resulted in savings of more than \$900,000.

Subsequent investigative work led to the termination of two employees and the Department of Justice's pursuit of a civil case against the contractor. In October 2009 the contractor entered into a civil settlement agreement with the U.S. Government, requiring the firm to repay the Government \$1 million.

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 \$19 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 225 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 2010 appropriation is \$46.5 million.

What We Do

The IG Act authorizes OIG to conduct and supervise 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, 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 appropriate action is taken against those who would illegally divert U.S. Government funds. 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

More than 40 percent 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
- West Bank-Gaza

Joint Work and Partners

OIG participates in task forces and cooperates with other interagency groups. For instance, by participating in the USAID Afghanistan-Pakistan Task Force, we provide oversight for accountability and transparency in agency operations in Afghanistan and Pakistan.

OIG also chairs the Afghanistan-Pakistan Subgroup of the multiagency Southwest Asia Joint Planning Group. This subgroup comprises representatives of the Offices of Inspector General for USAID and the Departments of State and Defense, the Government Accountability Office, and the Special Inspector General for Afghanistan Reconstruction. The subgroup acts as the central point for sharing information and coordinating planned audits, reviews, and inspections.

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 auditors, program analysts, and special agents are based overseas, and the remaining workforce is stationed in Washington, DC. OIG has offices in Baghdad, Cairo, Dakar, Kabul, Islamabad, Manila, Pretoria, San Salvador, and Washington, DC.

OIG General Information

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



Locations of OIG's worldwide offices

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 2009 totaled more than \$7.6 billion. OIG has obligated more than \$18 million from FY 2003 through FY 2009 in base appropriations and supplemental funding to provide oversight to USAID activities in Iraq.

Performance Audits. Our recent 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 49 performance audits and memorandums issued to date, the majority cited concerns about security conditions. Our audits also identified trends in inadequate contract oversight or activities management (33 percent) and internal controls that needed improvement (20 percent). The chart beginning on page 7 reflects the findings and recommendations of each of these audits. Starting on page 47 are narrative summaries of each audit, 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 for-profit 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 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.¹

Financial audits performed on USAID's implementing partners in Iraq are reflected in the chart on page 35. Questioned costs are those costs determined by an audit to not be allowable (e.g., liquor charges billed to USAID), allocable (e.g., charges that cannot be tied to a specific contract, grant, or cooperative agreement), or reasonable (e.g., charges for 25 computers for a staff of 10). USAID and the implementer work to resolve questioned costs, but when resolutions are unattainable the audit sustains the costs and USAID seeks reimbursement from the implementer.

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 probable cause 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 133 summarizes OIG's investigative work involving Iraq.

¹ DCAA may also be called upon to conduct audits on nonprofit entities to address concerns over noncompliance or problems with financial management.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	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).	1	In May 2003 and January 2004, the Bureau of Management's Office of Procurement (M/OP, now known as the Office of Acquisition and Assistance (M/OAA)) conducted staff training to address the issue of facilities clearances. On August 26, 2005, the procurement executive issued Procurement Executive's Bulletin (PEB) 2005-11, "Reminder to USAID Contracting Officers (COs) Concerning Contract Facilities Clearance Procedures." The PEB provides procedural guidance on the requirements for documenting contractor facilities clearance and procedures. This recommendation is closed.
					2	(2) USAID should ensure that when facilities clearance requirements are part of an RFP, the decision to go forward or delete the requirement is made prior to selection. Same as above.
	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.	3	(1) Management Office of Procurement (M/OP) should maintain documentation within the contract award file demonstrating the analysis performed (or why one was not performed) and decisions made when conducting market research to identify prospective contractors when using other than full and open competition. On June 13, 2005, the procurement executive adopted and signed PEB 2005-05, "Reminder to USAID Contracting Officers to Conduct Market Research Throughout the Procurement Process." The bulletin was issued worldwide. This recommendation is closed.
					4	(2) The Director, M/OP, should conduct a full and detailed review of the contract and award process to determine whether an unfair competitive advantage exists that impacts the contract award for the Iraq education sector. The Director conducted the recommended review and did not find that an "unfair competitive advantage" existed. This recommendation is closed.
					5	(3) The Bureau of Asia and Near East (ANE) should require that technical staff coordinate with the contracting officer and attorney advisor when entering into discussions with partners during the initial stages of a procurement process. On September 13, 2005, the procurement executive issued PEB 2005-06, "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. This recommendation is closed.
					6	(4) ANE technical staff should maintain sufficient records of meetings with outside organizations. On September 13, 2005, the procurement executive issued PEB 2005-06, "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. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response	
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.	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.	7 (1) USAID should develop administrative procedures to ensure that timely award notification and debriefings are performed in accordance with FAR requirements.	On May 11, 2005, the procurement executive adopted and signed PEB 2005-04, "Reminder to USAID Contracting Officers to Provide Timely Award Notification and Debriefing to Unsuccessful Offerors." The bulletin was issued worldwide to all contracting offerors (COs) via e-mail on May 12, 2005. This recommendation is closed.	
				8 (2) USAID should issue an agencywide notice that would ensure that items discussed in presolicitation meetings with potential offerors are documented.	On August 18, 2004, the procurement executive issued a worldwide notice via e-mail to all USAID contracting officers and their staffs reminding them of USAID and FAR regulations governing presolicitation meetings. This recommendation is closed.	
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.	9 ANE should prepare a detailed analysis supporting the level of effort needed in Iraq before any option years for this contract are extended.	ANE conducted the recommended analysis by issuance of the capping report in May 2004. This recommendation is closed.	
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.	10 (1) M/OP should use a checklist of contract procurement procedures to ensure that, among other steps, it requests and obtains an opinion from USAID General Counsel (GC) on conflict of interest issues regarding potential bidders.	On September 13, 2005, the procurement executive issued PEB 2005-06, "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. This recommendation is closed.
				11 (2) M/OP should obtain an opinion from USAID GC specifying whether the firm providing personnel support services to USAID in Iraq should have been excluded from the invitation to compete for the Health System Strengthening in Post-Conflict Iraq contract.	M/OP obtained an opinion from GC. In its written response, GC concluded that the firm was appropriately excluded from bidding on this contract. This recommendation is closed.	

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
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.	12	ANE should issue a memorandum to remind its staff that an analysis of program or contractual need--with an appropriate budget or Government estimate--should be prepared before proceeding with any procurement action.	ANE has prepared and distributed a memo to its staff reminding them of the need to ensure that a budget or Government estimate is completed and documented before procurement action is taken. This recommendation is closed.
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.		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.	13	(1) Before sponsoring SkyLink USA for a facilities clearance and modifying the airport administration contract to require one, ANE should determine whether there is a need for SkyLink USA to have a facilities clearance and take appropriate action when this decision is made.	ANE and the Bureau of Management have determined that there is not a justifiable need for SkyLink USA to have a facilities clearance. This recommendation is closed.
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.		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.	14	(1) USAID/Iraq develop procedures to verify data included in reports prior to the issuance of the reports to ensure the data reported is accurate.	USAID took final action on this recommendation prior to the issuance of the audit report. This recommendation is closed.
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.	15	(1) M/OP should issue instructions to technical officers and COs, reminding them to restrict contacts with contractors who are selected to receive sole-source awards until the contracts have been signed. If this is unavoidable, contacts with such contractors--and any work products prepared by them--should be fully documented to allow effective mitigation of an appearance of an unfair competitive advantage, should the award subsequently be opened to competition.	On August 18, 2004, the procurement executive issued a worldwide notice via e-mail to all USAID contracting officers and their staff, reminding them of USAID and FAR requirements governing "Appropriate Contact with Potential Offers in Less than Full and Open Competitive Circumstances." This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				16 (2) M/OP should (a) document its contract files concerning the actions it took with regard to addressing the appearance of an organizational conflict of interest; and (b) determine whether an unfair competitive advantage existed for this award and, if so, whether it was properly mitigated or whether the contract should be cancelled and recompeted.	On March 2, 2004, the M/OP Director sent a memorandum to OIG that contained an addendum to the negotiation memorandum for the Economic Governance contract. The addendum is from the CO and documents the CO's determination that both the unfair competitive advantage and the conflict of interest were mitigated by the actions taken by the CO. There was also a second document appended to the March 2, 2004, memorandum to OIG from GC that documents the discussions that took place and the advice that was provided to M/OP in order to mitigate the unfair competitive advantage and the conflict of interest. This recommendation is closed.
				17 (3) When requesting proposals for future awards in Iraq, M/OP should provide solicitation instructions that will allow for adequate documentation to properly evaluate the contractors' proposed security costs.	On August 26, 2005, the procurement executive issued PEB 2005-10, "Reminder to USAID Contracting Officers to Obtain Adequate Security Costs Documentation," to all USAID contracting officers. The PEB provides guidance on the requirements for documenting security costs elements to ensure meaningful and adequate cost realism analysis. This recommendation is closed.
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.	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.	18 (1) The Assistant Administrator for the Bureau for Management should instruct M/OP to (a) develop and implement a standard checklist of significant documentation and procurement steps for contracts awarded using other than full and open competition and (b) develop a policy to maintain and update the checklist on a recurring basis.	On September 13, 2005, the procurement executive issued PEB 2005-06, "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. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				19 (2) The Assistant Administrator for the Bureau for Management should instruct M/OP to develop a standardized illustrative budget, including standardized line item definitions, to be used in its requests for proposals and to require the use of this standardized format in the cost proposals submitted to USAID by its offerors.	On March 30, 2006, the procurement executive reissued PEB 2005-09, "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. This recommendation is closed.
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.	20 (1) USAID/Iraq should (a) establish procedures to ensure that Bechtel National, Inc. (BNI), submit an environmental review and, where applicable, an environmental assessment with each request for the issuance of a job order, or that USAID/Iraq obtain a formal written determination exempting the program activities from USAID's environmental procedures; and (b) obtain an acceptable environmental review for the existing job orders for which one is required.	(a) 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, "Environmental Reviews and Assessments--Submission and Approval," define USACE responsibilities and the process for monitoring, tracking, and reporting environmental review requirements; and (b) the mission provided an environmental checklist tracking sheet. The checklist is maintained by USACE and reports for each job order the environmental checklist receipt and acceptance date. The report indicates that checklists have been accepted for all job orders. This recommendation is closed.
				21 (2) USAID/Iraq should (a) develop and document procedures to ensure that a job order-specific plan is submitted and approved, for each job order requiring one, prior to the commencement of construction; and (b) obtain an acceptable job-order specific plan for the eight job orders for which a job-order specific plan was not prepared.	USAID and USACE, in consultation with BNI, 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. The tracking worksheet now includes acceptance dates for the eight job order specific plans previously identified as having not been received. This recommendation is closed.
				22 (3) USAID/Iraq should develop and document procedures to address the handling of charges in excess of the job-order approved amount.	(a) The mission provided a standard operating procedure developed by USAID in collaboration with USACE. The procedure states that sector managers will perform an indepth analysis after USAID submit payment to BNI. 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 of 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. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response	
				23 (4) USAID/Iraq should complete and implement procedures to close out job orders in a timely manner.	(a) The mission provided a copy of BNI'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. This recommendation is closed.	
Not on Web	16	Audit of USAID/Iraq's Cash Control Procedures (E-266-04-001-F)	9-Jun-04	USAID/Iraq generally managed its cashiering operations in accordance with applicable criteria. However, it did not consider the most economical and efficient ways to operate its cashiering functions.	24 (1) USAID/Iraq should (1) provide a security escort for the cash delivery beginning at the Green Zone checkpoint and up to USAID/Iraq's cashier's office or (2) renegotiate the cash delivery agreement with Citibank so that the bank is held liable for loss while the cash is in transit	The mission made an agreement with Kroll guards to provide security escort for the cash delivery beginning at the Green Zone checkpoint and up to USAID/Iraq's cashier's office. In addition, USAID sent a letter to Citibank, N.A., in Amman, Jordan, requesting modification of the cash delivery agreement so that the bank is liable for loss while the cash is in transit. This recommendation is closed.
					25 (2) USAID/Iraq should develop and implement a plan of action to review other alternatives to manage the cashiering operations more efficiently and economically.	The mission (1) hired and trained a new Foreign Service national cashier, which reduced the expenditures associated with cash and payroll payment to 1 percent per dollar instead of 10 percent, and (2) prepared a statement of work for cashier and banking services that identified more efficient and economical operations while reducing the overall risk of maintaining cash to USAID. This recommendation is closed.
					26 (3) USAID/Iraq should revise the petty cash and travel advance forms to include a date line.	The mission revised the petty cash and travel advance forms to include a date line. This recommendation is closed.
					27 (4) USAID/Iraq should issue a mission notice requiring that petty cash and travel advance forms must be signed and dated by the responsible mission officials before the cashier's office can honor the forms.	The mission issued a mission notice containing the requirements pertaining to honoring petty cash and travel advance forms. This recommendation is closed.
					28 (5) USAID/Iraq should use the most cost-effective procedure to close the bank account at the Commercial Bank of Kuwait.	The mission controller issued a memorandum requesting the mission director to write off the balance of \$409 in a dormant account that the mission maintains at the Commercial Bank of Kuwait. In addition, the mission controller provided documentation showing that the account was written off. This recommendation is closed.
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.	None.		

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
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.	29	(1) USAID/Iraq should implement USAID's documentation management procedures requiring that decisions impacting on the design and status of activities be officially documented in the activity file.	The mission's Office of Economic Growth and Agriculture (EGA) had established and implemented new documentation management procedures. These new procedures require all activity managers and cognizant technical officers (CTO) 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 Automated Directives System (ADS) 502. In addition to providing a copy of an internal memo outlining these new procedures, the mission's response included guidance sent to EGA, reminding the CTOs of their responsibility for establishing and maintaining adequate work files and specified the documentation these files, at a minimum, must contain. This recommendation is closed.
				30	(2) For future contracting actions under the Economic Reform Program, USAID/Iraq 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.	USAID/Iraq/EGA 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; and (4) overall expenditures and expenditures at the activity level. This recommendation is closed.
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.		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.	31	(1) USAID's Chief Acquisition Officer should issue a notice reminding a M/OAA personnel 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 were not or could not be considered for the procurement.	On March 30, 2006, the procurement executive issued (via e-mail) a reminder to all COs 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). This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				32 (2) USAID's Chief Acquisition Officer should issue a notice to all M/OAA personnel, 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 FAR requirements, along with examples of fully compliant letter contracts prepared in the past by USAID.	On March 30, 2006, the procurement executive issued (via e-mail) a reminder to all COs, reaffirming the agency's position regarding the use of letter contract 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. This recommendation is closed.
				33 (3) The Deputy Chief Financial Officer should 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; the report should include identifying corrective measures to be taken to address the applicable internal control weaknesses.	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 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. This recommendation is closed.
				34 (4) The Office of Security (SEC) should initiate action to amend ADS 563 to extend its application to all USAID-financed armored vehicle purchases, including purchases by USAID's contractors.	On November 20, 2006, SEC 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. This recommendation is closed.
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.	35 USAID/Iraq should develop and implement a plan of action to improve the integrity of the data in the CAP project list, to make it a more effective monitoring tool and a more accurate and reliable data source for reporting purposes.	USAID/Iraq developed and implemented a plan to improve the integrity of the data in the CAP project list. This recommendation is closed.
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.	36 USAID/Iraq should develop written procedures covering the review and approval of contractor and CTO requests for modifications to future health sector contracts to ensure timely and effective disposition of these requests.	Mission management issued an Acquisition and Assistance Notice, effective 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 CTO and CO in responding to such requests, including the time frames that specific tasks are to be completed within to ensure that requests are addressed in a timely manner. This recommendation is closed.
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.	37 USAID/Iraq should develop a multiyear strategy outlining its long-range plan of activities to be implemented, subject to funding availability, to strengthen the Iraqi Ministry of Electricity's institutional capacity to ensure the proper operation and maintenance of the electrical power sector infrastructure rebuilt and refurbished by the U.S. Government.	As of May 1, 2006, USAID/Iraq approved and put into place a strategic plan for 2006-8 that includes key approaches to address the Iraq infrastructure sectors, including the operation and maintenance of the electrical power sector infrastructure rebuilt and refurbished by the U.S. Government. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response	
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.	None.		
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.	38 USAID/Iraq should finalize and implement its draft policy requiring regional offices to sign a form to confirm receipt of petty cash funds delivered to them by the mission's cashier's office.	Mission management finalized a new policy document, "Petty Cash Administrator's Handbook," which provides an explanation of the normal operating cycle of petty cash and explains 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. This recommendation is closed.	
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.	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.	39 USAID should (1) develop a plan to ensure that necessary computer equipment is in place to operate EMIS or (2) discontinue USAID funding of the project.	Mission management met with stakeholders and developed and implemented a plan to ensure site preparation and installation of necessary computer equipment. This recommendation is closed.
	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.	40 (1) USAID/Iraq should perform a full inventory at all USAID/Iraq locations, tagging and recording each nonexpendable property item, to create a new, complete database.	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 recommendation is closed.
					41 (2) USAID/Iraq should perform a detailed reconciliation between the database as of October 31, 2005, and the new database to account for the identified exceptions.	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. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				42 (3) USAID/Iraq should develop mission-specific written policies and procedures for its management of nonexpendable property.	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. This recommendation is closed.
				43 (4) USAID/Iraq should provide training to employees responsible for the management of its nonexpendable property.	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. This recommendation is closed.
				44 (5) USAID/Iraq should conduct a review to determine the status of the missing vehicles and refer the matter for investigation if appropriate.	USAID/Iraq located the missing vehicles in Kuwait, where they were awaiting repairs. This recommendation is closed.
				45 (6) USAID/Iraq should adopt policies and procedures directing mission personnel to keep all unattended vehicles locked and to store unused keys in a secure location.	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. This recommendation is closed.
				46 (7) USAID/Iraq should verify the ownership of commingled property and remove its property tags from all nonexpendable property that it does not own.	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. There is no longer any commingled property in the field offices. This recommendation is closed.
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.	47 (1) USAID/Iraq should require Research Triangle Institute International (RTI) to submit quarterly work plans that include intended outputs and associated milestones.	Mission management modified the contract to (1) require quarterly implementation plans that include an activity-based budget for each of the significant activities designated in the contract and (2) require the contractor to submit quarterly activity reports that include a report of expenditures, by activity, as compared to the activity-based budget. In February 2006, USAID sent RTI a letter reminding them that their work plans are to be submitted quarterly and should include intended outputs and associated milestones based on USAID requirements and those of the provincial reconstruction teams (PRTs). This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				48 (2) USAID/Iraq should require that RTI submit semiannual performance monitoring reports in accordance with contract requirements and that the performance measurement plan be revised when program objectives are changed.	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. This recommendation is closed.
				49 (3) USAID/Iraq should establish procedures to ensure that grants under contracts are approved by authorized mission personnel.	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 was to be approved by the ACO and incorporated by reference into the contract. Mission management also stated that no funds would be transferred from the contractor account to host government or state-owned enterprises under the LGP II program. However, the mission's response did not initially address the approval of grants under contracts when the grants are less than \$250,000. According to ADS 302.5.6, the actual selection of grant recipients under contracts must be approved by USAID; this requirement is not limited to grants exceeding \$250,000. This recommendation is closed.
				50 (4) USAID/Iraq/OAA should adopt procedures to ensure that contractor performance evaluations are prepared as required by the FAR and ADS.	USAID/Iraq/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 OAA as a means to ensuring 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. This recommendation is closed.
				51 (5) USAID/Iraq should establish review procedures to ensure that vouchers submitted by contractors and grantees are accurate and reasonable in comparison to the work performed.	Mission management stated that (1) it would not be necessary to establish mission-specific procedures given that cost principles of FAR Part 31.2 already applies to the contract; (2) the contract had been modified to require an 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. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings		Recommendations	USAID Response
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.		None.	
FY 2007	31	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.	52	(1) USAID/Iraq should 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.	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. This recommendation is closed.
				53	(2) USAID/Iraq should 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.	USAID/Iraq developed a schedule for the review of its performance monitoring reports through the end of the contract. This recommendation is closed.
				54	The USAID/Iraq should verify that 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 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 CO'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. This recommendation is closed.
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.			

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
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.	55 USAID/Iraq should coordinate with its implementing partner to ensure that the servers are installed and EMIS is operational.	USAID/Iraq verified through a review of documentation that the servers were delivered and installed. For the EMIS, the Iraq Reconstruction Management Office (IRMO; now Iraq Transition Assistance Office, or 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.
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 BNI 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.	56 (1) USAID/Iraq should 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.	USAID/Iraq management stated 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, the mission reported that it deobligated and transferred \$22.4 million to IRMO in contract funds that supported the network and that IRMO transferred some of those funds to the USACE for the sustainability of the network. This recommendation is closed.
				57 (2) USAID/Iraq should develop a system to ensure that preliminary planning for future construction or rehabilitation projects includes obtaining written agreement from key partners regarding responsibilities that are essential to the achievement of the project.	Mission management reiterated that it does not anticipate any further major infrastructure programs. However, officials agreed that in the future it will ensure existing policies and procedures are followed and that there is sufficient Iraqi Government buy-in for such a program. This recommendation is closed.
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 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.	None.	

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings		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 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.	63	(1) USAID/Iraq should adopt procedures to ensure that its CTOs utilize its PRT representatives for program site visits.	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. Final action occurred on August 29, 2008. This recommendation is closed.
				64	(2) USAID/Iraq should review the implementation of its new procedures and evaluate the coordination between its technical offices and its PRT representatives within 90 days of the issuance of this report.	Mission management indicated that during a joint meeting in Baghdad September 16-17, 2007, between PRT representatives and mission CTOs, operating procedures were reviewed and changes were being made to the PRT representatives' operating guidelines. Final action occurred on August 29, 2008. This recommendation is closed.
FY 2008	39	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.	65	(1) USAID/Iraq should immediately suspend ongoing CSP 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.	USAID/Iraq reprogrammed \$3,634,272 in residual funds from Khademyiah projects to other legitimate CSP activities in Baghdad. The reprogrammed amount is based on recalculations performed by USAID and the contractor in light of a calculation error in the original amount reported to have been unpaid. This recommendation is closed.
				66	(2) USAID/Iraq should review CSP 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/Iraq fully addressed this recommendation, and it was closed on August 12, 2008.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				67 (3) USAID/Iraq should meet with appropriate officials from the CSP, PRTs, and U.S. military to improve coordination and discuss the feasibility of vetting potential CSP 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, PRTs, and the Focused Stabilization Program Office (FSPO). 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 occurred on August 12, 2008. This recommendation is closed.
				68 (4) USAID/Iraq should take steps to increase its monitoring of CSP 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 the CSP 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 made on March 18, 2008, and final action occurred on June 20, 2008. This recommendation is closed.
				69 (5) USAID/Iraq should establish policies and procedures reminding FSPO employees of their responsibility to promptly report any allegations of fraud and abuse to the OIG.	FSPO 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. FSPO will invite OIG to give similar presentations at future conferences. This recommendation is closed.
				70 (6) USAID/Iraq's FSPO should have OIG investigators provide a fraud awareness briefing to CSP implementing partner officials.	FSPO 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. FSPO will invite the OIG to give similar presentations at future conferences. This recommendation is closed.
				71 (7) USAID/Iraq should conduct a data quality assessment that specifically focuses on the job creation data being reported by the CSP implementing partner, and take appropriate action based on the results of that assessment.	USAID/Iraq contracted International Business and Technical Consultants, Inc. (IBTCI) to conduct the recommended data quality assessment. On August 20, 2008, USAID/Iraq received and accepted the completed assessment from IBTCI. USAID/Iraq has prepared an action plan matrix to guide the implementation of recommendations made by IBTCI in the assessment and will update the CSP monitoring and evaluation plan accordingly. This recommendation is closed.
				72 (8) USAID/Iraq's FSPO should work with the CSP 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 will begin revising the CSP monitoring and evaluation plan by June 30, 2008, and will include the reconciliation of employment data as part of that process. This will help ensure that future CSP quarterly progress reports contain accurate information. Final action was taken on August 28, 2008. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				73 (9) USAID/Iraq should determine the allowability and collect as appropriate the \$39,821 in questioned ineligible costs billed by the CSP 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 were not allowable. Final action was taken on August 12, 2008. This recommendation is closed.
				74 (10) USAID/Iraq's FSPO should work with the CSP implementing partner to recalculate all prior baseline and followup surveys to accurately reflect the changes in survey methodology noted above.	On August 10, 2008, the CSP implementing partner submitted and USAID/Iraq accepted the recalculated baseline and followup survey data. This recommendation is closed.
				75 (11) USAID/Iraq's FSPO should work with the CSP implementing partner to amend the monitoring and evaluation plan to incorporate the changes in survey methodology noted above.	On August 13, 2008, USAID/Iraq approved the revised CSP monitoring and evaluation plan that incorporated the changes in survey methodology recommended. This recommendation is closed.
				76 (12) USAID/Iraq's FSPO should establish policies and procedures to formally document and track the status of recommendations made by the monitoring and evaluation contractor.	In October 2007, FSPO established policies and procedures to follow up on external monitoring reports. This recommendation is closed.
				77 (13) USAID/Iraq's FSPO should 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.
				78 (14) USAID/Iraq's FSPO should request the CSP implementing partner to instruct its program office directors to be more consistent in following the established branding policy.	In September 2007, FSPO 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 occurred on June 20, 2008. This recommendation is closed.
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.	79 (1) USAID/Iraq should reconsider its practice of limiting the eligibility of potential beneficiaries of the Marla Ruzicka Iraqi War Victims Fund to Iraqi civilians who suffer losses caused solely by U.S. and Coalition Forces and make appropriate changes to the program if warranted.	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.
				80 (2) USAID/Iraq should provide guidance to the implementing partners of the fund encouraging them to focus future projects on families in dire need rather than on community infrastructure projects that might fit better under other assistance programs.	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.
				81 (3) USAID should review its allocation of funds provided to implementing partners of the fund to determine whether funds should be reallocated to implementing partners operating in regions in which those funds could be better used to assist the intended beneficiaries.	USAID/Iraq concurred with the recommendation and agreed to insert language into the CAP III annual program statement, which will initially distribute Marla funds based on 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.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				82 (4) USAID/Iraq should develop a plan that addresses the future sustainability of assistance to Iraqi civilians who are innocent victims of the war in Iraq.	USAID/Iraq concurred with the recommendation and in October 2008 emailed implementing partners to have 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.
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.	83 (1) USAID/Iraq should implement procedures to maintain vehicle records for all mission-controlled vehicles in accordance with ADS 536.	USAID/Iraq concurred with the recommendation and set August 2008 as a deadline for having procedures implemented to maintain vehicle records in accordance with the ADS. Final action has been taken.
				84 (2) USAID/Iraq should make a determination on how to use or dispose of excess vehicles, with an estimated value of \$2,179,969, in accordance with applicable policies and procedures.	On June 24, 2008 a management decision was reached 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. This recommendation is closed.
				85 (3) USAID/Iraq should establish a procedure to help ensure that dispatch analyses are completed on an annual bases in accordance with ADS 536.	On August 7, 2008, USAID/Iraq issued the recommended procedure to help ensure that the analyses would be completed. Final action was taken on September 5, 2008, and the recommendation is closed.
				86 (4) USAID/Iraq should report on the armored vehicles that could not be located in Basrah to the U.S. Embassy's Regional Security Office and USAID SEC/Physical Security Programs Division, in accordance with Automated Directives System 563.	On July 30, 2008, USAID/Iraq reported to the USAID SEC/Physical Security Programs Division, and to the Regional Security Office, the armored vehicles that could not be located. This recommendation is closed.
				87 (5) USAID/Iraq should (1) report all known mission-controlled armored vehicles that might have damaged ballistic protection to USAID SEC/Physical Security Programs Division, in accordance with ADS 563 and (2) inform that office of all repairs performed on armored vehicles by unauthorized mission personnel, according to 12 FAM 387.	USAID/Iraq reported the armored vehicles that 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 closed.
				88 (6) USAID should implement procedures so that future damage to vehicles is reported in accordance with ADS 536 and that damage to armored vehicles is reported to USAID SEC in accordance with ADS.	On July 31, 2008, USAID/Iraq issued a memo to all mission mechanics, drivers, and general service officers that described the procedures they must follow for reporting damages to mission armored vehicles. This recommendation is closed.
				89 (7) USAID should give drivers the defensive driver and surveillance detection training required by ADS 563, either by enrolling them in the course in the United States or by training them in Iraq.	USAID/Iraq devised and implemented a plan to provide drivers defensive and surveillance detection training. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
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.	90 (1) USAID/Iraq should establish policies and procedures to work with its 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.
				91 (2) USAID/Iraq should 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 CSP projects. 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.
				92 (3) USAID/Iraq should establish policies and procedures to document compliance with ADS 203.3.6.7 for evaluations 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.
				93 (4) USAID/Iraq should 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.
				94 (5) USAID/Iraq should 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.
				95 (6) USAID/Iraq should 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.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
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.	96 (1) USAID/Iraq should reevaluate current performance indicator targets under CAP II to determine whether they are realistic and to ensure that realistic targets are included in the revised performance monitoring 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.
				97 (2) USAID/Iraq should 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.
				98 (3) USAID/Iraq should 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.
				99 (4) USAID/Iraq should 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.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				103 (4) USAID/Iraq should 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 ADS 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 adequately capture performance indicator results 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.
				104 (5) USAID/Iraq should review Inma program performance indicators listed in its performance monitoring plan to ensure that they are reasonably attributable to USAID activities, in accordance with ADS 203.3.	USAID/Iraq agreed with this recommendation. In addition to the actions taken in response to recommendation No. 4, IBTCI also 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.
				105 (6) USAID/Iraq should 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 Office of Acquisition and Assistance (M/OAA) discussed this recommendation with Inma and the Louis Berger Group (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.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				106 (7) USAID/Iraq should verify that the Inma contractor modifies the subcontract language with the Euphrates Fish Farm (EFF) to include the required provision pertaining to Executive Order 13224 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 contained under section H.8 of the contract "Executive Order on Terrorism Financing" was not included in Inma's subcontract with EFF. The clause stipulates that this provision 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.
				107 (8) USAID/Iraq should obtain written assurance from the Inma contractor that the required provision pertaining to Executive Order 13224 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.
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.	108 (1) USAID/Iraq should include outcome indicators in the National Capacity Development Program's performance management plan that measure improvement in the Iraqi ministries' ability to deliver core services.	The mission has included outcome indicators in the National Capacity Development (NCD) Performance Management Plan (PMP) for FY 2007-2009. On May 12, 2009, the USAID/Iraq, Contracting Officer Technical Representative (COTR) accepted the NCD PMP. This recommendation is closed.
				109 (2) USAID/Iraq should direct the National Capacity Development Program's contractor to work with the Ministry of Oil to draft a capacity development plan.	The mission made a determination that the Organizational Self Assessment and Transformation Program (OSTP) would be an appropriate tool for assessing Ministry of Oil (MOI) development capacity. The NCD contractor worked with the MOI using the OSTP tool in four divisions covering the full upstream and downstream operations of the MOI and Identified priorities for organizational reform, including People Knowledge, Leadership, Processes, and Finance. This recommendation is closed.
				110 (3) We recommend that USAID/Iraq implement a plan to increase the response rate for surveys so as to provide valid results in measuring outcome measures.	The mission has amended the National Capacity Development (NCD) Performance Management Plan (PMP) for FY 2007-2009 to increase the response rate for surveys to adequately capture valid results in measuring outcomes. The COTR has accepted the plan. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				111 (4) USAID/Iraq should add an output indicator to the Program's performance management plan to measure the number of graduate level scholarships utilized abroad.	The mission included an output indicator to the National Capacity Development (NCD) Performance Management Plan (PMP) for FY 2007-2009 to measure the number of graduate level scholarships utilized abroad. The COTR has accepted the plan. This recommendation is closed.
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.	112 (1) USAID/Iraq should require its implementing partners to establish procedures to monitor the reporting of serious incidents to ensure that such incidents are properly reported.	The mission processed modifications to 21 active prime contracts and assistance awards, which were modified to include reporting provisions on Serious Incident Reporting Requirements and also included additional monitoring and reporting requirements from each implementing partner, resulting in mandatory monitoring and reporting requirements being communicated to all implementing partners. This recommendation is closed.
				113 (2) USAID/Iraq should require its implementing partners to notify the mission of all serious incidents by including the mission in the reporting of these incidents.	See above recommendation. This recommendation is also closed.
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.	114 (1) USAID/Iraq should, under the Local Governance Program - Phase III (LGP III), 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 under section F.2 - Deliverables, which requires RTI to submit all of its training materials for prior review and approval by USAID/Iraq. The contracting officer's technical representative (COTR) for LGP III confirmed that as of April 30, 2009, RTI is very diligent in meeting the requirements of the contract and has been submitting training courses for USAID review in a timely manner. Final action has been taken.
				115 (2) That USAID/Iraq 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 & Governance verified with their contractor that for Local Governance Program III, there are minimal formal training events planned and therefore the risk of duplicative training is practically non-existent. Also, a revised training participant registration form, which includes language requiring the training applicants to indicate if they have been enrolled in prior training programs with justification, has been implemented. This recommendation was closed 11/23/09.
				116 (3) That USAID/Iraq 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 is clearly identified and limited only to provincial council members, governors, and their staff. Final action has been taken.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				117 (4) USAID/Iraq should require contractor performance reviews (CPRs) to be prepared promptly by contracting officers and not re-delegated to other staff members.	Late submission of CPRs will now be reported to respective office chiefs as well as to the Deputy Mission Director. An e-mail will be sent to all of the Mission's COTRs reminding them of the evaluation procedure. With regard to re-delegating CPRs, the Director of the mission's Office of Acquisition and Assistance will send an e-mail to the mission's contracting officers informing them that they cannot re-delegate their responsibility for entering CPRs in the contractor performance review database. This recommendation remains open with a management decision as of 5/31/09. The final action target date is 1/29/10.
				118 (5) USAID/Iraq should 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.	The mission developed a procedure to ensure that the contractor performance review (CPR) is accurate and its statements are supported by appropriate documentation and records. When the CPR is submitted to the Office of Acquisition and Assistance (OAA), the OAA will review it and confirm that the CPR is accurate and its statements are well justified and supported by necessary documentation. If accurate, the CPR would then be entered into the CPR database. This recommendation remains open, with a management decision as of 5/31/09. The final action target date is 1/29/10.
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.	119 (1) USAID/Iraq should 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.
				120 (2) USAID/Iraq should 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 they are reasonably attributable to USAID activities. This was done in the revised performance monitoring plan approved by USAID/Iraq on May 03, 2009. This recommendation is closed.
				121 (3) USAID/Iraq should 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. The recommendation is closed.
				122 (4) USAID/Iraq should 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's Office of Acquisition & Assistance submitted all technology projects with a cost of at least \$100,000 to M/CIO/BCCS. This recommendation was closed on 10/28/09.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				123 (5) USAID/Iraq should 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.
				124 (6) USAID Office of Acquisition and Assistance should 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 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 noncommercial items/services subcontracts). This recommendation is closed.
				125 (7) USAID/Iraq should 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.
				126 (8) USAID/Iraq should require its EGII Program contractor to complete a nonexpendable property plan as required by USAID Acquisition Regulation 752.245-71(b).	USAID/Iraq received concurrence for all of the submitted IT projects under the Economic Governance (EG) II Prgm from M/CIO/BCCS. On 10/18/09, USAID/Iraq received a completed nonexpendable property plan from the EG II Program contractor. This recommendation was closed 10/28/09.
				127 (9) USAID's EGA Office should develop policies and procedures to ensure 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 annual reports on all nonexpendable property are conducted by its contractors. This recommendation is closed.
				128 (10) USAID/Iraq's Office of Acquisition and Assistance should, 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. Final action has been taken.
				129 (11) USAID/Iraq should 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 they are being prepared.	USAID/Iraq's EGA Office updated its procedure on April 30, 2009, to include a regular review of COTR work files by the COTR's supervisor, to ensure they are being prepared. This recommendation is closed.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				130 (12) USAID/Iraq should 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 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.
49	Audit of USAID/Iraq's Iraq Rapid Assistance Program (IRAP) 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.	131 (1) USAID/Iraq should 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 is acceptable and consistent with the intent of the grant.	DAI has commenced an internal review and methodological examination into the specific issues raised by USAID. The contractor will conduct monthly training on specific monitoring functions and procedural controls. It will also ensure that senior local staff members conduct periodic site visits, as security conditions permit, to ensure implementation is running as planned. DAI is planning to subcontract an augmented monitoring function capable of performing spot checks and visits to IRAP grant venues that will supplement current site visits and monitoring efforts. The contractor will ensure that its senior program development officers review and augment current communications and report to the PRTs. DAI is proactively working with the PRTs to ensure that they consult with DAI and that all grant proposals are run past the USAID representatives prior to presenting grant proposals and budgets for approval. Final action has been taken.
				132 (2) USAID/Iraq should require its implementing partner to establish appropriate procedural controls to ensure that its subcontractors are adhering to prescribed procedures in administering grantee payroll activities.	The contractor will ensure that appropriate staff members undergo continual training and refresher courses on DAI financial policies and procedures established for the program. It will ensure all grants with salary payments are carried out according to approved and agreed amounts and are in accordance with program financial/procurement policies. If there are instances where salaries are improperly paid, DAI will immediately notify USAID and the relevant PRT representative. The contractor will strongly reiterate to staff members that salary payments are not to be made using lump sum transfer to grantees, including grantees' bank accounts. DAI may terminate subcontracts if the subcontractors are unable to justify salary payments or provide a field procurement in accordance with established DAI procedures. DAI will conduct its own review of all grants with pending salary payments and verify that all salary payments are made each month using a grants manager charged with supplemental voucher examination duties in accordance with established DAI policy, procedures, and instructions. Final action has been taken.

Iraq Performance Audit Findings and Recommendations

No.	Report Title	Report Date	Summary of Findings	Recommendations	USAID Response
				<p>133 (3) USAID/Iraq should require its implementing partner to establish appropriate financial review procedures to ensure that invoices and other financial records supporting expense claims submitted by the partner's subcontractors are reviewed more thoroughly so that irregularities, such as those identified by the audit, are detected and addressed in a timely manner.</p>	<p>DAI will propose to USAID to convert one program position to a grant manager, who will perform detailed voucher examination and be dedicated to reviewing the receipts and vouchers provided to DAI by its subcontractors. DAI has committed to have an internal auditor to review DAI IRAP systems once per quarter until program conclusion on September 30, 2010. DAI will remind, reinforce, and retrain all DAI IRAP staff, including local staff members that a DAI support mechanism exists in which staff can convey any acts of impropriety, fears, or perceived threats. The contractor has initiated an internal investigation of whether issues of financial irregularity exist on a more widespread basis. Final action has been taken.</p>
49 Performance Audits Issued				Total Recommendations	133
				Recommendations Open	2
				Recommendations Open More Than 1 Year	0

* Open Recommendations: 117, 118

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	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	
8	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	
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	
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	

* All audits conducted by the Defense Contract Audit Agency.

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
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	
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	

* All audits conducted by the Defense Contract Audit Agency.

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
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) Contoller 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	
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	

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
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	\$51,767,359	\$511,582	\$368,203	
42	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	\$2,762,600	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.
43	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.
44	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	
45	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	
46	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	
47	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	
48	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	
49	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	
50	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	
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	

* All audits conducted by the Defense Contract Audit Agency.

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
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	\$13,330,208	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	
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	

* All audits conducted by the Defense Contract Audit Agency.

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
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 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	
66	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	
67	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	
68	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	
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	
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	

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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
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	
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	\$55,255	\$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	

*All audits conducted by the Defense Contract Audit Agency.

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
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	
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	

* All audits conducted by the Defense Contract Audit Agency.

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
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 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.
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 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	
107	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	
108	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	
109	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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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
110	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	
111	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	
112	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 (Report No. E-267-08-009-D)	E-267-08-009-D	15-Apr-08	\$42,472,368	\$36,181	\$16,003	
113	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	
114	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.
115	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	
116	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	\$34,250	
120	Audit of Costs Incurred and Billed by the Sandi Berger Group, Inc. 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	

* All audits conducted by the Defense Contract Audit Agency.

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 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-Jan-08	\$32,049,797	\$110,033	\$106,377	
122	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	
123	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	
124	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	\$198,734	
125	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	
126	Audit of Costs Incurred and Billed by Louis Berger Group, Inc. (LBGI) 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	
127	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-00-04-00014-00, 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	Will be rescinded and returned to Defence Contract Audit Agency; incorrect criteria. The amount audited will not change and the amount of questioned costs is not expected to change.
128	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	
129	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	\$1,056,354	Recommendation 3 questioned costs of \$1,369,706, primarily for an unauthorized transfer of funds from ICAP I to ICAP II and related indirect costs.
130	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	Recommendation 1 questioned costs of \$13,995,951 because of a lack of adequate supporting documentation (inadequate accounting system to segregate costs by specific contract).
131	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	\$670,342	

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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
132	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	
133	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	
134	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	\$73,362,868	
135	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	\$7,796,266	
136	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	
137	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	Undetermined	
138	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	Undetermined	
138	Financial Audits Issued			\$4,145,337,763	\$175,987,328	\$107,134,813	
	Percentage of Total Costs Audited				4.2%	2.6%	

* All audits conducted by the Defense Contract Audit Agency.

Planned Performance Audits of USAID/Iraq-Funded Activities

Fiscal Year 2010

Audit of the Sustainability of Selected USAID/Iraq Infrastructure Activities

USAID's infrastructure, health, and education programs in Iraq—amounting to \$4.9 billion—were completed in 2006. Those programs included adding 1,292 megawatts of electrical generation capacity to the national grid, refurbishing water treatment plants to improve the supply of potable water to more than 3.1 million Iraqis, and providing sewage treatment benefits to 5.1 million people. In addition, USAID's installation of small water-treatment systems in rural communities improved the supply of clean water to 400,000 villagers. Upon completion, USAID transferred the infrastructure assets that it had installed or rehabilitated to the Government of Iraq and provided guidance for operations and maintenance.

This audit will determine whether USAID/Iraq's completed infrastructure activities continue to provide electrical generation capacity, potable water, and sewage treatment benefits.

Audit of USAID/Iraq's Community Action Program III Activities

USAID/Iraq's Community Action Program III (CAP III) is a \$140 million program that is scheduled to run from October 2008 through March 2010. 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.

Audit of USAID/Iraq's Local Governance Program III Activities

USAID/Iraq's Local Governance Program III is a \$145 million, 2-year program that represents the third phase of the mission's Local Governance Program (LGP III). It is scheduled to run from January 2009 through December 2010. LGP III supports the implementation of Iraq's new Law for Governorates Not Incorporated Into a Region (also known as the "Provincial Powers Act"). The program was designed to build the capacity and strengthen the performance of local government institutions and to create a more responsive public administration through planning for public investment in the provinces, executing the provincial budgets, and holding service providers accountable.

This audit will determine whether USAID/Iraq's Local Governance Program III has been effective in supporting decentralization of government resources and capabilities.

Review of USAID/Iraq Contractors' Compliance with the Trafficking Victims Protection Reauthorization Act of 2008

Section 232a of the William Wilberforce Trafficking Victims Protection Reauthorization Act of 2008¹ requires OIGs for USAID, Department of State, and Department of Defense to investigate a sample of high-risk contracts² in each of fiscal years 2010 through 2012. The types of contracts to be investigated include primary contracts, or subcontracts at any tier, under which there is a heightened risk that a contractor may engage, knowingly or unknowingly, in acts related to trafficking in persons. These acts include the following:

- Confiscation of an employee's passport
- Restriction on an employee's mobility
- Abrupt or evasive repatriation of an employee
- Deception of an employee regarding the work destination
- Acts otherwise described in section 106(g) of the Trafficking Victims Protection Act of 2000³

The review will determine whether (1) USAID/Iraq and its contractors established sufficient controls to prevent trafficking of persons and (2) selected USAID/Iraq contractors and subcontractors engaged in trafficking-of-persons practices.

¹ Public Law 110-457, enacted December 23, 2008.

² OIG interprets "contracts" as including other types of awards.

³ 22 U.S.C. 7104. The acts as "otherwise described" include severe forms of trafficking in persons or procuring a commercial sex act during the period of time that the grant, contract, or cooperative agreement is in effect. They also include using forced labor in the performance of the grant, contract, or cooperative agreement. OIG is required to submit annual reports to Congress on human trafficking, due on January 15 in 2010 and 2011.

Audit of USAID/Iraq's Agriculture Private Sector Development— Agribusiness Program

The agribusiness program is a \$209 million, 3-year program with two 1-year option periods. If both option years are exercised, the estimated amount of the contract will be approximately \$343 million. The agribusiness program promotes economic diversification and job generation, with an emphasis on the growth of the agriculture and agribusiness sectors in the provincial, regional, and subregional economies.

The program also advances the key foreign policy priority of promoting stability and economic opportunity throughout Iraq by building the capacity of and providing productivity tools to farmers, agribusinesses, and small- and medium-sized entrepreneurs to become more competitive and profitable in domestic and international markets. It is also anticipated that increased economic opportunity could improve social and political stability and reduce violence.

This audit will determine whether USAID/Iraq's agribusiness program is providing effective support for economic diversification and job creation.

Audit of USAID/Iraq's Provincial Economic Growth Program

USAID/Iraq's Provincial Economic Growth Program is a \$162 million program to provide business development and financial services to Iraqi beneficiaries in strategic locations across the country. In addition, it promotes economic diversification and employment, with an emphasis on the growth of the manufacturing and service sectors throughout Iraq. The program is scheduled to run from January 2008 through March 2011.

The program supports nine new Iraqi-owned microfinance institutions and three international microfinance institutions. In addition to providing loan capital, the program conducts training, technical assistance, and other capacity-building activities. These institutions offer 1-year loans averaging \$1,500 at 15–18 percent annual interest. According to the mission, the reported repayment rate is more than 98 percent, and demand continues to outstrip supply. The program also established eight new small-business development centers and provides training in business management, budgeting, strategic planning, and other professional skills.

This audit will determine whether USAID/Iraq's Provincial Economic Growth Program is achieving economic diversification and job creation.

Audit of USAID/Iraq's Payroll Payments to Foreign Service Nationals, Third-Country Nationals, and U.S. Personal Services Contractors

USAID/Iraq's Office of Financial Management is responsible for preparing payroll payments for its non-U.S. direct-hire workforce. This workforce includes third-country nationals, Foreign Service nationals, and U.S. personal services contractors. Estimated salary payments to the mission's non-U.S. direct-hire workforce totaled \$3.7 million in FY 2008 and \$3.4 million in FY 2009.

Staff members are normally assigned to USAID/Iraq for 1 year and rotate in and out of the mission on a recurring basis. Consequently, there is not only a constant turnover in the mission's Foreign Service nationals, third-country nationals, and U.S. personal services contractors but also high turnover in the mission's Office of Financial Management staff. The high turnover increases the risk of inaccurate salary payments, including improper payments to staff who are no longer employed by the mission.

This audit will determine whether USAID/Iraq properly calculated and disbursed payroll payments to its Foreign Service national, third-country national, and U.S. personal services contractor workforce in accordance with established regulations, policies, and procedures.

Audit of USAID/Iraq's Nonexpendable Property

The USAID/Iraq Executive Office coordinates and manages all administrative and logistical needs for the mission. With an operating expense budget of \$52 million in FY 2009, the Executive Office provides procedural and regulatory guidance; human resource management; computer systems management; management and maintenance of security equipment; travel and transportation services; motor pool operation and maintenance; shipment and customs clearance; procurement of goods and services; warehousing; and maintenance of office space. The extraordinarily high annual turnover rate for all USAID/Iraq personnel leaves nonexpendable property vulnerable to loss, mismanagement, neglect, fraud, or theft.

This audit will determine whether USAID/Iraq has managed its nonexpendable property effectively so that vulnerabilities to loss, mismanagement, neglect, fraud, and theft have been minimized.

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 ensure 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 have an internal auditor from its U.S. home office travel to Iraq to review existing systems and the subcontractors' expenses on a quarterly basis. 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. We recommend 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 at least \$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 752.24571(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 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 non-existent. 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 that requires training applicants to indicate whether they have been enrolled in prior training programs with justification, has been implemented. 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.

Late submission of CPRs will now be reported to respective office chiefs as well as to the Deputy Mission Director. An e-mail will be sent to all of the mission's COTRs reminding them of the evaluation procedure. With regard to redelegating CPRs, the Director of the mission's Office of Acquisition and Assistance will contact the mission's contracting officers, informing them that they cannot redelegate their responsibility for entering CPRs in the contractor performance review database. This recommendation remains open.

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.

Once a CPR is completed by the COTR, the respective technical office chief will conduct an initial quality check to ensure that the CPR is accurate and its statements are supported by appropriate documentation and records. When the CPR is submitted to the Office of Acquisition and Assistance (OAA), OAA will review it and confirm that the CPR is accurate and its statements are well justified and supported by necessary documentation. If accurate, the CPR would then be entered into the CPR database. This recommendation remains open.

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 04, 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 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 advisors 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 agriculture production during the last 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 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. (IBTCI),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

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

grades on the English-readiness test (Test of English as a Foreign Language—TOEFEL). 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.

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 comprised 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 were not able to 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 contract² 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 program (MEPP).

The Office of Inspector General conducted this audit to determine (1) whether USAID's monitoring and evaluation 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 its monitoring and evaluation 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

² This is a level-of-effort type contract in which the contractor is reimbursed for time and expenses. Goals and objectives are established and the contractor's performance is tracked. However, payment to the contractor is not contingent upon obtaining goals and objectives.

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 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/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, 2007, 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 Community Stabilization Program (CSP) 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

OIG made 14 recommendations for improving the CSP, but USAID agreed to only 6 of them. Major recommendations included the immediate suspension of CSP projects within a specific Baghdad district, with \$8.5 million in funds put to better use; a review of projects in other areas for similar evidence of fraud; coordinating with other program participants and exploring the feasibility of vetting potential contractors through U.S. military intelligence databases; establishing procedures to help ensure prompt reporting of potential fraud to OIG, and improving the quality of employment generation data reported by the implementing partner and recovering ineligible questioned costs of \$39,821.

A status of the recommendations is discussed below.

1. 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.
2. USAID fully addressed recommendation 2 and the recommendation was closed on August 12, 2008.
3. On February 24, 2008, mission management met with appropriate officials and approved a communications protocol to help guide the interactions and relationships among CSP, PRTs, and the FSPO. 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.
4. 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.
5. FSPO 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. FSPO will invite the OIG to give similar presentations at future conferences. This recommendation is closed.
6. FSPO 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. FSPO will

invite the OIG to give similar presentations at future conferences. This recommendation is closed.

7. Mission management reached management decision and took final action on this recommendation on August 20, 2008.
8. 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. 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. 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. 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. In October 2007, FSPO established policies and procedures to follow up on external monitoring reports. This recommendation is now closed.
13. Mission management agreed to continue to reassess its CSP performance indicators. This recommendation is closed.
14. In September 2007, FSPO 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 now 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 Multi-National 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 Iraq 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 the U.S. Agency for International Development (USAID) planned and reported on selected activities in accordance with applicable guidance.

The audit found that USAID did follow 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 on its activities that are funded under the Iraq Relief and Reconstruction Fund II on a quarterly basis 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 different definition of a project than 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 ¹)

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 Iraq 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 deobligated and transferred \$22.4 million to

¹ "Distributable costs" are defined as job order and contract direct costs not identifiable to one job order (e.g., salary of acquisition team, subcontract management, camps, security, and office equipment).

IRMO in contract funds that supported the network and that IRMO 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 if 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 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.

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-C-OO-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 maintain electronic copies of all significant technical documents or written communications. The plan also

requires the contracting officer's designee 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 was obligated and \$338 million (87 percent) had been 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 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 time of 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 achieved their intended outputs because USAID did not require 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, nor 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 302.5.6, the actual selection of grant recipients under contracts must be approved by USAID; this requirement is not limited to grant exceeding \$250,000.

USAID/Iraq/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 Federal Acquisition Regulation Part

31.2 already applies 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 use 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 cashing 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 cashing 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 is designed to provide an explanation of the normal operating cycle of petty cash and explain 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 Services (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 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. A table of activities reviewed is attached. 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. Advisors by activity and work location*
- 3. Level of effort expended under each activity*
- 4. Overall expenditures and expenditures at the activity level*

Breakdown of Activities Reviewed—Economic Reform Program

	Description of Activities	Status
1.	Provide technical assistance for procurement and implementation of an interbank payment system.	Canceled. Coalition Provisional Authority (CPA) advisor canceled this activity and redirected contractor to work on another activity not approved by USAID/Iraq.
2.	Complete an assessment of the entire population of state-owned enterprises (200) to identify which 10 are the most viable and which 10 are the least.	In progress
3.	Develop and implement mechanisms for making sizable loans to small and mid-sized enterprises.	In progress
4.	Review 12 key commercial laws and make recommendations to amend or introduce new laws that create an investor friendly, market-driven economic legal framework.	Completed
5.	Design and implement a public works program that creates 77,000 jobs. (Note: This number was scaled back from 300,000 because of funding limitations.)	Completed
6.	Review state-owned insurance companies and recommend under what conditions companies can be reactivated. Also, perform assessment of the regulatory framework for the insurance sector.	Completed
7.	Procure and implement a comprehensive financial management information system for the Ministry of Finance.	In progress
8.	Implement a budget planning system.	Completed
9.	Provide assistance in developing a presentation of Iraq's capital programming requirements for October 2003 donors' conference in Madrid.	Completed
10.	Perform review and evaluation of existing tax policy in law and practice.	In progress
11.	Provide assistance in developing strategy for reforming and reactivating tax administration.	In progress
12.	Provide assistance with day-to-day tasks in managing the currency exchange project.	Completed

	Description of Activities	Status
13.	Establish rules for intervening in the currency market to help stabilize the exchange rate and set up a statistics division at the Central Bank.	In progress
14.	Provide assistance to the Electricity Commission in developing a strategy to increase commercial viability of the state-owned power company.	In progress
15.	Provide assistance to the Electricity Commission in developing an electricity sector master plan to be used as basis for generation and transmission investment decisions for the period 2004-2010.	In progress
16.	Provide assistance to the Electricity Commission in building its financial capacity.	In progress
17.	Provide assistance in the introduction and implementation of various domestic taxes.	In progress
18.	Provide assistance to large commercial banking institutions and develop/implement framework for an interbank payment system.	In progress
19.	Provide assistance to develop an assessment of intergovernmental finance and possible interim measures to improve flow of funds between the central and local levels of government.	Completed
20.	Perform planning, program management support, analysis, logistics, reporting, data applications and communications for the Oil for Food Program.	In progress
21.	Provide assistance to the CPA senior advisor to the Ministry of Transportation in development of a policy framework for transportation subsectors.	Canceled. Activity was canceled because of the departure of the CPA senior advisor at the Ministry of Transportation.
22.	(1) Train Iraqi Ministries of Agriculture, Electricity, Telecommunications, and Water and Sanitation on executing capital programs in their sectors; and (2) train Iraqi counterparts in financial oversight and contract administration.	In progress
23.	Provide assistance in establishing an umbrella public utilities regulatory agency encompassing power, water, telecommunications, and petroleum.	Completed
24.	Provide assistance to Ministry of Electricity to strengthen its capacity to assume management responsibility over the Oil for Food contracts and purchase orders being transferred to it.	Completed

	Description of Activities	Comments
25.	Provide technical assistance to the Ministry of Transportation and Communication to create an integrated information technology strategy.	Completed
26.	Develop a master plan for telecommunications infrastructure in Iraq, providing guidance for policy decisions, regulation, and reconstruction.	In progress
27.	Provide technical assistance to the Ministry of Transportation and Communication in creating a strategy for reforming and developing Iraq's telecommunications sector.	In progress
28.	Implement the Business Development Center Program.	In progress
29.	Provide technical assistance to the Ministry of Finance in conducting legal research on foreign attachment issues potentially affecting Rafidain or Rasheed Bank.	In progress
30.	Provide assistance to the Ministry of Finance in designing statistical collection and reporting capabilities of the Central Statistics Office.	In progress
31.	Provide assistance to the CPA to assist Iraqi firms and prepare them to qualify for credit from bank and nonbank direct lending organizations.	Canceled. Activity canceled because of time and funding limitations and a delay in the arrival of contractor's advisor.
32.	Provide technical assistance to support Iraq's entry into the World Trade Organization and training to ministries involved.	Canceled. Activity canceled because of time and funding limitations and low priority.
33.	Provide assistance to the Ministry of Electricity to evaluate system operations for summer 2004.	In progress
34.	Provide technical assistance to the Ministry of Trade to implement a company registration system and develop its institutional capacity.	Canceled. Activity canceled because of time and funding limitations; mission also did not consider this a priority activity.
35.	Review financial statements for each of the 17 private banks licensed in Iraq.	Canceled. Activity canceled because of funding limitations.
36.	Provide assistance to the Ministry of Finance to collect and evaluate national income data.	In progress
37.	Provide technical assistance to the Private Sector Development Office by carrying out specific tasks for the Iraq Depository and Iraq Stock Exchange.	In progress
38.	Provide technical assistance for development of the Iraq National Economic Survey Project.	In progress

**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 contact 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 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 a 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 of 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 1 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, which was done 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 a number of instances where 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 conflict of interest situations 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.

In addition to determining if the contracts were awarded in accordance with the FAR, the Administrator also requested that OIG 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 of presolicitation meetings.
2. Developing guidance for determining if "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 website 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 formerly 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 if 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 website 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 time period of January 5, 2004, through December 31, 2005.

Recommendations—Management Decisions

The 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. UNCESCO, 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 the data reported is 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	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil / Criminal Actions	Results
A03092		Audit	Bribery/gratuity/kickbacks	Closed	PI			Referred to mission
A03120		Walk in; employee	Pay and allowance	Closed	PI			Allegations disproved
A04036		Other	Theft of govt. property	Closed	PI			Allegations disproved
A04039		USAID employee	False claim	Closed	PI			Allegations disproved
A04043		Contractor	Bribery/gratuity/kickbacks	Closed	PI			Recorded as FYI
A04079		USAID employee	Conflict of interest/ethics	Closed	PI			Employee resignation
A04091		USAID employee	Bribery/gratuity/kickbacks	Closed	PI			Allegations disproved
A04106		Contractor	False claim	Closed	PI			Referred to agency
A04112		Confidential informant	False claim	Closed	PI			Allegations disproved
A04148		Spinoff	False claim	Closed	PI			Systemic change
A04163		USAID employee	False claim	Closed	EI			Allegations disproved
A05005		Hotline	Other	Closed	EI			Referred to agency
A05014		Case	False statement/perjury	Closed	EI			Allegations disproved
A05054		Contractor	Procurement fraud	Closed	PI			Allegations disproved
A05060		Other	Bribery/gratuity/kickbacks	Closed	PI			Open/close
A06004		Other	Other	Closed	PI			Allegations disproved
A06010		USAID employee	Bribery/gratuity/kickbacks	Closed	PI		CRM	DOJ referral
A06017		Contractor	Procurement fraud	Closed	PI			Allegations disproved
A06018		USAID employee	Admin. matter	Closed	EI	\$7,500	CRM	DOJ declination; collection; personnel suspension
A06058		USAID employee	False claim	Closed	EI	\$2,685		Administrative recovery; personnel reprimand
A06070		Other	False claim	Closed	PI			Allegations disproved
A06071		Audit	Bribery/gratuity/kickbacks	Closed	PI			Allegations disproved
A06073		Other	Bribery/gratuity/kickbacks	Closed	PI			Allegations disproved
A06089		Other	Admin. matter	Closed	PI			Personnel reprimand
A06108		USAID employee	Theft of govt. property	Closed	PI			Referred to mission
A07008		USAID employee	False claim	Closed	PI			Allegations disproved
A07012		USAID employee	False claim	Closed	EI	\$1,576		Referred to agency
A07013		USAID employee	False claim	Closed	PI			Allegations disproved
A07031	AF-BA-08-0042-I	USAID employee	Collusive bidding; Program fraud; Wire/mail fraud	Closed	PI			Open/close
A07034		USAID employee	Travel/per diem fraud	Closed	PI			Referred to Immigration and Customs Enforcement
A07055		Contractor	False claim	Closed	PI			Allegations disproved
A07070		RIG	False statement/perjury	Closed	PI			Employee termination
A08016		USAID employee	False claim	Closed	PI			Allegations disproved
D03059		Proactive	Other	Closed	PI			Proactive

Iraq Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System Number	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil / Criminal Actions	Results
D03060		Other	False statement	Closed	PI			Open/close
L06066		Other	False claim	Closed	PI			NA
A08011	AF-BA-08-0030-I	Contractor	Bribery/gratuity/kickbacks; Conspiracy; Extortion; Program fraud; Theft	Closed	PI			Allegations disproved
A04018	AF-H1-08-0076-I	Other	False claim	Closed	PI	\$388,262	CRM - DC	Restitution; referred for criminal prosecution
A04042	AF-CA-08-0007-I	Confidential informant	Bribery/gratuity/kickbacks; False claim; False statement; Program fraud	Closed	PI	\$5,566,237	CRM - FL/Civil	Employee terminations (2)/savings; referred for criminal prosecution; \$1,000,000 settlement
A07011	AF-H1-08-0023-I	USAID employee	Wire/mail fraud	Open	PI		CRM-DC	DOJ criminal referral; warrant executed
A07019	AF-BA-08-0048-I	Security	False claim; False statement; Program fraud	Closed	PI			NA
A07044	AF-BA-08-0043-I	USAID employee	False claim; False statement; Wire/mail fraud; Program fraud	Closed	PI		CRM-DC	DOJ criminal referral
A07060	AF-BA-08-0049-I	Contractor	Bribery/gratuity/kickbacks	Closed	PI		CRM-DC	DOJ criminal referral
A07082	AF-BA-08-0044-I	Audit	False claim; False statement; Wire/mail fraud	Closed	PI			NA
A08007	AF-BA-08-0029-I	Other	False claim; False statement; Wire/mail fraud	Open	PI		CRM-DC/Civil	DOJ criminal and civil referral
L06032	LA-MA-08-0003-I	Other	Conspiracy; Wire/mail fraud	Open	PI		CRM-NC	DOJ criminal referral; indictment
	AF-BA-08-0010-I	Contractor employee	Bribery/gratuity/kickbacks; Collusive bidding; False statement; Program fraud	Closed	PI		CRM- Iraq	Local arrest warrant issued
	AF-BA-08-0008-I	Contractor	False statement; Program fraud	Closed	PI		CRM- Iraq	Local arrest warrant issued
	AF-BA-08-0074-I	USAID employee	False claim; False statement, Theft; Program fraud	Closed	PI			NA
	AF-H1-08-0058-I	Former contractor employee	False claim; False statement; Program fraud; Wire/mail fraud	Open	PI	\$1,052,000	CRM-DC	DOJ criminal referral; bill of collection
	LA-H1-08-0090-R	Hotline; private citizen	Wire/mail fraud	Closed	PI			
A07032	AF-BA-08-0100-I	USAID employee	False claim; Collusive bidding; Procurement Integrity Act; Program fraud	Closed	PI			Arrest (3) - Iraqi pardon issued; (1) conviction (3/9/08)
	AF-BA-08-0170-I	Other agency referral	Bribery/gratuity/kickbacks; Conspiracy; False claim	Open	PI		CRM-DC	DOJ criminal referral; Arrests (2)
	AF-BA-08-0177-R	Other agency referral	Procurement Integrity Act	Closed	PI			Audit scheduled
	AF-H1-08-0181-R	Hotline; private citizen	Program fraud	Closed	PI			NA
	AF-CA-09-0074-I	USAID employee	False claim; Conflict of interest/ethics; Program fraud; Procurement Integrity Act	Open	PI			NA
	AF-BA-09-0089-I	USAID employee	Procurement Integrity Act	Closed	EI			NA

Iraq Investigative Case Work and Fraud Prevention Briefings

Case Number	Criminal Law Enforcement Records System Number	Source	Allegation	Status	Program Integrity (PI) or Employee Integrity (EI)	Savings and Recoveries	Department of Justice Civil / Criminal Actions	Results
	AF-BA-09-0125-I	Proactive	False claim; False statement	Open	PI			
	AF-BA-09-0126-I	Proactive	False claim; False statement	Open	PI	\$9,546,958	CRM-DC	Bill of collection
	AF-BA-09-0127-I	Proactive	Bribery/gratuity/kickbacks	Open	PI			Arrest (1)
	AF-BA-09-0128-I	Proactive	False claim, False statement, Collusive bidding	Open	PI			
	AF-BA-09-0129-I	OIG audit	False claim	Open	PI			
	AF-BA-09-0144-I	Other agency referral	Bribery/gratuity/kickbacks	Open	PI			
	AF-BA-09-0167-I	Other agency referral	Bribery/gratuity/kickbacks; Collusive bidding; Conspiracy; Procurement Integrity Act; Program fraud	Open	PI			
	AF-H1-09-0173-I	Private Citizen	Bribery/gratuity/kickbacks	Open	PI			
	AF-BA-09-0200-I	Private Citizen	Bribery/gratuity/kickbacks	Open	PI			
	AF-BA-09-0204-I	Contractor employee	Bribery/gratuity/kickbacks; Conflict of interest/ethics	Open	EI			
	AF-BA-09-0205-I	General Accounting Office	False claim; False statement; Program fraud; Theft; Wire/mail fraud	Open	PI			Arrests (2)
	AF-PR-09-0196-I	USAID employee	False claim; False statement	Open	PI			
						\$16,565,218	18 cases open as of 12/30/09	

FY 2010 First Quarter Activity		Cumulative Results*
Investigations opened	2	69
Investigations closed	3	51
Department of Justice referrals	0	16
Arrests	3	10
Indictments	0	1
Convictions	0	1
Administrative actions**	0	8
Fraud awareness briefings	12	52
Attendees at fraud awareness briefings	171	915

* May 2003 to December 2009.

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

Investigative Summaries

Fiscal Years 2004–2010

Investigation Leads to First U.S. Extradition from Estonia

Allegation

In January 2006, OIG received information that an employee working on a USAID-funded contract had misallocated project funds and converted them to personal use. Before the investigation began, the contractor had repaid approximately \$1.6 million to USAID on the basis of its internal review of the employee's illicit activities.

Status

The investigation found that the contractor, who had worked on a \$293 million USAID governance contract, had unlawfully directed two subcontract agreements to a Dubai firm. Over \$7 million was then paid to this firm, which in turn provided the contractor with hundreds of thousands of dollars in goods and services, including significant improvements to his North Carolina home and funds for the purchase and furnishing of two condominiums in Miami. The investigation led to the contractor's indictment on charges of wire fraud, money laundering, and bribery. A trial date is scheduled for April 2010.

OIG Investigation Leads to Claim Against a Vendor for Nearly \$10 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 \$1.2 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 \$1.2 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 \$1.2 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, requiring the firm to repay an additional \$1 million.