



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 27, 2010

LETTER FOR U.S. AMBASSADOR TO IRAQ
COMMANDING GENERAL, U.S. FORCES-IRAQ

SUBJECT: Process for Continuing Invoice Payment for the Development Fund for Iraq
Needs Attention (SIGIR 10-014)

This letter addresses issues the Special Inspector General for Iraq Reconstruction (SIGIR) identified about the effectiveness of the process established by U.S. agencies with the Ministry of Finance and other Ministries within the Government of Iraq (GOI) to facilitate payment of invoices for reconstruction contracts funded with the Development Fund for Iraq (DFI). Unless these issues are addressed these invoices may continue to go unpaid. About \$32.3 million in DFI invoices remains unpaid, including \$24.4 million owed to 11 U.S. contractors, more than 2 years after the invoices were submitted to the GOI.¹ SIGIR found that:

- documentation the GOI requires for payment is still unclear and, in most cases, the GOI is not responding to submission of invoices for payment; and
- future U.S. support to the payment process is uncertain because knowledgeable officials from the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), who manages the invoices for U.S. Forces-Iraq (USF-I), and the Office of the Treasury Attaché at the U.S. Embassy in Baghdad, who are currently working to facilitate payment of the invoices, have either left or are scheduled to leave Iraq by August 2010.

JCC-I/A, USF-I/J9,² and the Office of the Treasury Attaché provided written responses to a draft of this report. JCC-I/A responded that it is not appropriately resourced or chartered to implement a diplomatic mission to facilitate payment of the invoices. Nonetheless, JCC-I/A recommended that either USF-I/J9 or the U.S. Embassy should be responsible for working with the GOI ministries to resolve the invoices. In its response; however, USF-I/J9 had no comments on the report and stated that the Office of the Treasury Attaché would provide comments to the report. The Office of the Treasury Attaché responded that it will assign staff to continue to work only with the Ministry of Finance to facilitate payment after the current staff working with the Ministry leave. SIGIR believes this action is a step in the right direction, but continues to be concerned that a coordinated plan between USF-I and the U.S. Embassy to resolve these invoices with the GOI has not been developed.

¹ SIGIR takes no position on the merits of the unpaid invoices or whether they may be subject to adjustment for contractual or other lawful reasons.

² J9 is part of the command staff of USF-I. As discussed in its mission statement, J9 partners with the U.S. Embassy to employ political, economic, and information means to assist the Government of Iraq.

Background

The DFI was established in May 2003 by the Administrator of the Coalition Provisional Authority, and recognized by United Nations Security Council Resolution 1483. DFI funds were to be used by U.S. agencies for the economic reconstruction and repair of Iraq's infrastructure and other purposes benefiting the people of Iraq. The DFI was funded from export sales of petroleum, petroleum products, and natural gas from Iraq. In addition, surplus funds from the United Nations Oil-for-Food Program as well as frozen assets were transferred to the Fund.³

Since July 2004, the Federal Reserve Bank of New York has held DFI funds in two accounts for the GOI: the Central Bank of Iraq account—known as the main account—and an account available to U.S. government agencies for use in administering DFI contracts—known as the secondary or sub-account. Bank records show that more than \$2.8 billion was deposited in the DFI sub-account in 2004 for use by U.S. agencies in contracting for DFI projects.

Upon dissolution of the Coalition Provisional Authority in June 2004 and the transfer of sovereignty to the Interim Government of Iraq, DFI's administrative responsibilities were transferred to the GOI Ministry of Finance. From June 2004 through December 2007, the Minister of Finance extended authority and responsibility to several different U.S. government organizations to administer the DFI, and JCC-I/A was the last to be extended this authority.

The Minister of Finance, in a letter⁴ to the Commanding General, JCC-I/A, agreed to extend JCC-I/A's authority to administer and complete payment of remaining money due on DFI-funded contracts until December 31, 2007. The Minister directed that all DFI contracts were to be completed by the end of December and remaining funds transferred from the sub-account to the main account within the Federal Reserve Bank of New York. In March 2008, as part of its close-out actions, JCC-I/A prepared a package of unpaid DFI invoices totaling \$53.1 million and submitted it to the Minister of Finance for payment. Action has been taken to satisfy several unpaid invoices, including the GOI's payment of \$4.0 million to six Iraqi contractors in the June-October 2008 time period; however, most of the invoices remain unpaid. JCC-I/A, on behalf of USF-I,⁵ and the Office of the Treasury Attaché, on behalf of the U.S. Embassy, have been the primary agencies working to facilitate payment of these unpaid invoices by the Ministry of Finance.

Our objective for this report is to review the process being used for paying U.S. contractor invoices from DFI funds.

Process To Accomplish Payment of DFI Invoices Has Been Ineffective

The process established between U.S. agencies and the GOI to facilitate payment of invoices for reconstruction contracts funded from the DFI has not been effective. More than 2 years after

³ See Appendix B for more information on the history of the DFI.

⁴ This letter was undated; however, JCC-I/A acknowledged receiving it on October 7, 2007.

⁵ Prior to USF-I being established on January 1, 2010, JCC-I/A managed these invoices on behalf of the Multi-National Force-Iraq.

JCC-I/A closed out its DFI-administered contracts and submitted a package of \$53.1 million in unpaid invoices to the Minister of Finance, the majority of the invoices, or \$32.3 million (60.8%), remain unpaid. Twenty contractors from several countries have unpaid invoices dating as far back as 2004 and 2005, including 11 U.S. contractors with unpaid invoices totaling \$24.4 million. However, SIGIR takes no position on the merits of the unpaid invoices or whether they may be subject to adjustment for contractual or other lawful reasons.

Nine different GOI ministries and the Baghdad Amanat⁶ have unpaid invoices associated with DFI work completed within their area of responsibility. The Ministry of Interior and Ministry of Housing and Construction are associated with the largest amount of unpaid invoices at \$16.5 million and \$4.2 million, respectively, including \$16.6 million of unpaid invoices involving four U.S. contractors.

According to U.S. officials, it is unclear what paperwork the GOI requires to process these payments, and it is not responding to the submission of invoices for payment. A Ministry of Finance official told us the GOI has as a two-tier process for paying DFI invoices: (1) review and sign-off by the Ministry responsible for the sector (such as Electricity, Oil, Housing and Construction, and Water) in which the work was done; and (2) review and sign-off by the Accounts Directorate within the Ministry of Finance. The Minister of Finance has advised U.S. government officials that it was critical to ensure the project had Program Review Board approval,⁷ was DFI funded, and that the paperwork specified what percent of the project had been completed. However, Iraqi officials have claimed the U.S. is submitting non-DFI projects for payment, payment packages that are incomplete, or are not following the proper payment process. In some cases, ministries have stated that the paperwork was never received or was lost, and that it should be resubmitted, or the ministries did not acknowledge receiving the paperwork at all. It appears that follow-up discussions between U.S. and GOI officials are needed to clarify these types of issues.

In lieu of information from the GOI, JCC-I/A developed its own list of documents that should be in the payment packages and believes it has made a good faith effort to provide documentation to facilitate payment. The documents JCC-I/A has routinely provided as part of the payment packages include a material inspection and receiving report, a public voucher for purchase and services other than personal, a copy of the contract, and letters in English and Arabic for signature by the various ministries approving the invoice. For example:

- Laudes Corporation has more than \$9.9 million in unpaid invoices for life support items (including fire protection services, vehicle maintenance, and food service) provided to the Baghdad Police Academy in 2005. In a letter dated December 14, 2007, the Commanding General, JCC-I/A advised the Minister of Finance that the project was 100% complete and ready to be processed for payment. The letter also stated the Commanding General thoroughly reviewed the payment package and certified that it was “accurate, authentic, and complete.” The payment package contained 27 documents supporting payment of the invoices. However, the invoices remain unpaid and, according

⁶ The Amanat (City Hall) is responsible for municipal services in the metropolitan region of Baghdad.

⁷ The Program Review Board, established by the Administrator, Coalition Provisional Authority, was responsible for reviewing and recommending expenditures of resources from the DFI.

to a JCC-I/A official, the GOI has not given any explanation as to why they have not been paid.

- Lucent Technologies has \$2.1 million in unpaid invoices for work completed on an Advanced First Responder Network System to be used in 15 Iraqi cities. The Minister of Finance authorized use of DFI funds for this project in a memorandum dated December 24, 2005. About one year later, JCC-I/A requested that Lucent be paid for work completed to date; however, Lucent was not paid. Subsequently, in a letter dated November 25, 2007, the Commanding General, JCC-I/A advised the Minister of Finance that the project was 100% complete and ready for payment. The payment package contained 28 documents supporting payment of the invoices. However, the invoices remain unpaid and, according to a JCC-I/A official, the GOI has not given any explanation as to why they have not been paid.

According to a JCC-I/A official, JCC-I/A has submitted payment packages for all of the unpaid invoices to the GOI in several ways. First, in the November-December 2007 time period, JCC-I/A submitted three separate DFI payment packages, totaling \$53.1 million, to the Minister of Finance. JCC-I/A submitted these packages as part of the Minister of Finance's direction to close-out all U.S.-administered DFI contracts and return any remaining DFI funds to the GOI, but the GOI took no action on the invoices. Then, in March 2008, JCC-I/A combined the separate payment packages into one payment package and submitted it to the Minister of Finance. Following this submission, the GOI took some, but very limited action. Last, JCC-I/A decided to work directly with each individual ministry associated with unpaid invoices. For example, in June 2009, JCC-I/A hand delivered a \$16.5 million payment package to the Ministry of Interior, which has the largest amount of unpaid invoices. However, as of March 15, 2010, JCC-I/A had not heard back from the Ministry of Interior.

The Office of the Treasury Attaché at the U.S. Embassy in Iraq has also participated in efforts to get the invoices paid. For example, Treasury Attaché officials participated in an interagency meeting on February 14, 2009, to discuss how to re-open the process of getting the invoices paid by the Minister of Finance. In addition, Treasury Attaché officials provided e-mails they exchanged over the last several years with other U.S. agency personnel on actions being taken and the status of unpaid invoices. The officials also noted they have held meetings with Ministry of Finance officials to discuss the unpaid DFI invoices and provided the summary of such a meeting held in May 2008. The officials advised that more recent meetings have occurred, but a large number of invoices still remain unpaid.

Future of the Payment Process Is Uncertain

Obstacles to accomplishing payment of these invoices are mounting. On the U.S. side, there are few personnel remaining in Iraq with historical knowledge of DFI activities. The two most knowledgeable officials, one from JCC-I/A, permanently returned to the U.S. in March 2010, and the other, from the Office of the Treasury Attaché, is scheduled to leave Iraq in August 2010. The JCC-I/A official has not been replaced. In addition, JCC-I/A has had the lead in pursuing payment of DFI invoices with the GOI, but as the U.S. military drawdown continues in Iraq, JCC-I/A will move from Iraq to Kuwait in June 2010 and then eventually cease to exist.

At that point, in JCC-I/A's absence it is unclear who in USF-I or the U.S. Embassy will be assigned overall responsibility for processing these DFI payment packages with the GOI. In commenting on a draft of this report, JCC-I/A recommended that a coordinated plan be developed by USF-I/J9 or the matter should be referred to U.S. Embassy for resolution because it is not chartered or resourced to implement a diplomatic mission to facilitate payment of the invoices with the various GOI ministries that have unpaid invoices. Although the Office of the Treasury Attaché responded that it will continue to work with the Ministry of Finance, neither that office nor USF-I/J9 indicated that a coordinated U.S. plan was being developed by either office, either individually or jointly, to resolve payment of the invoices with the GOI.

On the Iraqi side, as with the 2006 Parliamentary elections, U.S. officials stated the March 2010 Parliamentary elections may bring personnel changes to the various ministries which could result in additional challenges to approval of invoice payments for projects with which the new officials have no familiarity. Nonetheless, current U.S. and Iraqi officials told us they want to accomplish payment of these DFI invoices and are frustrated with the inability to do so. Continued engagement between the U.S. and GOI officials will be necessary to keep the process moving.

Conclusions

More than 2 years have passed since JCC-I/A submitted the original package of unpaid invoices to the GOI for payment, yet \$32.3 million in unpaid invoices remain. Although SIGIR believes JCC-I/A and the Office of the Treasury Attaché have made a good faith effort to facilitate these payments with the GOI, the two sides do not appear to be effectively working together to pay the invoices in a timely manner. At the same time JCC-I/A's role in the process will likely diminish, and no coordinated plans exist between USF-I and the U.S. Embassy for continuing engagement with the GOI. Consequently, SIGIR believes the invoice payment effort is at risk of being further delayed at best and at worse not being completed at all. The attention of U.S. senior civilian and military officials and Iraqi officials to clarify the documentation needed and provide and coordinate enough resources to complete the task is critical to completing the process.

Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq and Commanding General, U.S. Forces-Iraq jointly: (1) identify and coordinate the activities responsible for working with the Minister of Finance on this issue; and (2) have those activities work with the GOI to develop a plan to pay the invoices in a timely manner. The plan should include, but not be limited to, clarification of documentation needed to close out the invoices and identification of both U.S. civilian and military resources and Iraqi resources needed to accomplish this task.

Management Comments and Audit Response

JCC-I/A, USF-I J/9, and the Office of the Treasury Attaché provided written responses to a draft of this report. Their comments are reprinted in their entirety in Appendix E.

JCC-I/A concurred with the findings of the report but did not concur with recommendation 1 or 2. In non-concurring, JCC-I/A stated that it believed that continuing its efforts to resolve the

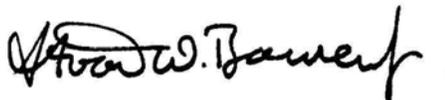
unpaid invoices will be unsuccessful. According to JCC-I/A, it is not chartered or resourced to implement the diplomatic mission needed to facilitate payment of the invoices with the various GOI ministries that have unpaid invoices. JCC-I/A further stated that the U.S. Embassy should resolve the matter or USF-I/J9 should develop a coordinated plan to address the payment issue with individual GOI ministries. However, USF-I/J9 had no comment on the report and stated that the Office of the Treasury Attaché at the U.S. Embassy would provide comments to the report.

The Office of the Treasury Attaché did not respond to the report's recommendations. However, the Office of the Treasury Attaché advised SIGIR that it will continue to assign staff to facilitate the payment of invoices with the Ministry of Finance. The Office of the Treasury Attaché further stated that it will not work with the other ministries, such as the Ministry of Interior and Ministry of Housing and Construction, to facilitate payment of the invoices but instead expected other agencies to handle working with the other GOI ministries to facilitate payment.

While we are encouraged by the actions identified by the Office of the Treasury Attaché, we continue to be concerned that a coordinated plan to resolve the invoices has not been developed by USF-I and the U.S. Embassy. As discussed above, the GOI has a two-tiered process for paying invoices that includes the Ministry responsible for the sector in which the work was done and the Ministry of Finance. As the Office of the Treasury Attaché only plans to work with the Ministry of Finance, the GOI's two-tier process will require a coordinated effort from USF-I and the U.S. Embassy to ensure that the other GOI sector ministries are involved. Therefore, we clarified the recommendations in the report to show our intent that USF-I and the U.S. Embassy jointly develop and coordinate a plan for resolving the invoices and facilitating payment. We also made other revisions to the report based on technical comments provided in the written responses, as appropriate.

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We appreciate the courtesies extended to the SIGIR staff. For additional information on the audit report, please contact David Warren, Assistant Inspector General for Audits (703) 604-0982/ david.warren@sigir.mil or Glenn Furbish, Principal Deputy Assistant Inspector General for Audits (Washington, DC), (703) 604-1388/ glenn.furbish@sigir.mil.



Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Secretary of State
U.S. Secretary of Defense
U.S. Secretary of the Treasury
Commander, U.S. Central Command

Appendix A—Scope and Methodology

In November 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 1006, as part of a series of audits on the Development Fund for Iraq (DFI), to determine the amount of DFI funds distributed to and still in the possession of U.S. government agencies. During the course of this audit, it was brought to SIGIR's attention that the Government of Iraq still owed U.S. and foreign contractors for work completed on DFI contracts administered by U.S. government agencies. This situation has existed for several years, and the few remaining U.S. government officials knowledgeable about DFI and working to accomplish payment of these unpaid invoices will be permanently leaving Iraq in the near future. Due to the amount of time this matter has remained unresolved and the upcoming loss of key personnel, we decided to report on these matters at this time. Our objective for this report is to review the process being used for paying U.S. contractor invoices from DFI funds. This review was performed by SIGIR 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. SIGIR conducted its work from January through March 2010, primarily in Baghdad, Iraq.

To accomplish our objective we held discussions with officials from the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), the U.S. Embassy Office of the Treasury Attaché in Iraq, and Iraq's Ministry of Finance as well as U.S. contractors that have performed DFI work and are still owed money by the Government of Iraq. We reviewed prior SIGIR reports on DFI, individual DFI contract files maintained by JCC-I/A, and payment packages of unpaid DFI invoices developed by JCC-I/A and submitted to the Ministry of Finance on several occasions. We also reviewed e-mail correspondence generated by U.S. government personnel which addressed problems they were encountering with accomplishing payment as well as actions they were taking with the Government of Iraq to assist contractors with unpaid DFI invoices. In addition, we reviewed transactional data provided to us by the Federal Reserve Bank of New York to verify DFI invoice payments made or not made by the Government of Iraq.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Use of Computer-processed Data

In performing this audit, SIGIR obtained computer generated DFI transactional information from the Federal Reserve Bank of New York. This information was used to verify and crosscheck DFI invoice payment data contained in the JCC-I/A contract files. We concluded that the computer-processed information was sufficiently reliable and the best available for purposes of our audit.

Internal Controls

In conducting this audit, we reviewed internal controls used by JCC-I/A in managing and administering the DFI invoice payment process. We also obtained information from the GOI on its payment process. In addition, we examined documents in U.S. agency contract files and held discussions with key officials to gain an understanding of the internal controls governing the use of DFI. We determined that JCC-I/A's internal controls were sufficiently reliable to determine the payment or non-payment of DFI invoices by the GOI.

Prior Coverage

We reviewed the following audit and project assessment reports issued by SIGIR:

Development Fund for Iraq: Policy Guidance Needed To Enhance Accountability of USACE-managed Funds, SIGIR 10-006, 10/29/2009.

Falluja Waste Water Treatment System, Falluja, Iraq, SIGIR PA-08-144, PA-08-145, PA-08-146, PA-08-147, PA-08-148, 10/27/2008.

Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central, SIGIR 08-012, 4/13/2008.

Follow-up on SIGIR Recommendations Concerning the Development Fund for Iraq (DFI), SIGIR 06-036, 1/29/2007.

Review of the Advanced First Responder Network, SIGIR 06-020, 7/28/2006.

Administration of Contracts Funded by the Development Fund for Iraq, SIGIR 05-008, 4/30/2005.

Appendix B—History of Development Fund for Iraq

The Development Fund for Iraq (DFI) has its roots in the first Gulf War of the early 1990s. The United States froze Iraqi assets in response to United Nations Security Council Resolution 661, passed after the first Gulf War. Then, in March 2003, Presidential Executive Order 13290 authorized the use of these funds to benefit the people of Iraq. Similarly, the DFI was created to serve as the financial vehicle for channeling revenue, for use to benefit the people of Iraq, from three primary sources: (1) proceeds from export sales of petroleum, petroleum products, and natural gas from Iraq, (2) surplus funds from the United Nations Oil-for-Food program, and (3) assets of the former Iraqi regime frozen by United Nations Member States. For example, the Oil-for Food program traded Iraqi oil for goods and services, primarily food, to help alleviate suffering to the Iraqi people caused by the United Nations embargo on Iraqi oil exports. Shortly after the program ended in 2003, \$8.6 billion was transferred from the Oil-for-Food program to the DFI.

The DFI was established in May 2003 by the power delegated by the President of the United States, pursuant to United Nations Security Council Resolution 1483, to the Administrator of the Coalition Provisional Authority. The Administrator oversaw and controlled the establishment, administration, and use of the Fund. The DFI was to be used in a transparent manner to provide for: (1) humanitarian needs of the Iraqi people, (2) economic reconstruction and repair of Iraq's infrastructure, (3) continued disarmament of Iraq, (4) cost of Iraqi civilian administration, and (5) other purposes benefiting the people of Iraq. DFI funds were held in two accounts at the Federal Reserve Bank of New York: the Central Bank of Iraq account—known as the main account—and an account available to U.S. government agencies for use in administering DFI contracts—known as the secondary or sub-account. Before establishment of the sub-account, more than \$20 billion had been deposited into the main account according to a Congressional report.⁸ The sub-account, established in June 2004, had a beginning balance of \$800 million, with an additional \$2 billion deposited into the account during the year. These funds came from the main account at the Federal Reserve Bank of New York.

Upon dissolution of the Coalition Provisional Authority in June 2004 and the transfer of sovereignty to the Interim Government of Iraq, DFI's administrative responsibilities were transferred to the Iraq Minister of Finance. The Minister of Finance extended authority to monitor and confirm performance, certify and/or make payments, and otherwise administer certain DFI-funded contracts and grants on several occasions between 2004 and 2007 to different U.S. organizations; the Joint Contracting Command-Iraq/Afghanistan is the last organization to be extended such authority. The Iraq Minister of Finance ended U.S. stewardship of the DFI on December 31, 2007. Both the main account and sub-account holding DFI funds at the Federal Reserve Bank of New York currently remain open. Records for the main account were not available to us but those for the DFI sub-account showed a balance of \$108.6 million, as of November 24, 2009.

⁸ Rebuilding Iraq—U.S. Mismanagement of Iraqi Funds, U.S. House of Representatives, Committee on Government Reform—Minority Staff, Special Investigations Division, June 2005.

Appendix C—Acronyms

Acronym	Description
DFI	Development Fund for Iraq
GOI	Government of Iraq
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
SIGIR	Special Inspector General for Iraq Reconstruction
USF-I	U.S. Forces-Iraq

Appendix D—Audit Team Members

This report was prepared and the audit conducted under the direction of David R. Warren, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the review and contributed to the report include:

Benjamin H. Comfort

M. Glenn Knoepfle

Jason G. Venner

L. Michael Welsh

Appendix E—Management Comments

The following comments were provided by U.S. Forces-Iraq.

	HEADQUARTERS JOINT CONTRACTING COMMAND-IRAQ/AFGHANISTAN BAGHDAD, IRAQ APO AE 09348	
JCC-I/A-COS		10 April 2010
MEMORANDUM FOR RECORD		
SUBJECT: SIGIR Draft Report (10-014) "Process for Continuing Invoice Payment for Iraq Needs Attention"; Task # ITO 1009207218.		
<p>1. This responds to SIGIR Draft Report (10-014) "Process for Continuing Invoice Payment for Iraq Needs Attention", Task # ITO 1009207218.</p> <p>2. Joint Contracting Command - Iraq/Afghanistan (JCC-I/A) concurs with SIGIR's finding, as documented in the draft report. As listed on page 3, JCC-I/A submitted invoice payment packages Nov-Dec 2007, Mar 2008 and Jun 2009.</p> <p>3. We do not concur with SIGIR recommendations. After multiple unsuccessful attempts by JCC-I/A to engage GOI ministries in an effort to resolve this matter, we believe that JCC-I/A continuing with this course of action will continue to yield unsuccessful results. JCC-I/A is not chartered or resourced to conduct a diplomatic mission. I recommend that this matter either be referred to US Department of State for resolution, or a coordinated engagement plan be developed by USF-I J9 to address the payment issue with individual responsible ministries.</p> <p>4. POC is LTC W. Canale, JCC-I/A J3, DSN 318-485-4095.</p>		
 William Skinner CAPT, SC, USN Chief of Staff		

**Process for Continuing Invoice Payment for the Development Fund for Iraq Needs
Attention (SIGIR 10-014)**

**COMMENTS
TO THE DRAFT REPORT**

SIGIR recommends (see page 5 of the draft report):

That the U.S. Ambassador to Iraq and Commanding General, U.S. Forces Iraq:

- (1) Identify the activities responsible for working with the Minister of Finance on this issue;
- (2) Have those activities work with the GDI to develop a plan to pay the invoices in a timely manner. The plan should include, but not be limited to, clarification of documentation needed to close out the invoices and identification of U.S. and Iraqi resources needed to accomplish this task.

RESPONSE: JCC-I/A concurs with the findings and does not concur with the recommendations of the draft report with comments, as noted below.

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GENERAL COMMENTS ON THE REPORT

1. (U) Pages 2, 3, 4. The draft report documents numerous attempts on the part of JCC-I/A to engage with various Iraqi Ministries in an attempt to facilitate payment of the vouchers. All attempts have been unsuccessful. We anticipate that continuing with this course of action will continue yielding unsuccessful results. We recommend that SIGIR specifically state the need for US Department of State involvement with this issue.

APPROVED BY:
William Skinner
CAPT, USN
JCC-I/A Chief of Staff

PREPARED BY:
Michael D. Reiners
LCDR, USN
JCC-I/A, DSN 318-485-3559



UNITED STATES FORCES - IRAQ
J9, Treasury LNO Office
BAGHDAD, IRAQ
APO AE 09342

USF-I/J9 Treasury LNO

12 April 2010

MEMORANDUM FOR RECORD

SUBJECT: SIGIR Draft Report (10-014) "Process for Continuing Invoice Payment for Iraq, Task # ITO1009207218.

1. J9 Treasury LNO has no comment. As tasked by, and in coordination with the Treasury Department in DC, the Treasury Attaché, US Embassy Baghdad, will provide a response to the draft SIGIR report on DFI contracts.
2. POC is LTC Paul Young, DSN 318-239-3551.

//signed rdh, 12 Apr 10//
Robert D. Hyde
Col, USAF
Chief, Treasury LNO

The following comments were provided by the Office of the Treasury Attaché at the U.S. Embassy.



UNITED STATES DEPARTMENT OF THE TREASURY

EMBASSY OF THE UNITED STATES OF AMERICA
BAGHDAD

April 17, 2010

Mr. David R. Warren
Assistant Inspector General for Audits
Special Inspector General for Iraq Reconstruction
400 Army Navy Drive
Arlington, VA 22202

Reference: **Draft Audit Report on the Subject of the Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention (SIGIR 10-014)**

Dear Mr. Warren:

I am writing in reference to the Draft Audit Report on the subject of the *Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention (SIGIR 10-014)*, which was sent to the Office of the Treasury Attaché at the U.S. Embassy in Baghdad, Iraq, on April 1, 2010. We have consulted with your colleagues, Benjamin H. Comfort III and Michael L. Welsh, and been advised that we can provide comments to your office on the referenced Draft Audit Report. We appreciate the opportunity to share our comments with your office prior to the release of the Report.

The draft Audit Report raised concerns that the Treasury Attaché Office will not continue to follow up on the issue of the payment of invoices. The concern articulated in the draft Report is unfounded.

While one of our Treasury Attaché Office colleagues who has worked on this matter will rotate out of her position in August, current plans are to appoint a successor in that position. Our office will continue to carry out our responsibilities in pursuit of the resolution of the Continuing Invoice Payment issue until we are instructed otherwise, without reference to any personnel changes that might take place.

Treasury's specific role in this process is to facilitate the presentation of documents to the Ministry of Finance for its review and sign-off. We have not undertaken to participate in the review and sign-off by other Iraqi sector ministries. We would expect other agencies which possess professional competence in commercial contract matters and/or relationships with the other sector ministries to handle that aspect of the process to accomplish payment of the invoices.

In conclusion, we would like to express our appreciation for the professional fashion in which your colleagues have conducted our recent consultations on this important matter.

Please do not hesitate to contact me if you have any further questions on this issue.

Sincerely yours,

Dennis E. Flannery
Treasury Attaché

UNIT 2025, BOX 25 - APO AE 09870

Appendix F—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

Obtaining Copies of SIGIR Reports and Testimonies

To obtain copies of SIGIR documents at no cost, go to SIGIR’s Web site (www.sigir.mil).

To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs

Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline:

- Web: www.sigir.mil/submit_fraud.html
- Phone: 703-602-4063
- Toll Free: 866-301-2003

Congressional Affairs

Hillel Weinberg
Assistant Inspector General for Congressional Affairs

Mail: Office of the Special Inspector General for Iraq Reconstruction

400 Army Navy Drive
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