DEVELOPING A Depot MAINTENANCE Capability At TAJI Hampered By Numerous PROBLEMS
Developing a Depot Maintenance Capability at Taji Hampered by Numerous Problems
July 30, 2009

DEVELOPING A DEPOT MAINTENANCE CAPABILITY AT TAJI HAMPERED BY NUMEROUS PROBLEMS

What SIGIR Found

Although the contract was valued at $350 million, MNSTC-I elected to cancel two option periods, and final costs for the contract will be about $220 million. However, the possibility that the Iraqi Army will be capable of successfully operating the depot even at a low rate of production by December 31, 2009, seems unlikely.1 Much of the equipment required under Phase IV of the contract still needs to be installed and commissioned.2 The training required under Phase V of the contract has not produced sufficient numbers of journeyman-level mechanics, and the low rate production requirements under Phase VI of the contract have been minimally achieved for only a few types of equipment. Until these objectives are met, the Iraqi Army’s ability to independently conduct depot level maintenance will be limited. Nonetheless, MNSTC-I reports that it intends to transfer the facility on December 31, 2009, in an “as is” condition without regard to level of facility, equipment, or training development.

Although the outcome of this contract is less than successful to date, SIGIR’s assessment of MNSTC-I’s management and oversight found that it was generally effective. The MNSTC-I team responsible for this contract has managed two complex issues: the quality of the renovation and construction work under the Phase III contract, and the failure of the Iraqi Army to commit soldiers for training. SIGIR’s analysis of project management generally shows that despite the schedule extension, MNSTC-I managed these issues well. Most specifically, MNSTC-I kept the overall contract costs to near the original estimate, and has decided to transfer the facility on December 31, 2009, in an “as is” condition without regard to level of facility, equipment, or training development. SIGIR has previously recommended that continued U.S. investment in developing the Iraqi Army’s maintenance capability be contingent on negotiating an agreement with the Iraqi Ministry of Defense for transitioning maintenance responsibility. SIGIR also previously identified a lesson learned that when agreements cannot be reached, assessing the risk of increased costs and the failure to achieve objectives should be an integral part of the management decision-making process. In this case, MNSTC-I has assessed that risk and made its decision.

Management Comments

MNSTC-I concurred that it should develop a plan for guiding the activities of a follow-on organization. MNSTC-I partially concurred that it should take action against the Phase III contractors stating that only the contracting office can hold the contractors accountable. GRD stated that it had not had an opportunity to review the documents provided to SIGIR, but was evaluating possible legal alternatives. It is also noted that SIGIR did not interview GRD officials regarding the Phase III issues.

1 A low rate production goal, as defined by MNSTC-I, refers to the number of times Iraqi personnel must independently demonstrate the capability to successfully complete certain maintenance actions. For example, a goal of 30 engines means that before transition the Iraqis should have successfully overhauled 30 engines.

2 Commissioned means that a piece of equipment has been certified as production capable.
July 30, 2009

MEMORANDUM FOR U.S. SECRETARY OF DEFENSE
   U.S. SECRETARY OF STATE
   U.S. AMBASSADOR TO IRAQ
   COMMANDING GENERAL, U.S. CENTRAL COMMAND
   COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
   COMMANDING GENERAL, MULTI-NATIONAL SECURITY
   TRANSITION COMMAND-IRAQ
   COMMANDING GENERAL, JOINT CONTRACTING COMMAND-
   IRAQ/AFGHANISTAN
   COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: Developing a Depot Maintenance Capability at Taji Hampered by Numerous
Problems (SIGIR 09-027)

The Special Inspector General for Iraq Reconstruction (SIGIR) is providing this audit report for
your information and use. We performed this audit in accordance with our statutory
responsibilities contained in Public Law 108-106, as amended. This law provides for
independent and objective audits of policies designed to promote economy, efficiency, and
effectiveness of programs and operations and to prevent and detect fraud, waste, and abuse. This
audit was conducted as SIGIR project 9014.

We considered comments from the Commanding General, Multi-National Security Transition
Command–Iraq and the Commanding General, Gulf Regional Division when preparing this
report. The comments are addressed in the report where applicable, and the letters are included
in Appendix D of this report.

We appreciate the courtesies extended to the SIGIR staff. For additional information on the
report, please contact Joan Hlinka, Deputy Assistant Inspector General for Audits (Washington,
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Stuart W. Bowen, Jr.
Inspector General
# Table of Contents

**Introduction** 1

- Background 1
- Objectives 4

**Cost Goals Are Being Met but Key Maintenance Capability Goals Are Not** 5

- The Contract is Currently Within Budget 5
- Contract Objectives Are Behind Schedule 6

**Contract Management and Oversight Has Been Generally Effective** 15

**Conclusion and Recommendations** 17

- Conclusion 17
- Recommendations 17

**Management Comments and Audit Response** 18

**Appendix A—Scope and Methodology** 19

**Appendix B—Acronyms** 21

**Appendix C—Audit Team Members** 22

**Appendix D—Management Comments** 23
Developing a Depot Maintenance Capability at Taji
Hampered by Numerous Problems

SIGIR 09-027
July 30, 2009

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 amounts appropriated or otherwise made available for the reconstruction of Iraq. To help meet this requirement, we are undertaking a series of audits of major Iraq reconstruction contracts. These audits include contract cost and outcome and the U.S. government’s program and contract management oversight, with emphasis on issues related to fraud, waste, and abuse. This report examines the Taji National Maintenance Depot–Master Integrator Contract, hereafter referred to as the Depot Integrator contract.

The Depot Integrator contract was originally a $350 million contract funded by the Iraq Security Forces Fund, which was subsequently reduced to about $220 million, and is one of the largest Iraq Security Forces Fund contracts to date. The contract was to procure and install maintenance equipment in the Taji National Maintenance Depot (TNMD), train Iraqi soldiers and civilians in depot maintenance and operations, initiate operations, and then transition the depot to Iraqi control. This contract and its associated requirements was to accomplish the final four phases of the Taji National Depot Maintenance Project. Taji is located in the northern outskirts of Baghdad.

Background

In October 2005, the Department of Defense submitted a report to the Congress that identified the importance of developing the Iraqi Army’s logistics capabilities and transitioning maintenance responsibility to Iraqi Army control so that it could operate on its own.3 Since then, establishing maintenance and other logistics capabilities within the Iraqi Army has been a priority of the Multi-National Security Transition Command–Iraq (MNSTC-I), which organizes, trains, equips, and sustains Iraq’s security forces for Multi-National Force–Iraq (MNF-I).

In the Iraqi Army, there are four levels of maintenance. The first two levels of maintenance are integrated within an Iraqi Army Division and provide operator and preventive maintenance, and organizational maintenance. The third level of maintenance is provided by Iraqi Army Location Commands, which support one or two Iraqi Army divisions in a specific area. These commands provide intermediate and organizational maintenance; that is, they perform day-to-day and more

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complex repairs (short of complete overhauls) of vehicles, radios, and night vision devices. SIGIR previously issued a report pertaining to the third level of maintenance.\textsuperscript{4}

This audit is of the fourth level of maintenance, depot level maintenance. Depot maintenance involves the major overhaul or complete rebuilding of parts, assemblies, subassemblies, and individual pieces of equipment. It can also include the manufacture of parts, modifications, testing, and reclamation as required—typically to restore the item to like new condition.

Depot maintenance serves to support other military units by providing technical assistance and performing maintenance that is beyond the capabilities and responsibility of those units. Depot maintenance provides stocks of serviceable equipment by using more extensive facilities for repair than are available in other military units. The primary function of depot maintenance is to replenish stocks in the military supply system, in this case the Taji National Supply Depot.

MNSTC-I’s plan to develop an Iraqi Army depot maintenance capability at Taji involves seven phases. These phases are shown in Figure 1.

\textsuperscript{4} Security Forces Logistics Contract Experienced Certain Cost, Outcome and Oversight Problems (SIGIR 09-014, April 26, 2009).
The Phase I assessment was conducted by a team of technical experts from the Army Materiel Command. The Phase II planning was conducted by a team comprised of members from the Army Materiel Command, and logisticians from MNSTC-I and Iraq’s Ministry of Defense. The Phase III facility construction and renovation was accomplished using contractors. Contracts were awarded to four contractors, all managed by the United States Army Corps of Engineers’ (USACE) Gulf Region Division-Central District (GRC). Phases IV through VII were to be accomplished under the Depot Integrator contract awarded by the Joint Contracting Command – Iraq/Afghanistan (JCC-I/A) to AECOM Government Services (AECOM) in December 2007, and managed by MNSTC-I. The contract is a fixed-price contract with a not to exceed cost of $350 million. The contract period of performance was 24 months with provisions for two six-month option periods that if exercised, would extend the contract until the end of 2010. Each option period was valued at $65 million. Table 1 shows the key dates and events for the contract.

5 The Army Materiel Command provides technology, acquisition support, materiel development, logistics, and sustainment to the force.
Table 1—Key Dates and Events for Contract W91GY0-08-D-0001

<table>
<thead>
<tr>
<th>Date</th>
<th>Key Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>Requirement for Logistics Capability Identified</td>
</tr>
<tr>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>Jun–Dec</td>
<td>Technical Assessment (Phase I)–Completed 5 December 06</td>
</tr>
<tr>
<td>Nov–Dec</td>
<td>Planning (Phase II) – Completed 5 December 06</td>
</tr>
<tr>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>May–Jul 08</td>
<td>Refurbishment and Construction (Phase III)–Completed July 08</td>
</tr>
<tr>
<td>December</td>
<td>Depot Integrator Contract awarded to AECOM Government Services</td>
</tr>
<tr>
<td>2008</td>
<td></td>
</tr>
<tr>
<td>January 1</td>
<td>Taji National Maintenance Depot– Integrator Contract Begins</td>
</tr>
<tr>
<td>January</td>
<td>Phase IV–Procurement/Installation</td>
</tr>
<tr>
<td>March</td>
<td>Phase V–Manning/Training</td>
</tr>
<tr>
<td>May</td>
<td>Phase VI–Operation Initiated</td>
</tr>
<tr>
<td>2009</td>
<td></td>
</tr>
<tr>
<td>Mar–Jun</td>
<td>Electrical Assessment</td>
</tr>
<tr>
<td>Jun–Dec</td>
<td>Phase VII–Transition Activities</td>
</tr>
<tr>
<td>December 31</td>
<td>Transition Complete</td>
</tr>
</tbody>
</table>

Source: SIGIR Analysis of MNSTC-I documents

Objectives

SIGIR’s objectives for this audit of the Depot Integrator contract (Phases IV to VII) were to review cost, outcome; and management oversight issues with specific focus on the adequacy of controls to prevent and detect fraud, waste, and abuse. To accomplish these objectives we also needed to obtain information on activities that were conducted during Phases I to III and consider the impact that the results achieved in those phases had on accomplishing the phase objectives covered by the Depot Integrator contract. SIGIR is planning a review of the Phase III contract.

For a discussion of the audit scope and methodology and a summary of prior coverage, see Appendix A. For a list of acronyms used, see Appendix B. For a list of the audit team members, see Appendix C. For the management comment letters, see Appendix D.
Cost Goals Are Being Met but Key Maintenance Capability Goals Are Not

Although the contract was valued at $350 million, MNSTC-I elected to cancel two option periods, and final costs for the contract will be about $220 million. However, the possibility that the Iraqi Army will be capable of successfully operating the depot even at a low rate of production by December 31, 2009, seems unlikely. Much of the equipment required under Phase IV of the contract still needs to be installed and commissioned. The training required under Phase V of the contract has not produced sufficient numbers of journeyman-level mechanics, and the low rate production requirements under Phase VI of the contract have been minimally achieved for only a few types of equipment. Until these objectives are met, the Iraqi Army’s ability to conduct depot level maintenance will be limited. Nonetheless, MNSTC-I reports that it intends to transfer the facility on December 31, 2009, in an “as is” condition without regard to level of facility, equipment, or training development.

Several key factors caused the contract’s goals not to be met. Most significant were construction quality problems (principally related to electrical installation) during Phase III. This situation has delayed equipment installation and, in turn, the means to train personnel. Further, it has created a dangerous working environment. MNSTC-I estimates that correcting these problems may cost about $2.86 million. Additionally, Iraqi military personnel have not attended training at the rates anticipated and often left training early. Various factors contributed to this situation including the contract’s overly optimistic training schedule, the Iraq military not providing trainees at the levels promised, and equipment shortages.

The Contract is Currently Within Budget

The original contract value was $350 million, but that included two option periods valued at $65 million per period. However, according to MNSTC-I officials, they do not intend to exercise these option periods, which will reduce the overall contract value to about $220 million. As of April 30, 2009, MNSTC-I has issued 72 Task Orders to AECOM and $211.7 million had been obligated, of which $105.1 million had been disbursed. MNSTC-I estimates that it may need to spend approximately $2.86 million to remediate some construction problems. Thus, barring unforeseen problems, final costs on the contract should be in the range of $220 million.

SIGIR identified four categories of contract costs. These include (1) shop facilities and equipment, (2) sustainment, (3) training, and (4) miscellaneous. Contract obligations and disbursements as of April 30, 2009, are shown in Table 2.

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6 A low rate production goal, as defined by MNSTC-I, refers to the number of times Iraqi personnel must independently demonstrate the capability to successfully complete certain maintenance actions. For example, a goal of 30 engines means that before transition the Iraqis should have successfully overhauled 30 engines.

7 Commissioned means that a piece of equipment has been certified as production capable.
Table 2—Funding Data by Cost Categories, as of April 30, 2009 (in dollars)

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Obligations</th>
<th>Disbursements</th>
<th>Available</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop Facilities/Optipms</td>
<td>117,435,114.98</td>
<td>47,008,092.49</td>
<td>70,427,022.49</td>
<td>55</td>
</tr>
<tr>
<td>Sustainment</td>
<td>82,573,230.86</td>
<td>51,370,368.57</td>
<td>31,202,862.29</td>
<td>39</td>
</tr>
<tr>
<td>Training</td>
<td>10,112,150.83</td>
<td>6,258,637.55</td>
<td>3,853,513.28</td>
<td>5</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>1,554,324.88</td>
<td>481,563.52</td>
<td>1,072,761.36</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$211,674,821.55</strong></td>
<td><strong>$105,118,662.13</strong></td>
<td><strong>$106,556,159.42</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note:
a Security costs represent $6,013,845.59 of the total for sustainment

Source: SIGIR analysis of cost data provided by JCC-I/A

One unknown factor affecting the final cost for this contract is the need to remediate some construction deficiencies from an earlier Phase III contract. These deficiencies are discussed in more detail later in this report. In March 2009, MNSTC-I issued AECOM a Task Order to assess the facilities to determine what is needed. In written comments on a draft of this report, MNSTC-I stated that it estimates that the cost will be about $2.86 million. However, SIGIR has not seen the report and does not know the extent of repairs covered by this estimate.

Contract Objectives Are Behind Schedule

The equipment installation, training, and low-rate production requirements of this contract were originally planned to be completed between November 2007 and January 2008. However, as shown in figure 2, the three requirements are currently one to two years behind schedule. Figure 2 is a comparison of the originally estimated timeline for each phase of the Depot Integrator (Phases IV to VII) from November 2006, to the current estimate provided to SIGIR in June 2009.
Installation of Equipment is Behind Schedule Due to Construction Issues and Other Problems

Procuring and installing the maintenance equipment at the Taji Depot was originally scheduled to be completed by November 2007. According to MNSTC-I officials, construction quality problems experienced in Phase III have caused the schedule for completing installation and commissioning of the equipment to slip by two years to December 31, 2009. Additionally, it is uncertain if that date will be met. As of June 12, 2009, less than 10 percent (20 of 204 pieces) of the complex equipment has been installed and made operable.

According to a MNSTC-I official, approximately 96% of the equipment has been delivered. However, some equipment installation has been delayed because of serious electrical problems in the facilities that MNSTC-I attributes to construction quality issues during the Phase III construction. It should be noted that AECOM was not one of the contractors responsible for the electrical installation.

Although USACE’s Gulf Region Central District accepted the facilities from the Phase III contractors, MNSTC-I officials state that the facilities have serious electrical problems that have prevented the installation of some equipment. According to a senior MNSTC-I official at Taji, the problems include undersized circuit breakers, undersized cabling, shoddy splices, hot grounds, single phase vice triple phase circuits, and misplacement of electrical circuits and outlets. According to the estimated bill of quantities the contractor was to,

Supply and install electrical receptacles, complete with local, fused disconnect boxes and all conduit, hardware, as required to supply industrial machines shown in approved drawing. Upgrade as necessary the electrical system to support the planned industrial equipment. This includes labeling each of the disconnects to the equipment that will be installed. Contractor shall test and demonstrate for Resident Engineer’s approval.
According to documents provided by MNSTC-I, however, much of this was not done. Some examples include:

- Two transmission dynamometers, each with a power requirement of 180 amps, and a control panel with a power requirement of 30 amps were to be installed in a building. The only power supplied by the contractor was two 32 amp circuits.

- A power washer with a power requirement of 225 amps was to be installed in a building. The contractor provided one 100 amp circuit.

- The power requirement for equipment in another building is 1000 amps. The contractor installed a 500 amp service.

- A hydraulic repair machine with a power requirement of 90 amps was to be installed in a building. The contractor provided one 63 amp circuit.

Beyond insufficient power in the buildings, however, MNSTC-I identified serious electrical safety issues. In at least two instances water heaters in washroom facilities were incorrectly wired resulting in a potential electrocution hazard, and at least seven fires have been attributed to faulty wiring, according to AECOM officials. One of the most serious examples was an incident in which Iraqi students complained of “tingling” when using the washroom sinks. MNSTC-I officials conducted an inspection of the washroom facility, and using a voltmeter and a probe, discovered more than 220V of electricity in the water stream from the wash basin, as shown in figure 3 below. Subsequent inspections determined the water heater was incorrectly installed.
Although the facility renovation work conducted under Phase III was not a part of this review, MNSTC-I officials report that it has seriously impacted the accomplishment of tasks under this contract. SIGIR asked what action was taken during the reconstruction work to remedy the electrical problems. MNSTC-I explained that USACE’s Gulf Region Central District was responsible for contractor oversight and accepted the work and issued contract completion documents. Additionally, a MNSTC-I official said that the MNSTC-I project management office was not staffed with an electrical engineer or a master electrician during the renovation and final acceptance inspection of the facility. As a result, the problems were not discovered until installation of the new equipment started. According to a MNSTC-I e-mail, the MNSTC-I Project Manager decided not to take action against the contractors because GRC’s general counsel advised against litigating the case. To keep the contract on schedule the MNSTC-I Project Manager decided instead to accomplish the necessary repairs through the Depot Integrator contract. In commenting on a draft of this report, however, GRD said that it has no record of any involvement with this issue regarding possible action against the contractor. GRD further noted that it had not been provided the MNSTC-I documents for review and, therefore, could not comment. However, GRD also said that the GRC counsel is currently evaluating possible legal alternatives.

In addition to the electrical problems, the equipment installation has also suffered from some other unforeseen issues. For example, rails are ordinarily built into a factory ceiling to support heavy-lift cranes needed to move equipment and vehicle parts. The rails in the Taji Depot
facilities were identified as having sufficient strength to support the cranes MNSTC-I planned to install. However, upon starting installation, the contractor found that the pre-existing rails were not strong enough to support the weight of the crane plus a load. To remedy this problem, MNSTC-I decided to use free standing cranes, but this solution requires reinforcing the floors to support the weight of the crane. Additional concrete foundation footers for support are being installed, but this is delaying installation.

To better understand what is needed to address the electrical and construction problems, MNSTC-I issued a task order to AECOM in March 2009 to conduct an assessment of the facilities refurbished under Phase III with specific emphasis on the electrical wiring. This assessment was completed in late June 2009. SIGIR requested a copy of the assessment, but at the time of the draft report we had not received the assessment. MNSTC-I, in commenting on our draft report, stated that the current estimate is about $2.86 million. SIGIR has not received the assessment and is uncertain about the extent of repairs covered by this estimate.

The net result of these problems is that, at present, some facilities cannot meet full operational requirements. According to the May 14, 2009, Maintenance Status Report, wheel depot facilities still in the construction phase includes the Engine Shop, Transmission Shop, Blast Booth, Paint Shop, and Reassembly Shop. In addition, facility deficiencies limited activity in the Main Wheel Shop, Automotive Shop/Upholstery, and the Ground Support Equipment/Material Handling Equipment/Forklift Shop. In its written comments MNSTC-I added that in the track depot, facilities that are incomplete include the Generator Shop, Small Arms Shop, Power Train Shop, Disassembly Shop, Radiator Shop, Component Cleaning Shop, and Paint Shop.

**Figure 4—Photograph of Pit for Line Bore Machine**

*Source: SIGIR Photo*
A senior MNSTC-I official said that the facility will be transitioned on December 31, 2009, even though some originally planned equipment may not be installed. For example, according to a MNSTC-I official, the line bore machine\(^8\) may be canceled all together. As shown in figure 4 above, the pit has been dug and prepared and MNSTC-I plans to wire it for the equipment, but the Iraqis may have to eventually purchase the equipment. MNSTC-I is also questioning other pieces of equipment such as a second electroplating machine. The MNSTC-I official emphasized that these measures are not being taken just to meet the December 31, 2009 transition timeline; “it just makes good sense, and saves the American taxpayer money.”

**Training Has Not Produced a Capable Workforce Due Primarily to Low Trainee Participation Rates and Equipment Shortages Under Phase V**

The lack of equipment has affected the training program forcing training to be cancelled or scaled back. However, a larger impediment has been a lack of Iraqi commitment to the training. About half of the assigned students are absent at any given time for a variety of reasons. As of May 31, 2009, only 74% of the required workforce has completed training and even the trained workers’ skill level is deemed “marginal.”

Training is a key deliverable under the contract, and the statement of work identifies a “trained and capable workforce” as a requirement for transition. Students generally attend a military “Basic Training” program before being assigned to the depot. They then spend two weeks in the Taji Vocational Institute in a basic maintenance and safety course. After the two weeks, they take a week of leave, and then return to complete the remaining four weeks where they learn the basics of maintenance operations that prepares them for on the job training (OJT). After completion, they take another leave before beginning OJT. The OJT is a set period of time with a fixed start and end date. A typical OJT training period is approximately 180 consecutive days or 26 weeks. There are no additional breaks built into the program.

As of May 21, 2009, the contractor reported having no certified depot level mechanics even though several OJT courses have been completed. In its written comments, MNSTC-I said that the policy accepted by the Iraqi Army was for the students to work 14 days on and take one week off. As it stands, the students usually work 5 days, take 2 days off, work 5 days, and then take 9 days off. This “leave policy” occurs throughout every level of training to include the Taji Vocational Institute. The result of this practice is that out of a 26 week course of instruction, the students may only reach week 12 or 13 in the curriculum before the OJT period expires. According to the contractor this will not produce a journeyman-level mechanic. The final product will probably resemble a mechanic at the apprentice level.

Further complicating the availability of soldiers to conduct training is the fact that the Ministry of Defense is temporarily removing some soldiers to attend basic training. MNSTC-I expected that students would have completed military basic training and some initial trade training with the Iraqi Joint Forces prior to entering training with the contractor. It was understood, however,

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\(^8\) A line boring machine is used to bore precision holes in track vehicle hulls (that is tanks or armored personnel carriers) as part of the battle damage or normal wear and tear repair process. In this instance, the holes are bored to line up the drive sprockets with the transmission. The machine is approximately 28 feet long. The estimated cost of the machine is $2.7 million and takes 12 months to manufacture.
that this requirement may be waived for recruits with existing trade skills. According to the contractor, some students did not meet this requirement and the Ministry of Defense is now requiring that they attend basic training. In its written comments, MNSTC-I said that as of July 9, 2009, the wheel depot has 413 students assigned of 448 required, with 100 of those at Basic Training. In the track depot, 179 students are assigned of the 556 required, with 45 in Basic Training. MNSTC-I also said that the problem is exacerbated by the fact that some “career fields” have too few people assigned while others have too many people assigned.

Even when soldiers are physically at the facility, they are not always available for training. According to a senior Iraqi official, staffing shortages mean that some soldiers are pulled from training to perform other functions, such as security. The contractor expressed the need for leaders and supervisors as well as workers like parts keepers and material handlers, all of which are important to running a production facility. According to the contractor’s weekly Update Briefing to MNSTC-I dated June 12, 2009, a number of leadership and management positions have not been filled, and the contractor has identified manning to be at risk.

Despite the challenges in having enough people attend for the required amount of time, the contractor has continued to conduct training. Additionally, the contractor has used “workarounds” to continue training when facilities are not available. When workarounds cannot be used, the students will not be trained at all on certain aspects of repairs, such as some machine work; milling, or resurfacing of cylinder heads, and grinding of crankshafts; standard operations for a depot facility. During our visit to the Track Depot at Taji, we observed one such workaround. Training in disassembly was taking place outside in the staging area under a large open bay garage with a roof for protection from the sun because the Disassembly Shop was still under construction, and there was insufficient electrical power to install the equipment.

According to the current Modified Table of Organization and Equipment, the document that identifies the required and authorized strength of an organization, the Taji Depot requires 1,426 personnel of which 1,037 are designated as skilled workers. MNSTC-I estimates that manning challenges left the depot with just 62% of its assigned soldiers and only 46% present for duty on average. The removal of some students for basic training further degrades the average number present for duty to approximately 33% of authorized strength. As of May 31, 2009, only 771 students have graduated. Although a senior Iraqi military official has told MNSTC-I officials that he has 1,300 additional personnel to add to the number of those going through training, they had not arrived as of May 31, 2009. In order to have any additional soldiers fully trained to meet the December 31, 2009, transition date, they would have had to have begun training on or about May 21, 2009, and take no breaks from training to receive the full six weeks of training at the Taji Vocational Institute and the 26 weeks of OJT. The lack of operational equipment was cited by senior Iraqi military leaders as a reason why some students leave the program.

Senior Iraqi officials told us they too recognize that there will be insufficient numbers of trained mechanics on December 31, 2009. One official said “we will face a lot of technician problems.” To make his point, he added: “ask any soldier or officer to demonstrate how a piece of equipment works, and they will not be able to show you because they are not trained.” He blamed this on the fact that much of the equipment was not available during the training period. The contractor also explained that as more equipment becomes available, the attendance rate improves, albeit minimally.
Intended Maintenance Capability Goals Have Been Minimally Achieved Under Phase VI

Although six months remain until MNSTC-I’s transition goal of December 31, 2009, only a few of the low rate production goals for the track depot and the wheel depot at Taji have been met. MNSTC-I defines its maintenance capability goal by using the term “low rate production.” Low rate production refers to the production run of a facility that is performed by the Iraqi Army to demonstrate a production capability. For example, a low rate production goal of 30 means that the Iraqi Army should have successfully performed a task 30 times. However, as shown in Table 3, many shops have been unable to achieve their low rate production goals for a large number of equipment pieces.

Table 3—Low rate production goals and accomplishments as of June 12, 2009

<table>
<thead>
<tr>
<th>Equipment</th>
<th>Low Rate Production Goal</th>
<th>Accomplished</th>
</tr>
</thead>
<tbody>
<tr>
<td>M-1114 High Mobility Multipurpose Wheeled Vehicle</td>
<td>30</td>
<td>1</td>
</tr>
<tr>
<td>Forklift</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Wheeled Vehicle Engine</td>
<td>30</td>
<td>2</td>
</tr>
<tr>
<td>Wheeled Vehicle Transmission</td>
<td>30</td>
<td>6</td>
</tr>
<tr>
<td>Generator</td>
<td>100</td>
<td>8</td>
</tr>
<tr>
<td>M-203 Rifle</td>
<td>500</td>
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<tr>
<td>AK-47 Rifle</td>
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<tr>
<td>T-72 Tank / BMP Personnel Carriera</td>
<td>2</td>
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</tbody>
</table>

Note:

a SIGIR’s interpretation of the data is that the current low rate production goal for T-72s and BMP Personnel Carriers combined is two; either one of each, or two of one or the other.

Source: MNSTC-I data

In written comments on a draft of this report, MNSTC-I provided updated information as of July 3, 2009, that shows that a number of shops are on target to meet their low rate production goals. For example, the transmission shop has met the low rate production goal of 30 transmissions and has started working on geared hubs, transfer cases, and differentials. Currently 7 of the 30 transmissions have tested “good.” In the wheel depot, MNSTC-I reports that the engine, paint, wash rack, blast booth, main wheel are on track to meet their goals by September 2009.

Achieving the low rate production requirements depends on the availability of repair parts, which continues to be an issue with some equipment items, specifically the 5 ton family of vehicles (M-900 series) including the M-923, and some former Soviet style tracked vehicles such as the T-72 Tank. The contractor is not responsible for obtaining repair parts and, to date, all repair parts have been provided by Coalition Forces. According to MNSTC-I, 37% of the total M114 lines and 89% of the total 5 ton lines required have been furnished by the U.S. government. Key remaining lines have been ordered by the U.S. government and are due in shortly.

The absence of a technical library also adds to the difficulty of achieving the low rate production requirements. A key deliverable under the contract is the requirement to provide Depot
Maintenance Work Requirements for those vehicles and equipment identified for low rate production. Depot Maintenance Work Requirements provide the technical data and specifications necessary for depot level repair work and the overhauling of vehicles and equipment. A senior MNSTC-I official told us that while Depot Maintenance Work Requirements are critical for U.S. depots, they may not be as critical to the TNMD at its current stage of development. The JCC-I/A Office of Counsel is re-evaluating the requirement to determine whether it was an appropriate task under the statement of work. Depending on the result of their legal review, the requirement may be removed from the Statement of Work.

There is also a requirement to have certain manuals translated into Arabic. Of the 115 Operations and Maintenance manuals required to be translated, only 2 have actually been translated as of June 12, 2009.
Contract Management and Oversight Has Been Generally Effective

Although the outcome of this contract is less than successful to date, SIGIR’s assessment of MNSTC-I’s management and oversight found that it was generally effective. The MNSTC-I team responsible for this contract has managed two complex issues: the quality of the renovation and construction work done by the earlier Phase III contractors, and the failure of the Iraqi Army to commit soldiers for training, and has handled each of these issues effectively.

As stated, this contract covers only Phases IV through VII of the TNMD project: the procurement and installation of equipment, training of Iraqi soldiers in depot maintenance and operation, developing a low-rate production capability, and transitioning the depot to Iraqi control. The success of the equipment installation was dependent on the preparation of the facilities under the Phase III contract. MNSTC-I, lacking construction expertise, turned this renovation and construction over to GRC, who awarded the work to four contractors. SIGIR did not review these contracts. However, documents provided by MNSTC-I raised issues about the quality of certain construction items. MNSTC-I said that these issues caused it to have to extend the completion date for the equipment installation by approximately two years. SIGIR notes that while GRD was administering the Phase III contracts, MNSTC-I was still the funding agency and had overall program management responsibility.

SIGIR’s analysis of project management generally shows that despite the schedule extension, MNSTC-I has been managing these issues well during Phases IV through VII. Most specifically, MNSTC-I kept the overall contract costs to near the original estimate. Other positive signs of effective management include:

- The Contracting Officer’s Representative and the Quality Assurance Representative conduct regular and independent inspections of the facilities using checklists based on the statement of work and developed specifically for each shop or facility.
- The contractor provides Weekly Production Reports which are discussed in weekly meetings by MNSTC-I and Army Materiel Command personnel.

JCC-I/A’s administration of the contract was also effective. JCC-I/A stationed the Contracting Officer in Iraq, facilitating site visits. This was a vast improvement over similar contracts managed from the U.S. For example, in a recent SIGIR audit of the Global Maintenance and Supply Services Contract, which was managed from Rock Island Illinois, SIGIR found that the absence of an in-country Contracting Officer contributed to the contract oversight problems. Similarly, an Administrative Contracting Officer and a dedicated contracting officer’s representative on site has been beneficial in obtaining timely decisions on unforeseen problems such as the electrical safety issue. An on-site Program Management Office also helps with these issues.

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SIGIR also found that the Quality Assurance Surveillance Plan is well defined, based on the Statement of Work, and is carried out by two independent government personnel, the Contracting Officer’s Representative from MNSTC-I and the Quality Assurance Representative from the Defense Contract Management Agency. The 16 person Army Materiel Command team dedicated to the TNMD project contained subject matter experts for most aspects of the program. Additionally, their presence in the depot shops facilitated continuous monitoring. Weekly meetings involving key personnel from JCC-I/A, MNSTC-I, MNF-I and the Iraqi military keep all parties apprised of issues relating to facilities, and training.

Coordination with, and involvement of, the Iraqi military early on in the projects life was lacking according to two senior Iraqi military officials. SIGIR met with these officials in June 2009, and was told that Iraq had very little involvement with the planning of the Taji National Maintenance Depot. While they had some supervisory role in 2006, they had no involvement in project plans or drawings. The Iraqi officials stated that their involvement has improved somewhat since 2008, and is getting better all the time.

The training is similarly behind schedule, but SIGIR supports MNSTC-I’s decision to cancel the two contract option periods. In a previous SIGIR report addressing the low training participation rate of Iraqi soldiers, we said that in such situations, assessing the risk of failure should be a part of the program decision-making process. In that regard, as discussed earlier, it appears the contract training requirements were overly optimistic. MNSTC-I does not intend to exercise these two option periods, saving $130 million, and reports that it will end this contract on December 31, 2009, without regard to the level of facility, equipment, or training development.

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10 Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems, SIGIR 09-014, Apr. 9, 2009.
Conclusion and Recommendations

Conclusion

MNSTC-I managers of the Depot Integrator contract (Phases IV through VII) inherited a project that reportedly has quality issues and was behind schedule. MNSTC-I’s ability to mitigate the impact of previous problems, and effectively manage the contract for the last four phases of the effort, was generally successful. However, MNSTC-I was unable to fully address the previous deficiencies, or overcome the lack of needed equipment for training, or Iraqi attendance at training. Nevertheless, MNSTC-I took measures to lessen the costs of a potentially marginally successful project by cancelling options to purchase additional services and equipment and to transfer the facility in an “as-is” condition rather than expend additional U.S. resources on a potentially marginally effective facility. SIGIR supports this decision.

While the contract’s cost and performance were well managed, the objectives for achieving Iraqi military depot maintenance capability fell far short of the initial contract goals. A major cause of the contractor’s inability to meet program goals has been the construction quality issues experienced during Phase III. While MNSTC-I has taken some actions to correct the deficiencies, they have not attempted to recover damages related to construction quality issues relation to the workmanship performed under Phase III.

Recommendations

SIGIR recommends that the Commanding General, MNSTC-I take the following actions:

1. Due to the seriousness of the safety hazards and electrical problems uncovered within the depot facilities related to the Phase III construction, reevaluate the decision to not pursue action against the responsible contractors.

2. Develop a comprehensive plan to guide the activities of the future U.S. organization that assumes responsibility for assisting the Iraqi Army to realize the goal of the TNMD. The plan should address lessons learned, revised or modified objectives, the way ahead, and how best to sustain the TNMD once the Depot Integrator contract expires.

SIGIR also notes that it has previously recommended in April 2009 (SIGIR 09-014) that the Commanding General, MNSTC-I, negotiate an agreement with the Ministry of Defense for transitioning maintenance responsibilities to the Iraqi Army. This agreement should identify each party’s role and responsibilities, and identify a time line for achieving this goal. While MNSTC-I agreed with this recommendation, SIGIR has not yet been apprised of specific actions that have been taken.
Management Comments and Audit Response

In preparing this report, SIGIR considered written comments from MNSTC-I and GRD. Their complete comments are included in Appendix D.

MNSTC-I concurred with the recommendation that it develop a comprehensive plan to guide the activities of the future organization that assumes responsibility for assisting the Iraqi Security Forces to realize the goal of the TNMD. MNSTC-I further suggests that the comprehensive plan include processes and procedures for transferring the facilities first from the contractor to the U.S. government, and then from the U.S. government to the Iraqi Security Forces. Advisory coverage should continue during these transitions, and stay behind equipment should be used to seed the depot maturation process. SIGIR believes that these actions are consistent with the intent of our recommendation.

MNSTC-I partially concurred with the recommendation that it reevaluate its decision not to pursue action against the responsible contractors. According to MNSTC-I, the construction project under Phase III was awarded by USACE’s Gulf Region Division, and as contracting agent, they are the sole entity that can hold the contractors accountable for their work. Nonetheless, MNSTC-I, as the program manager and funding agency, has the responsibility for taking the lead on addressing this issue.

MNSTC-I also plans to keep SIGIR apprised on the status of the open recommendation contained in its previous report (SIGIR 09-014) for the Commanding General, MNSTC-I to negotiate an agreement with the Ministry of Defense for transitioning maintenance responsibilities to the Iraqi Security Forces.

In its written comments, GRD said that it was unable to provide detailed comments because it was unable to view some of the documentation used by SIGIR regarding Phase III construction. It also noted that SIGIR did not interview GRD officials regarding the Phase III issues. However, it stated that the GRC counsel is currently evaluating possible legal alternatives.

SIGIR also notes that it did discuss these audit findings with GRD at the conclusion of our fieldwork. Further, the construction quality issues were identified to us by MNSTC-I and our recommendation to address the issue is to MNSTC-I as the program manager.
Appendix A—Scope and Methodology

This review was conducted to meet the requirements of Public Law 108-106, as amended, which requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on amounts appropriated or otherwise made available for the reconstruction of Iraq. The 2008 Defense Authorization Act extended this requirement to other funds, including the Iraq Security Forces Fund. To fulfill this requirement, SIGIR has undertaken a series of audits examining major Iraq reconstruction contracts to identify vulnerabilities to fraud, waste, and abuse. To fulfill this requirement, SIGIR initiated this project in March 2009 (Project 9014) to review the key requirements and provisions of the contract to determine cost, outcome; and management oversight with specific focus on the controls to prevent and detect fraud, waste, and abuse.

SIGIR’s objectives for this audit of the Depot Integrator contract (Phases IV to VII) were to review cost, outcome; and management oversight issues with specific focus on the adequacy of controls to prevent and detect fraud, waste, and abuse. To accomplish these objectives we also needed to obtain information on activities that were conducted during Phases I to III and consider the impact that the results achieved in those phases had on accomplishing the phase objectives covered by the Depot Integrator contract. The information on the construction quality issues in the Phase III contracts was obtained from MNSTC-I, and we discussed the issues with MNSTC-I officials. We also observed the construction quality issues during a site visit to the TNMD. However, we did not review the Phase III contracts’ statements of work, or other contract documents that might explain why the construction quality issues occurred. SIGIR plans to conduct an audit of the Phase III contract in the near future.

To accomplish our objectives, we visited or held discussions with officials, and reviewed documents and data from the Joint Contracting Command-Iraq/Afghanistan, Army Materiel Command, the Defense Contract Management Agency, the Multi-National Security Transition Command-Iraq, and the Iraqi Military. Officials at these organizations included contracting officers, senior military officials, program managers, contracting officer representatives, and other personnel involved in the management and oversight of these contracts. We visited the TNMD in November 2008 and again in May 2009.

To determine costs we obtained and analyzed relevant contract, financial, and other information from these organizations. This information includes the basic contract, task orders, task order modifications, and invoices submitted by AECOM for work under the task orders. We reviewed and summarized contract obligations and expenditures data received from contracting officials and AECOM. We compared initial cost estimates and periods of performance with actual costs and status of performance.

To determine outcomes of the contract, we obtained and analyzed relevant programmatic documents and other information on AECOM’s performance. These sources included MNSTC-I

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and AECOM weekly progress reports on the work performed and prior audit reports relevant to the work being performed.

To determine the adequacy of contract management and oversight, we obtained and analyzed relevant contract documents and quality assurance reports from contracting officer representatives. Additionally, we reviewed relevant portions of the Federal Acquisition Regulation and government internal control standards applicable to the Depot Integrator contract. To understand MNSTC-I’s process for overseeing the Taji contract, we met with officials on site and toured the depot level maintenance facilities during our visit to Taji military base. We performed our work in Baghdad, Iraq. We performed the audit for this report 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, as amended. We conducted this performance audit from March 20, 2009, through July 2, 2009, in accordance with generally accepted government auditing standards. The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results based on our audit objectives. Based on those objectives, we believe that the evidence obtained provides a reasonable basis for our results.

**Use of Computer-processed Data**

We did not use data from computer-based systems to perform this audit. Instead, we used financial data provided by contracting personnel to achieve the audit’s objectives. To determine the reliability of the data provided, we cross-checked the data provided with other documents in the JCC-I/A contract files. SIGIR determined that this data was the best available for purposes of our review.

**Internal Controls**

In conducting the audit, we assessed certain internal controls pertinent to the audit objectives regarding the administration and oversight of AECOM’s contracts. Specifically, we identified and reviewed internal and management control procedures for contract oversight and for monitoring and evaluating AECOM activities in the field. To do this, we relied on available reports in the contract files and discussions with key oversight officials to understand either the JCC – I/A or MNSTC-I’s internal controls. We also did not examine AECOM’s internal management and financial control systems.

**Previous SIGIR Reports**


*Security Forces Logistics Contract Experienced Certain Cost, Outcome, and Oversight Problems* (SIGIR 09-014, 4/26/2009)
## Appendix B—Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
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<tr>
<td>AECOM</td>
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<td>U.S. Army Corps of Engineers Gulf Region Division-Central District</td>
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<td>Joint Contracting Command-Iraq/Afghanistan</td>
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<td>Special Inspector General for Iraq Reconstruction</td>
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<td>Taji National Maintenance Depot</td>
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<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
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Appendix C—Audit Team Members

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

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

Wilson D. Haigler
Paul J. Kennedy
Whitney H. Miller
Nancee K. Needham
Jack A. Van Meter
SIGIR DRAFT REPORT  
SIGIR 09-027  

Developing Iraqi Military Depot Maintenance Capability at TJAl Hampered by Numerous Problems  

COMMENTS  
TO THE DRAFT REPORT  

SIGIR recommends that the Commanding General MNSTC-I direct that the following actions be taken (see page 17 of the draft report):  

1. Due to the seriousness of the safety hazards and electrical problems uncovered within the depot facilities related to the phase III construction, reevaluate the decision not to pursue action against the responsible contractors for repairs that could exceed $10 million.  

RESPONSE: Partially concur with information provided in this report. The most recent estimate is that repairs will cost approximately $2.86 million, not $10 million. US Army Corps of Engineers (USACE) Gulf Region District (GRD) awarded and managed this construction project. They have received a copy of this report and will be providing their response directly to SIGIR in regard to the electrical issues. As the contracting agent, GRD is the sole entity which can hold the contractors accountable for their work.  

2. To develop a comprehensive plan to guide the activities of the future U.S. organization that assumes responsibility for assisting the Iraqi Army to realize the goal of the TNMD. The plan should address at a minimum lessons learned, revised or modified objectives, the way ahead, and how best to sustain the TNMD once the Depot Integrator contract expires.  

RESPONSE: Concur with information provided in this report. The comprehensive plan should include the processes and procedures for transitioning the facilities first from the contractor to the United States Government (USG), and subsequently from the USG to the Iraqi Army. Advisory coverage should continue during these transitions from ITAM-Army. Stay Behind Equipment (SBE) should be utilized to seed the Depot maturation process.  

SIGIR also notes that it has previously recommended in April 2009 (SIGIR 09-014) that the Commanding General, MNSTC-I, negotiate an agreement with the Ministry of Defense for transitioning maintenance responsibilities to the Iraqi Army. This agreement should identify each party’s role and responsibilities, and identify a time line for achieving this goal. While MNSTCI agreed with this recommendation, SIGIR has not yet been apprised of specific actions that have been taken.  

RESPONSE: Concur with the information provided in this report. SIGIR will be apprised on the status of the above mentioned open recommendation during the next follow-up response on SIGIR report 09-14.
GENERAL COMMENTS ON THE REPORT

1. (U) Page 10. The statement "MNSTC-I is also reconsidering the need for other equipment such as shredding machines for tires and other salvage material" is not correct. The shredding machines were a part of the original plan to build a Defense Reutilization Marketing Office (DRMO) capability at the depot, but this portion was dropped before the initial contract was let.

2. (U) Page 10. The list of facilities that are not complete and cannot meet full operational requirements should be expanded. Nearly every facility on both depots is still in the "construction phase" and none of them have 100% operational and commissioned equipment. This is only the list from the Wheel Depot (except for Reassembly). All Track Depot facilities should be added as well, including: Generator Shop; DPW; Small Arms, Power Train; Disassembly; Radiator; Internal Components; Component Cleaning; and Paint. As of July 3, 2009, the Engine Shop, Transmission Shop, Ground Support Equipment/Material Handling Equipment/Forklift Shop, Mainwheel, Generator Shop, Paint Shop (Wheel Depot), and Wheel Depot Wash Rack have all begun Low Rate Production.

3. (U) Page 10. The report states that MNSTC-I's current estimate is that repairs will cost about $10 million. MNSTC-I's current estimate is that repairs will cost approximately $2.86M vice $10 million. This revised figure affects the statement in Finding/Recommendation Number 1.

4. (U) Page 11. Regarding the student training schedule, Recommend adding the following information: "The policy accepted by the Iraqi Army was for the students to work 14 days on and take one week off. As it stands, the students usually work 5 days, take 2 days off, work 5 days, and then take 9 days off. This "leave policy" occurs throughout every level of training to include TVI. Nonetheless, students from the depot did not attend "Basic Training" until June 1, 2009. Roughly half of the OJT students went to the 90 day Basic Training course. As of July 3, 2009, only 146 students attended Basic Training starting June 1, 2009, and the remainder will start Basic Training on September 1, 2009. This will have a negative impact on Depot productivity."

5. (U) Page 12, 13. Regarding the current Modified Table of Organization and Equipment (MTOE), as of July 3, 2009, the Wheel Depot has 413 students assigned of the 448 required, with 100 of those at Basic Training. This is misleading because several "career fields" have gone unmanned while others have too many assigned. The Track Depot has 179 students assigned of the 556 required, with 46 in Basic Training.

6. (U) Page 13. The statement "none of the low rate production goals for either the track depot or the wheel depot have been met" is an incorrect statement. Recommend that the word "none" be changed to "several." As of July 3, 2009, the transmission shop has met its LRP of 30 transmissions and has started working on geared hub, transfer cases, differentials, etc. Currently 7 of the 30 transmissions have tested "good," with the others being put through the dynamometer tests by IA students. The Wheel Depot is well on its way to meeting the LRP requirements for Engine, Paint, Wash rack, Blast Booth, Main Wheel, and GSE. These shops should meet the LRP goal by September 2009.

7. (U) Page 14. The contractor is not responsible for obtaining Class IX, and to date, all Class IX has been provided by Coalition Forces. 97% of total M1114 lines and 88.67% of total 5-ton lines required have been furnished by the USG. Key remaining lines have been ordered by the USG and are due in shortly. Additionally, the contractor has been instructed by the USG on procedures to follow to obtain approval for inspection and reutilization of serviceable used components if new components are not available. The statement on Boyevaya Mashina Pekhoty (BMP)
parts is also inaccurate. All BMP parts are being provided by the USG under a special purchase. Approximately half have been received and the other half are in the process of air shipment.

APPROVED BY:
HARRY C. GLENN, III
COL, US ARMY
Chief of Staff

PREPARED BY:
JACK T. DICKENSON
Capt, USAF
MNSTC-1 852-1026
MEMORANDUM FOR Special Inspector General for Iraq Reconstruction, US Embassy Annex II, Room 1013, APO AE 09316


1. The Gulf Region Division reviewed the subject draft report and provides comments in the enclosure.

2. Thank you for the opportunity to review the draft report and provide our written comments for incorporation in the final report.

3. If you have any questions, please contact Mr. Robert Donner at (540) 665-5022 or via email Robert.L.Donner@usace.army.mil.

Encl

Michael R. Eyre
Major General, USA
Commanding
GULF REGION DIVISION
COMMAND REPLY
to
SIGIR Draft Audit Report – Developing Iraqi Military Depot Maintenance
Capability at Taji Hampered by Numerous Problems
SIGIR Report Number 09-027
(Project Numbers 9014)

Overall Comment

SIGIR auditors did not interview Gulf Region Division (GRD) personnel because Phase III work was outside the scope of their audit. Without the opportunity to review the same documents provided to SIGIR, it is difficult for GRD to provide detailed comments.

1. Draft Report, page 9, 1st Paragraph, 6th sentence. According to a MNSTC-I e-mail, the Project Manager decided not to take action against the contractors because the U.S. Army Corps of Engineers Gulf Region Division general counsel advised against litigating the case. To keep the contract on schedule he decided instead to accomplish the necessary repairs through the Phase IV contract.

GRD Comment. The U.S. Army Corps of Engineers Gulf Region Division general counsel has no record of any involvement with this issue. The GRC counsel is currently evaluating possible alternatives.

Enclosure
## 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:
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- advice and recommendations on policies to promote economy, efficiency, and effectiveness
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