

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features an eagle with wings spread, holding an olive branch and arrows. The eagle's chest is covered by a shield with vertical stripes. Above the eagle's head is a sunburst with stars. The seal is surrounded by text in both English and Arabic. The English text reads "SPECIAL INSPECTOR GENERAL" at the top and "OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION" at the bottom. The Arabic text reads "مفتش العام" at the top and "مكتب المفتش العام لإعادة إعمار العراق" at the bottom.

**IRAQ RECONSTRUCTION FUNDS:
FORENSIC AUDITS IDENTIFYING
FRAUD, WASTE, AND ABUSE
INTERIM REPORT #5**

**SIGIR 11-005
OCTOBER 28, 2010**



SIGIR

Special Inspector General for IRAQ Reconstruction

October 28, 2010

IRAQ RECONSTRUCTION FUNDS: FORENSIC AUDITS IDENTIFYING FRAUD, WASTE, AND ABUSE – INTERIM REPORT #5

Summary of Report: SIGIR 11-005

Why SIGIR Is Issuing This Report

Public Law 108-106, as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which totaled about \$53.8 billion as of July 2010. We are reporting our results periodically, and a final cumulative report will eventually address all findings identified through this effort.

In our first report, we summarized the results of a series of audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, we have used the results from these audits to develop targeted forensic auditing approaches to identify instances of possible wrongdoing. Our last report was issued in July 2010.

SIGIR's objectives for this report are to present the results to date of our forensic auditing efforts to include (1) identifying questionable activity and (2) updating the results of our review of agency expenditures.

Recommendations

This report contains no recommendations

Management Comments

Because this report does not contain recommendations, the responsible agencies were not required to, and did not, submit comments.

SIGIR's Results to Date

SIGIR continues to identify instances of questionable activity involving programs that afford easy access to cash with weak controls over expenditures. In the last quarter, we have opened four new criminal investigations bringing the total number of investigations resulting from this effort to 53.

This quarter, SIGIR completed its initial review of nearly 180,000 transactions involving the expenditure of funds appropriated for the reconstruction of Iraq by the Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID) from fiscal years 2003-2009. These transactions are valued at approximately \$40 billion.

We analyzed this data in a number of ways, looking for anomalies that are then given additional review. SIGIR's anomaly testing focuses on vouchers that have been paid. Additional testing is required to determine whether the vouchers were allowable, allocable, and reasonable. This quarter, the anomalies identified include:

- Duplicate Payments—54 potential duplicative payments made by DoS, totaling approximately \$18 million
- Separation of Duties—recurring generic names in Commander's Emergency Response Program (CERP) payment data in DoD's Deployable Disbursing System (DDS)

Our initial review of the DoS data identified 77 transactions, totaling approximately \$53.5 million that might be duplicate payments. To date, we have completed our review of 23 transactions, totaling approximately \$35.5 million, and determined that they were not duplicate payments. Our work in this area continues.

Our initial assessment of 27 of the CERP transactions valued at approximately \$4 million found that the use of generic names such as "cashier" did not indicate that internal controls had been compromised nor did it indicate that duties were not adequately separated. Nonetheless, we are continuing to examine the use of generic names associated with the remaining transactions.

We are also continuing our review of possible fictitious contractors that we identified last quarter. To date, we have reviewed 58 of 124 potential fictitious contractors that appear to be foreign entities, and we are currently in the process of confirming the identity of those firms. Our work in this area continues.

Since issuing our last report, SIGIR has also provided forensic support to several other efforts. These include providing information from our forensic database in support of two audits and three investigations. We also queried the forensic database in an effort to determine whether 266 firms that were suspended from contracting activities by Iraq's Ministry of Planning had received U.S. contracts. We are currently analyzing the results of those queries. Additionally, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

October 28, 2010

MEMORANDUM FOR U.S. SECRETARY OF STATE
U.S. SECRETARY OF DEFENSE
COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
ADMINISTRATOR, U.S. AGENCY FOR INTERNATIONAL
DEVELOPMENT

SUBJECT: Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse –
Interim Report #5 (SIGIR 11-005)

We are providing this report for your information and use. The report discusses the results to date of the Special Inspector General for Iraq Reconstruction's (SIGIR) forensic audits of Department of Defense, Department of State, and U.S. Agency for International Development expenditures involving Iraq relief and reconstruction.

We performed this review in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq and for recommendations on related policies designed to promote economy, efficiency and effectiveness and to prevent and detect fraud, waste, and abuse. These audits are being conducted as SIGIR Projects 9005, 9012, and 9013. This report does not contain recommendations; accordingly, the addressees were not required to provide comments and elected not to do so.

We appreciate the courtesies extended to our staff. For additional information on the draft report, please contact Glenn Furbish, Assistant Inspector General for Audits, (703) 604-1388/ glenn.furbish@sigir.mil or Jason Venner, Principal Deputy Assistant Inspector General for Audits, (703) 607-1346/ jason.venner@sigir.mil.

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Ambassador to Iraq
Commander, U.S. Central Command
Commanding General, U.S. Forces-Iraq

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Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #5

SIGIR 11-005

October 28, 2010

Introduction

Public Law 108-106, as amended, requires that the Special Inspector General for Iraq Reconstruction (SIGIR) prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which to date totals about \$53.8 billion. We are reporting our results periodically to keep Congress apprised, and a final cumulative report will eventually address all findings identified through this effort. This report, the fifth in a series of interim reports, describes the methodology and updates the results of our forensic audit efforts to date. Our first interim report discussed our analysis of Department of Defense (DoD) expenditures. Our second interim report discussed our analysis of U.S. Agency for International Development (USAID) expenditure. Our third interim report discussed our analysis of Department of State (DoS) expenditure data. Our fourth interim report discussed our analysis of possible duplicative payments at DoD and USAID.¹ This report provides the results of our analysis of possible duplicate payments at DoS and our analysis of separation of duties in Commander's Emergency Response Program (CERP) transactions entered into DoD's Deployable Disbursing System (DDS). It also updates information on our review of anomalies identified in earlier reports.

The information is being reported cumulatively, and a final report will encompass total reconstruction funds. Table 1 identifies total appropriations by fund as reported in the July 30, 2010, SIGIR Quarterly Report to the Congress.

Table 1—Total Appropriations by Fund as of July 2010 (\$ billions)

Iraq Relief and Reconstruction	Appropriations
Iraq Relief and Reconstruction Fund 1 and 2	\$20.86
Iraq Security Forces Fund	18.04
Economic Support Fund	4.56
Commander's Emergency Response Program	3.82
Other Reconstruction Assistance Programs ^a	4.00
Agency Operating and Oversight Expenses ^a	2.51
Total	\$53.79

Notes:

Data not audited. Numbers affected by rounding.

^a These appropriations are outside the scope of the forensic audit.

Source: SIGIR Quarterly Report to the Congress, July 2010.

¹ See Appendix A for a list of SIGIR's prior interim forensic reports.

Background

SIGIR primarily conducts performance audits that assess the economy, efficiency, and effectiveness of reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. These include an ongoing series of audits of major reconstruction contracts that identified common internal control weaknesses (see Appendix A for a list of these reports). Certain controls, such as the separation of duties, are key to minimizing the risk of fraud, waste, and abuse; particularly for programs that use cash for expenditures instead of transferring funds electronically. We relied on SIGIR's extensive body of work related to inadequate controls in Iraq reconstruction programs to develop both our joint initiative with SIGIR Investigations and our audit initiative to identify transaction anomalies likely resulting from the failure or circumvention of these controls. We have incorporated 10 anomaly tests into our methodologies to collect and analyze electronic disbursements of reconstruction funds.² These tests focus on controls over electronic disbursements after vouchers have been approved for payment. Table 2 lists the anomaly tests and their intended results.

² The methodology used for conducting our automated data mining effort is described in *Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds*, SIGIR 11-006, 10/28/2010.

Table 2—Anomaly Tests and Intended Results

Anomaly Test	Intent of Test
Duplicate payments	Identify instances where it appears a contractor may have been paid two or more times for the same invoice, work performed, and/or product delivered
Questionable vendors	Identify vendor names that are generic (e.g., Cash, Vendor) and vendor names that do not appear to align with the program goals
Notable variances in payment activity	Identify payments outside of the “norm” for a vendor
Invoice date analysis	Identify payments occurring prior to or on the date of invoice and sequentially-numbered contractor invoices
Payments to debarred/suspended contractors	Identify payments to debarred/suspended contractors identified in the Excluded Parties List System
Separation of duties	Identify breakdowns in separation of duties whereby the same government contracting official originates the request for payment, approves the request, is the payer and/or payee
Fictitious addresses/high risk locations	Identify payments to possibly fictitious addresses and/or high risk locations or known high-risk banking centers such as Cyprus and Beirut
Payee validation	Identify payments to debarred/suspended contractors who are also an Approver or Originator
Fictitious contractors	Identify payments to contractors with no associated D-U-N-S ^a /CAGE ^b number
Application of Benford’s Law ^c	Identify nonrandom transaction amounts to identify instances a contractor submitted false invoices using false invoice totals

Notes:

^a The Data Universal Numbering System or D-U-N-S® Number is Dunn and Bradstreet’s copyrighted, proprietary means of identifying business entities on a location-specific basis. This unique nine-digit identification number has been assigned to over 100 million businesses worldwide. The D-U-N-S® Number was incorporated into the Federal Acquisition Regulation in April 1998 as the Federal Government’s contractor identification code for all procurement-related activities.

^b A Commercial and Government Entity (CAGE) Code is a five-character code that identifies companies doing or wishing to do business with the Federal Government.

^c Benford’s law states that the leading digit in lists of numbers from many real-life sources of data is distributed in a non-uniform way. Accordingly, the first digit is 1 almost one third of the time, and subsequent digits occur as the first digit in descending frequency, where 9 is the leading digit less than one time in twenty.

Source: SIGIR analysis as of 09/30/2010.

Objectives

SIGIR’s objectives for this report are to present the results to date of our forensic auditing effort to include (1) identifying questionable activity and (2) updating the results of our review of agency expenditures.

For a discussion of our audit scope and methodology, see Appendix A. For acronyms used, see Appendix B. For forensic audit team members, see Appendix C. For the SIGIR mission and contact information, see Appendix D.

SIGIR Effort Identifies Questionable Activity

This quarter SIGIR has opened four more criminal investigations involving programs that afford easy access to cash with weak controls over expenditures. A major aspect of SIGIR's forensic audit involves a multi-disciplinary initiative involving auditors, analysts, and investigators working jointly since January 2009. This effort, known as the SIGIR Audits/Investigations Initiative, is currently engaged in several projects looking at areas where prior SIGIR audits have identified weak controls over funds, particularly instances where U.S. military and civilian personnel involved in the reconstruction of Iraq had easy access to cash. One of the projects involves the handling of funds associated with the Development Fund for Iraq managed by the Coalition Provisional Authority. Another project involves the handling of funds managed by DoD as part of the Commander's Emergency Response Program (CERP). The four new investigations bring the total number of criminal investigations opened as a result of this initiative to 53.

Detailed information regarding SIGIR's Audits/Investigations Initiative will not be presented in these reports due to the sensitive nature of ongoing and pending criminal investigations. Rather, our results will generally be reported in the aggregate and specific findings will be included where appropriate and useful.

Forensic Audits of Agency Expenditures Identify Anomalous and Possibly Fraudulent Transactions

This quarter, SIGIR completed its initial review of nearly 180,000 transactions involving the expenditure of funds appropriated for the reconstruction of Iraq by the Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID) from fiscal years 2003-2009. These transactions are valued at approximately \$40 billion. Several anomalies have been identified, including potential duplicative payments, possible payments to fictitious contractors, poor separation of duties, and possible weaknesses in DoD systems for disbursing funds. Each anomaly requires further analysis. It is noted that SIGIR's anomaly testing focuses on vouchers that have been paid. Additional testing is required to determine whether the vouchers were allowable, allocable, and reasonable. Additionally, the transaction data SIGIR collected has been used to support audits, investigations, and other oversight activities on an as needed basis.

Initial Transaction Testing Is Complete

SIGIR has completed its collection of DoD, DoS, and USAID expenditure data. Since our last report, SIGIR has reviewed an additional 71,295 transactions valued at \$4.0 billion, bringing the total number reviewed to 179,207 transactions valued at \$39.8 billion. These transactions include DoD, DoS, and USAID expenditures for fiscal years 2003-2008 as well as a significant portion of fiscal year 2009 data. It includes DoD expenditures from the Iraq Security Forces Fund (ISFF),³ Iraq Relief and Reconstruction Fund (IRRF), and CERP; USAID expenditures from the IRRF and Economic Support Fund (ESF); and DoS expenditures from the IRRF and ESF. These transactions represent about 75% of the \$53.8 billion appropriated as of July 2010 or approximately 84% of the funds within the scope of the forensic audit.⁴ Given the amount of expenditure data tested thus far, SIGIR believes that the current results are representative of the universe. Figure 1 identifies, by appropriation, the status of SIGIR's work in collecting and testing transaction data for Fiscal Years 2003 through 2009 for each agency and its respective financial system.⁵

³ ISFF was established in 2005; therefore, there were no expenditures in FY 2003 or FY 2004.

⁴ As noted in Table 1, the forensic audit did not include \$4 billion appropriated for Other Reconstruction Assistance Programs and \$2.5 billion appropriated for Agency Operating and Oversight Expenses.

⁵ The CERP transactions analyzed may include other funds due to discrepancies with how some transactions were coded in DoD financial systems; however, these transactions were included in our analysis to ensure complete coverage of CERP. Therefore, the total amount of CERP that was analyzed as shown in Figure 1 appears greater than the amount appropriated that is shown in Table 1. SIGIR is working to reconcile these potential discrepancies and will include more information on this issue in future reports.

**Figure 1—Status of Anomaly Testing for FY 03-09 as of September 30 2010
(\$ billions)**

	Amount Under Analysis	Data Owner	Data Collection	Data Validation	Manual Review	Anomaly Testing	Case Creation	CMT Review
ISFF	\$14.10 ^a	USACE ^b	●	●	●	●	●	●
IRRF	\$13.72 ^a	USACE	●	●	●	●	●	●
	\$0.02	DFAS ^c	●	●	●	●	●	●
	\$4.41 ^a	USAID	●	●	●	●	●	●
	\$1.64 ^a	DoS	●	●	●	●	●	●
	\$0.04 ^a	DFAS	●	●	●	●	●	●
CERP	\$0.01	USACE	●	●	●	●	●	●
	\$1.50	DFAS	●	●	●	●	●	●
	\$2.49 ^a	DFAS	●	●	●	●	●	●
ESF	\$1.60 ^a	USAID	●	●	●	●	●	●
	\$0.23 ^a	DoS	●	●	●	●	●	●
Legend:	<i>Not Started</i>	<i>Started</i>	<i>Partially Completed</i>	<i>Mostly Completed</i>	<i>Completed</i>			
	○	◐	◑	◒	●			

Notes:

^a Data analyzed from FY2003 through end of FY2009 (except for USAID Phoenix where the received transactions were up to July 1, 2009).

^b United States Army Corps of Engineers.

^c Defense Finance and Accounting Service.

Source: SIGIR analysis of agency data.

Automated Data Mining Identifies Transactions That Require Additional Analysis

SIGIR's forensic audit of nearly 180,000 transactions has identified anomalous activity that requires additional analysis. When an anomaly is identified, SIGIR examines the details of the transaction to determine whether it is fraudulent or improper. To accomplish this, teams of SIGIR personnel perform additional electronic testing; conduct detailed examinations of relevant contract documentation such as solicitation actions, award selection materials, invoices, and payment files; and interview contracting officials as well as vendor management and other staff. These validation efforts are designed to enable us to determine the legitimacy of a transaction and whether improper expenditures are attributable to administrative error or fraud. Transactions are prioritized for review by their risk of fraud and dollar value with high-risk/high-dollar transactions receiving priority. This includes payments that may be duplicative, payments to possibly fictitious contractors (e.g., contractors with generic vendors such as "Vendor" and "Cash,") and potential weaknesses in separation of duties.

Review of Possible Duplicate Payments

This quarter, SIGIR looked for possible duplicative payments involving DoS transactions.⁶ Our initial review identified 77 transactions, totaling approximately \$53.5 million, that appeared to be duplicative, and we initiated a more detailed review of these transactions. To date, we have completed our review of 23 transactions totaling approximately \$35.5 million and found that they were not duplicate payments. We are currently awaiting documentation from DoS on the remaining 54 transactions, which total approximately \$18 million.

The purpose of the duplicate payment review is to determine the validity and status of payments. If we determine that a payment was made in error, SIGIR will: (1) seek reimbursement to the U.S. Treasury, (2) determine how the error occurred, and (3) make recommendations to strengthen internal controls and financial management practices to reduce the risk of similar errors in the future. If a payment appears to be the result of fraudulent or other improper activity, pertinent information will be provided to our Investigations Directorate for review and appropriate action.

Analysis of Separation of Duties in CERP Transactions

This quarter SIGIR reviewed CERP transaction data recorded in DoD's Deployable Disbursing System (DDS) for appropriate separation of duties. Separation of duties is an internal control requiring that more than one person complete a task such as requesting a payment, approving the payment, and making the payment.

During our forensic audit, we noted numerous CERP transactions recorded in DDS where the individual requesting, approving, or making the payment involved generic names, such as "Cashier C. Cashier" and "Input T. Input," or involved one individual in multiple key roles. This was indicative of a possible breakdown in controls. To assess whether internal controls were compromised, we selected one individual whose name was associated with approximately \$45 million of these transaction. We selected a sample of 27 transactions totaling approximately

⁶ We identified about \$48 million worth of duplicate payments in our prior interim report. In most instances, the responsible agency had discovered the erroneous payments and had taken corrective action. See *Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #4*, SIGIR 10-019, 7/26/2010.

\$4 million and reviewed the vouchers and related paperwork. Our examination of the documentation revealed that, in most instances, separation of duties did exist in that different individuals signed as originator, approver, and payer. However, the DDS system did not include all of these different names making it appear that there was poor separation of duty.

We contacted DDS management to determine why the data fields used to record the requestor, approver, and payer associated with these CERP transactions did not correspond with the voucher and associated documents. According to the DDS Program Manager, paying agents often work in remote combat zone operations and do not have direct access to DDS. They conduct business in the field and obtain certified vouchers for payments and then send a record of the transactions to another location, such as Baghdad, to be entered into DDS. DoD personnel entering this information into DDS created the generic names to record the transactions on behalf of the remote paying agents. The DDS Program Manager noted that effective January 2011, DDS will no longer accept the use of generic names and will require that the actual name of the pay agent be entered into the system.

Based upon our review of the sample transactions we determined that internal controls were not compromised in this particular case. The payments were made in the field and internal controls, including separation of duties, were observed in most instances. Nonetheless, our work in this area will continue until we can determine that the use of generic user names has not resulted in erroneous payments or other fraudulent activity.

Review of Possible Fictitious Contractors

We are continuing to review DoD, DoS, and USAID transactions for possible fictitious contractors. We are testing for three anomalies that could be indicative of a fictitious contractor:

- payments to contractors with no associated Dun and Bradstreet number or government code identifier
- payments to possibly fictitious addresses and/or high-risk locations or known high-risk banking centers such as Cyprus and Beirut
- payments to vendors with names that are generic (e.g., cash, vendor) and vendor names that do not appear to align with program goals

To date, we have identified 124 names that warrant further review, and this quarter we completed a review of approximately half of the names. We examined key documentation, such as state business licenses, web sites, invoices, receiving documents, and payment records to support conclusions on the validity of the contractors. Our initial reviews generally show the contractors thought to be potentially fictitious are likely foreign entities and we are currently in the process of confirming the identity of those firms.

Forensic Support to Audits, Investigations, and Other Activities

Upon request, the SIGIR Forensics Group provides information collected during the course of our forensic data mining effort to SIGIR auditors and investigators in support of ongoing audit, investigations, and other oversight activities on an as needed basis. To date, we have provided

information to SIGIR auditors and investigators in support of 9 audits and 18 investigations, including 2 audits and 3 investigations this last quarter.

The forensic data serves other purposes as well. Since issuing our last report, we received information on 266 firms that were suspended from contracting activities with the Government of Iraq by the Iraqi Ministry of Planning. We queried our forensic databases in an effort to determine if any of the subject firms were associated with US contracts. We are currently analyzing the results of those queries. In addition, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction.

Concluding Observation

SIGIR continues to review anomalies in DoD, DoS, and USAID expenditures for the reconstruction of Iraq. It is noted that SIGIR's anomaly testing focused on vouchers that were paid. Additional testing is required to determine whether the vouchers were allowable, allocable, and reasonable. Our forensic audit work will continue to examine reconstruction data for occurrences of potential fraud, waste, and abuse.

Management Comments and Audit Response

Because this report is for information only, it does not contain findings or recommendations and the responsible agencies were not required to, and did not, submit comments

Appendix A—Scope and Methodology

In December 2008, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated its forensic effort as Projects 9005, 9012, and 9013 to examine Iraq relief and reconstruction expenditures by Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID). SIGIR's objectives for this report were to present the results to date of our forensic auditing efforts to (1) include identifying questionable activity and (2) updating the results of our review of agency expenditures.

This interim report represents our review of expenditure data collected from DoD, DoS, and USAID pursuant to our congressional mandate for a forensic audit of all Iraq relief and reconstruction transactions. The results of these reports will generally be discussed in the aggregate, with specific findings included where appropriate and useful. Cumulative questioned costs will be reported as defined and required by the Inspector General Act of 1978, as amended. This audit was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. The audit work for this report covers the period December 2008 through September 2010 and was conducted in Arlington, VA; Indianapolis, IN; Millington, TN; Rome, NY; and Washington, DC.

To obtain the expenditure data from the DoD, we interviewed officials from the Army Budget Office, the Defense Finance and Accounting Service, and the U.S. Army Corps of Engineers. To obtain expenditure data from USAID, we interviewed officials from the Middle East Bureau and Chief Financial Officer's office. To obtain expenditure data from DoS, we interviewed officials from the Deputy Chief Financial Officer's Office. From these offices, we obtained pertinent appropriation and transactional data, as well as supporting documentation, to include contract details and vendor data.

To develop our list of anomalies, we used information from discussions with SIGIR auditors and investigators; key agency stakeholders and systems owners; live financial system demonstrations; SIGIR and other agency audit reports; and industry-established tests for fraudulent activities.

We conducted this review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. However, this is an information report, which has no findings or conclusions.

Use of Computer-processed Data

To achieve the assignment's objectives, we relied extensively on computer-processed data from the Defense Finance and Accounting Service, the U.S. Army Corps of Engineers' Financial Management System, the USAID Phoenix System, and the DoS Global Financial Management System. We performed reconciliations of disbursement data received from the various accounting systems to determine that it was complete and reliable. The reconciliation process included a comparison of the detailed disbursement totals to other sources of information, including summary-level data. This reconciliation process yielded a variance of tolerable amounts.

Therefore, we found the data to be adequate and sufficiently reliable to be used in meeting our forensic audit objectives.

Internal Controls

As discussed in the body of the report, SIGIR has conducted audits of major reconstruction contracts that were intended in part to identify internal control weaknesses. We reported on those weaknesses in each report, which also contained relevant conclusions and recommendations. Because such weaknesses provide opportunities for fraud, waste, and abuse, we used the results of those audits to develop targeted forensic auditing approaches to identify instances of wrongdoing. However, this is an information report and, as such, we draw no conclusions and make no recommendations.

Prior Coverage

We reviewed the following reports for this audit:

SIGIR

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #4, SIGIR 10-019, 7/26/2010.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #3, SIGIR 10-017, 4/28/2010.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #2, SIGIR 10-011, 1/28/2010.

Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse – Interim Report #1, SIGIR 10-004, 10/28/2009.

Developing a Depot Maintenance Capability at Taji Hampered by Numerous Problems, SIGIR 09-027, 7/30/2009.

Tikrit Location Command Project Achieving Contract Goals by Using Sound Management Practices, SIGIR 09-024, 7/30/2009.

Commander's Emergency Response Program: Muhalla 312 Electrical Distribution Project Largely Successful, SIGIR 09-025, 7/26/2009.

Commander's Emergency Response Program: Hotel Construction Completed, but Project Management Issues Remain, SIGIR 09-026, 7/26/2009.

Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq, AUD/IQO-09-16 and SIGIR 09-021, June 2009.

Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems, SIGIR 09-014, 4/26/2009.

Need To Enhance Oversight of Theater-Wide Internal Security Services Contracts, SIGIR 09-017, 4/24/2009.

Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense, SIGIR 09-010, 1/14/2009.

Cost, Outcome, and Oversight of Iraq Oil Reconstruction Contract with Kellogg Brown & Root Services, Inc., SIGIR 09-008, 1/13/2009.

Review of Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute, SIGIR 09-003, 10/21/2008.

Outcome, Cost, and Oversight of the Security and Justice Contract with Parsons Delaware, Inc., SIGIR 08-019, 7/28/2008.

Review of Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC, SIGIR 08-018, 7/15/2008.

Review of Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation, SIGIR 08-011, 4/29/2008.

Report on Review of Outcome, Cost, and Oversight of Iraq Reconstruction Contract W914NS-04-D-0006, SIGIR 08-010, 1/28/2008.

Outcome, Cost, and Oversight of Reconstruction of Taji Military Base and Baghdad Recruiting Center, SIGIR 08-004, 1/15/2008.

Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program, SIGIR 07-016, 10/23/2007.

Review of Bechtel's Spending under Its Phase II Iraq Reconstruction Contract, SIGIR 07-009, 7/25/2007.

Iraq Reconstruction: Lessons in Program and Project Management, March 2007.

Coalition Provisional Authority Comptroller Cash Management Controls Over the Development Fund for Iraq, SIGIR 04-009, 7/28/2004.

Department of Defense, Office of the Inspector General

Internal Controls Over Payments Made in Iraq, Kuwait and Egypt – (Report No. D-2008-098), May 22, 2008.

Internal Controls Over United States Marine Corps Commercial and Miscellaneous Payments Processed Through the Deployable Disbursing System – (Report No. D-2010-037), January 25, 2010.

Government Accountability Office

Excluded Parties List System: Suspended and Debarred Businesses and Individuals Improperly Receive Federal Funds, GAO-09-174, 2/25/2009.

Improper Payments: Significant Improvements Needed in DoD's Efforts to Address Improper Payment and Recovery Auditing Requirements, GAO-09-442, 7/29/2009.

Defense Contracting Integrity: Opportunities Exist to Improve DOD's Oversight of Contractor Ethics Programs, GAO-09-591, 9/22/2009.

Appendix B—Acronyms

Acronym	Description
CERP	Commander's Emergency Response Program
DDS	Deployable Disbursing System
DoD	Department of Defense
DoS	Department of State
ESF	Economic Support Fund
FY	Fiscal Year
IRRF	Iraq Relief and Reconstruction Fund
ISFF	Iraq Security Forces Fund
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

Appendix C—Forensic Audit Team Members

This report was prepared and the forensic audit conducted under the direction of Glenn D. Furbish, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

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Appendix D—SIGIR Mission and Contact Information

SIGIR’s Mission

Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

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

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