OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

MANAGEMENT OF THE COMMANDER'S EMERGENCY RESPONSE PROGRAM FOR FISCAL YEAR 2005

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SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 23, 2006

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ
COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
MISSION DIRECTOR-IRAQ, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

SUBJECT: Management of the Commander's Emergency Response Program for Fiscal Year 2005 (SIGIR-05-025)

We are providing this report for your information and use. We performed the audit pursuant to a request in 2004 from the Deputy Secretary of Defense, through the Department of Defense Inspector General, that SIGIR review the Commander's Emergency Response Program (CERP) to determine whether CERP funds were properly administered by Department of Defense officials and agencies. Our first report on the CERP was published in October 2005 (SIGIR-05-014) and concluded that overall controls of CERP processes required improvement. This report expands on those findings by assessing the management of the CERP in Iraq in Fiscal Year 2005. We may conduct further audits of the CERP in our continuing effort to meet the intent of the Deputy Secretary's request, or pursuant to other authority or guidance.

We considered comments from the Multi-National Corps-Iraq and the U.S. Agency for International Development on the draft of this report when preparing the final report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Cliff Spruill at clifton.spruill@iraq.centcom.mil or at (703) 343-8816 or Mr. Jason Venner at jason.venner@iraq.centcom.mil or at (703) 343-9256. For the report distribution, see Appendix E.

Stuart W. Bowen, Jr.
Inspector General

Special Inspector General for Iraq Reconstruction

SIGIR-05-025 **January 23, 2006**

Management of the Commander's Emergency Response Program for Fiscal Year 2005

Executive Summary

Introduction. During the course of Fiscal Year (FY) 2005, the Congress authorized the use of $854 million for the Commander's Emergency Response Program (CERP), of which $718 million was allocated to the Multi-National Force-Iraq (MNF-I) to support Operation Iraqi Freedom. The CERP enables United States (U.S.) military commanders in Iraq to respond to the urgent humanitarian relief and reconstruction requirements of the local population by providing funds for repairs and condolence payments after combat operations, the provision of equipment such as electrical generators to support critical infrastructure, and large scale civic cleanup and construction activities to employ as many Iraqis as possible. For FY 2005, MNF-I reported that it obligated its $718 million allocation for 7,678 CERP projects, of which 4,805 of these projects were completed by September 30, 2005. We previously reported in October 2005 that U.S. forces did not fully comply with regulations and guidance for maintaining controls over appropriated funds or for maintaining the documentation required to account for projects in FY 2004. Our concerns over these conditions generated this audit, which addresses MNF-I's management of the FY 2005 CERP.

Objectives. The objectives of this audit were to determine whether MNF-I:

- implemented controls to effectively manage FY 2005 CERP projects, funds, and records
- effectively coordinated CERP projects, where appropriate, with the Department of State (DoS) and the U.S. Agency for International Development (USAID) to optimize available resources for the sustainment of projects and the reconstruction of Iraq

Results. Considerable progress has been made to improve the management of the CERP by MNF-I. This included the improved alignment of projects with MNF-I strategic objectives, centralized tracking of project status and management of project records, and coordination of the CERP with other U.S. reconstruction programs. We found, however, that the project data MNF-I used to track the progress of projects and report the status of projects to higher headquarter units contained several errors, and MNF-I units still did not fully comply with requirements for project records. In addition, we found that MNF-I lacked a consistent process to coordinate CERP projects with the DoS and the USAID when the CERP was used in conjunction with other reconstruction programs in Iraq, and did not coordinate with DoS for the sustainment of large CERP construction projects.

Management Actions. During the course of this audit, we notified MNF-I of our concerns about errors in its project tracking tool. As a result, MNF-I initiated its own review of its FY 2005 project data. Also, in November 2005, MNF-I began transitioning to the Iraq Reconstruction Management System as its project tracking tool, which should

reduce the errors in their current project tracking system that we identified. In addition, MNF-I and the U.S. Embassy-Iraq published a Joint Mission Statement on December 6, 2005, which stated that all political, military, and economic tools available to U.S. agencies in Iraq will be integrated in FY 2006 to maximize the effectiveness of U.S. efforts to rebuild Iraq.

Recommendations. We recommend that the Commanding General, Multi-National Force-Iraq, direct his program managers and subordinate commands to take these actions:

1. Conduct a thorough examination of all FY 2005 CERP funds and projects to account for project status reporting errors. In addition, if it is determined that funds were inappropriately obligated against the FY 2005 appropriation, MNF-I should initiate a de-obligation from FY 2005 funds and re-obligate projects with the appropriate funds.

2. Conduct a quarterly review of the CERP to ensure the data contained within its project tracking tool is valid and is as consistent as possible with the data for project obligations in Army financial systems.

3. Clarify and enforce existing guidance on the collection of required project records. MNF-I should conduct quarterly reviews of project records to improve the management of project files. MNF-I should also consider developing a plan to provide training for all current and future MNF-I units on project documentation requirements and how to maintain and store these records. Methods for storing records in electronic formats should also be considered.

4. Formalize the process of coordinating CERP projects with the DoS and the USAID where the CERP is used in conjunction with other reconstruction programs, particularly those projects that are of strategic importance.

5. Coordinate plans and funding for the sustainment of large CERP construction projects; and projects that have strategic value with the DoS.

Management Comments and Audit Response. On behalf of MNF-I, the Multi-National Corps-Iraq (MNC-I) concurred or partially concurred with four of five recommendations of the report. We generally agreed with the comments provided by MNC-I and, in some cases, changed our report accordingly. However, we also note that MNC-I has apparently misunderstood parts of two of our recommendations and therefore we reaffirmed SIGIR's position that coordination on sustainment of reconstruction projects is a key component of the overall success of the U.S. Government in Iraq. The U.S. Agency for International Development also provided technical comments for this report. We agreed with their comments and changed our report accordingly. The comments received are fully responsive.

We plan to perform a follow-up audit later this year to determine whether the quality of the data for the CERP, contained within financial systems and in reports to the Congress; is accurate, timely, and consistent.

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Introduction

Background

During the course of Fiscal Year (FY) 2005, the Congress authorized the use of $854 million for the Commander's Emergency Response Program (CERP) of which, the United States Central Command allocated $718 million to the Multi-National Force-Iraq (MNF-I) to support Operation Iraqi Freedom.[1] The purpose of the CERP is to provide United States military commanders in Iraq and Afghanistan the ability to respond to the urgent humanitarian relief and reconstruction requirements of the local population within their areas of responsibility with a variety of non-construction and construction activities. The tool MNF-I used to track projects in FY 2005 indicated funds were obligated for 7,678 projects, of which 4,805 projects were completed by the end of the fiscal year (September 30, 2005) in support of Operation Iraqi Freedom. For a complete list of the numbers of projects and obligations by project type as reported MNF-I for FY 2005, see Appendix C.

MNF-I reported to us that it had obligated approximately $284.2 million, or approximately 40 percent of its total allocation, for 4,101 non-construction projects in FY 2005. Some examples of non-construction projects include condolence payments, the provision of foodstuffs, and purchases of equipment such as computers, electrical generators, or vehicles.

In FY 2005, MNF-I also reported to us that it obligated approximately $450.8 million, or roughly 60 percent of its total allocation for 3,577 construction projects. Construction projects include the repair of homes and buildings damaged by combat operations, the building or reconstruction of community infrastructure such as hospitals and schools, fences and barriers to protect oil pipelines, and "last tactical mile" projects to bridge the gap between large Iraq Relief and Reconstruction Fund projects with the local population (i.e., building substations or sewerage systems that link Iraqi neighborhoods with power or water lines). Some of these construction projects require additional funds for continued sustainment costs (i.e. operation and maintenance costs) from either the U.S. or the Government of Iraq to maintain the structures over time.

Guidance for the FY 2005 CERP for Operation Iraqi Freedom. MNF-I units must execute the CERP in order to support the strategic objectives of MNF-I's Campaign Plan for FY 2005. The Campaign Plan is a classified operational order that is updated periodically and details MNF-I's military, political, and economic objectives for Iraq. The Commanding General, MNF-I, intended the CERP to support these objectives by focusing CERP projects on labor intensive and urgent humanitarian relief and reconstruction efforts in FY 2005. MNF-I's Command Policy and Standard Operating Procedure document, published on February 2, 2005, and in effect throughout the rest of FY 2005, clarified and expanded the Commanding General's intent by focusing the

[1] The Congress authorized funding for the CERP three times over the course of FY 2005 from funds already appropriated to the Department of Defense for operations and maintenance programs: on October 28, 2004, for $300 million under the "Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005" (P.L. 108-375); on December 8, 2005, for $500 million under the Consolidated Appropriations Act, 2005" (P.L. 108-447); and again on May 11 2005, for a final authorization of $854 million for FY 2005 under the "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005" (P. L. 109-13).

CERP on "highly visible, quick starting, labor intensive & urgent humanitarian relief and reconstruction projects" to be used for:

- reconstruction after combat operations to rapidly improve local conditions in areas affected by combat
- emergency repairs of critical facilities
- critical infrastructure shortfalls that can be rapidly resolved
- reducing the risk of injury to the local populace
- procurement of critical equipment to replace items or establish critical community services
- employing as many Iraqis as possible

MNF-I also issued fragmentary orders that clarified or changed the program management responsibilities and procedural requirements of subordinate units over the course of the fiscal year. As MNF-I's primary implementing agency for the CERP, the Multi-National Corps-Iraq (MNC-I) published its own Campaign Plan to further the use of the CERP in accordance with MNF-I's Campaign Plan; issued fragmentary orders to update subordinate units on changes in the CERP; and published its own Standard Operating Procedure document on June 29, 2005, codifying all current CERP procedures and requirements for subordinate units. In addition, MNC-I officials we interviewed defined projects that take 180 days or less as meeting the intent of the guidance for the CERP to respond to the urgent humanitarian relief and reconstruction requirements of the local Iraqi population.

Department of Defense (DoD) Program Responsibilities. The Under Secretary of Defense-Comptroller, located in the Pentagon, Arlington, Virginia, is responsible for the establishment and supervision of the execution of principles, policies, and procedures for the CERP.

The United States Army is the executive agent for the CERP, and the Army Budget Office, under the Assistant Secretary of the Army for Financial Management and Comptroller, is responsible for reporting to the Congress each quarter on the source, allocation, and use of CERP funds for both Iraq and Afghanistan. The Army Budget Office is also located in the Pentagon, Arlington, Virginia.

The United States Central Command, headquartered in Tampa, Florida, oversees military operations, programs, and funds in both Iraq and Afghanistan. U.S. Central Command is responsible for allocating CERP funds between Iraq and Afghanistan, and through its Army component command, Army Forces Central Command (ARCENT) reconciles CERP funds every three months and reports these results to the Army Budget Office for the quarterly reports to the Congress.

The Multi-National Force-Iraq (MNF-I), headquartered in Baghdad, Iraq, oversees military operations, programs, and reconstruction funds for Iraq. MNF-I is the program manager in Iraq for the CERP. The following subordinate units manage and execute the CERP for MNF-I:

- The Multi-National Corps-Iraq (MNC-I), headquartered at Camp Victory, Baghdad, Iraq, is MNF-I's primary operational warfighting and reconstruction command in Iraq. MNC-I manages CERP projects, funds, and records for

MNF-I. For FY 2005, MNC-I and subordinate units were authorized to obligate $692 million, which resulted in 7,491 CERP projects, and represented 75 percent of MNC-I's $918 million reconstruction budget for FY 2005.[2] During FY 2005, MNC-I was staffed by two different Army Corps Commands – the III Corps based at Fort Hood, Texas; and the 18th Airborne Corps based at Fort Bragg, North Carolina. The processes to improve the management of the CERP discussed in this audit were implemented by the 18th Airborne Corps. In January 2006, the V Corps, based in Heidelberg, Germany, will take command of MNC-I. However, lead elements of the V Corps have already taken over the management of MNC-I from the 18th Airborne Corps and were tasked by MNF-I with responding to the findings of this audit.

- MNC-I's seven Major Subordinate Commands (MSCs) are headquartered throughout Iraq and are comprised of U.S. Army and Marine Corps, and coalition forces. MSCs propose, initiate, and execute non-construction projects and some construction projects in their areas of responsibility. In FY 2005, the MSCs primarily consisted of the following coalition forces.

    - Multi-National Division-Baghdad: U.S. Army forces
    - Multi-National Division-Center-South: Coalition forces from the Republic of Poland
    - Multi-National Division-North-Center: U.S. Army forces
    - Multi-National Division-Northeast: Coalition forces from the Republic of Korea
    - Multi-National Division-Southeast: Coalition forces from the United Kingdom
    - Multi-National Force-Northwest: U.S. Army forces
    - Multi-National Force-West: U.S. Marine Corps forces

- The U.S. Army Corps of Engineers, Gulf Region Division (GRD), executes larger construction projects for MNC-I and/or the MSCs. GRD is headquartered in Baghdad, Iraq and provides planning, engineering, contracting, and project management expertise and services to MNF-I and other U.S. agencies. In FY 2005 GRD managed 393 CERP construction projects with $227 million in obligations for MNC-I and the MSCs.

- The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) supports non-construction CERP projects for MNC-I and/or the MSCs in Iraq. JCC-I/A is headquartered in Baghdad, Iraq, and provides operational contracting support to MNF-I to efficiently acquire vital supplies, services, and construction for the relief and reconstruction of Iraq. JCC-I/A contracting offices executed contracts for CERP projects totaling approximately $22 million according to JCC-I/A officials.

[2] The balance of MNC-I's reconstruction budget (approximately $226 million) was funded with Iraqi Transitional Government funds and funds from the DoS' Commander's Humanitarian Relief and Reconstruction Program.

- The Multi-National Security Transition Command-Iraq (MNSTC-I), headquartered in Baghdad, Iraq, is a subordinate command of MNF-I, whose mission is to organize, equip, and mentor Iraqi security forces. MNSTC-I obligated approximately $26 million for 187 CERP projects in FY 2005. MNSTC-I was required to report the status of its CERP projects and funds to MNC-I.

Department of State (DoS) Program Responsibilities. The U.S. Ambassador to Iraq is the Department of State's Chief of the U.S. Mission in Iraq and is responsible for the continuous supervision and general direction of all assistance for Iraq according to National Security Presidential Directive 36 United States Government Operations in Iraq. This includes the direction, coordination, and supervision of all United States government employees, policies, and activities in country, except those under the command of an area military commander. The DoS's activities to rebuild Iraq are primarily funded through the Iraq Relief and Reconstruction Fund as codified in Public Law 108-11 and Public Law 108-106.

U.S. Agency for International Development (USAID) Program Responsibilities. The United States Agency for International Development (USAID), under the direction of the State Department, undertakes projects to restore Iraq's vital infrastructure in the areas of electricity, water/sewerage, health care, education, communications, and transportation. USAID uses a combination of the Iraq Relief and Reconstruction Fund and direct appropriations to fund their projects.

Objectives

The objectives of this audit were to determine whether MNF-I:

- implemented controls to effectively manage FY 2005 CERP projects, funds, and records
- effectively coordinated CERP projects, where appropriate, with the DoS and the USAID to optimize available resources for the sustainment of projects and the reconstruction of Iraq

For a discussion of the audit scope and methodology, see Appendix A. For our review of records and documents for completed CERP project files, see Appendix B. For a list of the uses of and restrictions of CERP funds, see Appendix C. For definitions of the acronyms used in this report, see Appendix D. For a list of the report's distribution, see Appendix E. For a list of the audit team members, see Appendix F.

Management Controls

CERP Management and Tracking

MNF-I utilized several processes to improve the management of the CERP in FY 2005. Specifically, MNF-I:

- implemented three processes within its chain of command to effectively align CERP projects with the strategic objectives of its Campaign Plan
- required all subordinate units to report the status of projects and funds twice a month to MNC-I, and for MNC-I to consolidate these reports and provide them to MNF-I
- centralized the collection and management of project records at MNC-I, and required the MSCs to turn in their records for completed projects at the end of each month

As a result of these improvements, we found that coalition forces generally used CERP funds in accordance with the intent of published guidance from higher headquarter units and were better positioned to manage the large supplemental appropriation for the CERP that MNF-I received late in FY 2005 under P.L. 109-13. However, as previously reported by the Special Inspector General for Iraq Reconstruction (SIGIR)[3] coalition forces did not fully comply with DoD guidance for maintaining controls over appropriated funds and for maintaining the documentation required to ensure accountability and oversight of CERP projects.

We tested the effectiveness of these controls in several ways. First, we reviewed the records of 207 projects completed by September 5, 2005. This included a stratified random sample of 187 projects and a judgmental sample of the top 20 most expensive completed projects at that time.[4] These project files were used to assess whether projects met the intent of DoD and MNF-I guidance for the CERP, and whether required project records and documents were present at the designated control point (i.e. MNC-I). Then, we analyzed the tool used by MNF-I to track the status of projects to assess the validity of MNF-I's data for the CERP for FY 2005. For a more detailed explanation of our methodology for this objective, see Appendix A.

Aligning Projects with MNF-I's Campaign Plan. MNF-I, through MNC-I, implemented processes to effectively prioritize and align CERP projects with its strategic objectives. As the focus of MNF-I's Campaign Plan changed to emphasize using reconstruction programs, including the CERP, as an enabler of MNF-I's military, political, and economic goals for FY 2005, guidance from the Commanding General, MNF-I, challenged the commanders of subordinate units to prioritize the projects that they thought best advanced these goals. As a result, MNC-I developed and implemented three processes which took effect in April 2005, to centralize the management of the CERP within MNC-I and to link projects to the strategic objectives of MNF-I's Campaign Plan. These processes are: the annual Joint Civil-Military Engineering Board;

[3] Management of the Commander's Emergency Response Program for Fiscal Year 2004 (Report Number SIGIR 05-014, October 13, 2005).

[4] To comply with generally accepted government auditing standards for statistical sampling methods, we consulted with the Department of Defense Office of the Inspector General Quantitative Methods Division. For more information on our sampling plan, see Appendix A.

the monthly Targeting and Effects Process; and the weekly CERP Program Review Board.

Joint Civil-Military Engineering Board (JCMEB)
The JCMEB codified the policies, procedures, and priorities for an annual MNC-I approval process for CERP projects proposed by the MSCs. The JCMEB was convened once in FY 2005 to approve projects that needed advance planning, including both construction projects and non-construction projects (such as the purchase of vehicles or equipment). Projects for condolence payments or battle damage repairs were still at the discretion of the MSC commander, and could be substituted for MNC-I approved projects if the estimated cost of the project was less than $500,000.[5]

The measures MNC-I used in the JCMEB to prioritize projects was based on MNF-I operational priorities, available CERP funds, and overall guidance on the CERP from DoD. The JCMEB also takes "saturation criteria" into account, which is based on area security, capacity of local contractors, and other mitigating factors. Prior to the JCMEB, CERP projects and allocations of funds to MSCs were based primarily on the population density of Iraqi cities and provinces within the MSCs area of responsibility. MNC-I officials we interviewed said the JCMEB significantly improved MNC-I's ability to ensure CERP projects met guidance from DoD for the appropriate use of CERP funds, and MNF-I guidance to align projects with strategic objectives. Accordingly, of the 207 projects reviewed to assess whether FY 2005 CERP funds were used for the purposes intended by the DoD, we found only one project that violated the intended use of CERP funds.[6]

Targeting and Effect Process
The Targeting and Effect Process integrates the projects approved through the JCMEB with MNC-I combat and reconstruction operations across Iraq through a monthly review process. This enabled MNC-I to measure the effectiveness of CERP projects in conjunction with overall operations and to synchronize the intended effects of new projects with MNF-I's strategy. According to MNC-I officials and MNF-I documents, MNC-I was able to focus approximately $400 million for projects to provide essential services and economic improvements to key cities and provinces across Iraq pursuant to MNF-I's Campaign Plan for FY 2005. However, MNC-I officials said they do not expect to see the full effects of these CERP projects until the second or third quarter of FY 2006 after most of the projects are completed.

CERP Program Review Board
The weekly MNC-I CERP Program Review Board enabled MNC-I to synchronize on-going CERP projects with changing operational priorities. The Program Review Board included representation from operations and support officers, and officials from all MNF-I units and offices involved with the CERP, including MNF-I, MNC-I, all of the MSC's, and supporting commands such as GRD and JCC-I/A. As we observed, the Program Review Board was instrumental at the end of the year in providing a forum in which CERP funds could be reallocated between the MSCs and GRD in order to obligate funds by the end of the fiscal year, and support MNF-I strategic objectives. For example,

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[5] Projects with an estimated cost of $500,000 or more require written approval from the Commanding General, MNC-I.

[6] Prior to the 18th Airborne Corps assuming command of MNC-I, Multi-National Force-Northwest paid $40,000 to security forces of the Iraqi Ministry of the Interior for operating expenses while deployed from Baghdad to Mosul on November 26, 2004. MNF-I Fragmentary Order 87 (June 29, 2004) states CERP funds will not be used for the direct or indirect benefit of U.S., coalition, or other supporting forces.

MNC-I was able to redirect $1.9 million from other MSCs for MNC-Northwest to obligate against $3.9 million worth of unfunded humanitarian relief projects resulting from combat operations in Tal Afar. Reallocations were also made from other MSCs to assist GRD with administrative issues in order to obligate approximately $172 million for 91 construction projects between September 26 and September 30, 2005. In addition, we observed that the Program Review Board was a useful way for MNF-I officials to communicate administrative or procedural issues, or share lessons learned with other MNF-I CERP officials.

According to MNF-I officials we interviewed, these processes were instrumental in enabling MNF-I to obligate the $354 million supplemental funding authorization for the CERP that MNF-I received in May 2005 pursuant to P.L. 109-13. For example, due to the advance planning done in April through the JCMEB process in expectation of receiving the supplemental funds, MNF-I's data indicates that it obligated roughly $392 million for 2,541 projects in the fourth quarter of 2005, which was approximately $258 million more in obligations than in any other quarter in FY 2005. In order to do so, however, MNC-I approved obligations of roughly $208 million for 121 large projects over $500,000, of which 25 of these projects were planned to last longer than 180 days.

There was no consensus on the effect of having to obligate such a large allotment of money in such a short period of time. Some MNF-I officials we spoke with debated whether so many large projects taking more than 180 days to execute actually met the intent of urgent humanitarian relief, while other officials discussed whether the administrative effort required to obligate this amount of money in such a short period of time was justifiable given MNF-I's other combat and reconstruction priorities in Iraq. However, virtually all of the officials indicated that the funds were executed for projects that supported the objectives of MNF-I's Campaign Plan, and within the intent of the Congress that the funds authorized for the CERP in FY 2005 were to be obligated by the end of the fiscal year.

Reporting the Status of Projects and Funds. MNF-I, through MNC-I, implemented a process to manage the program and track the status of CERP projects. To track the status of projects, MNF-I required all subordinate units to report project status to MNC-I twice a month using a common Excel spreadsheet format, and MNC-I consolidated this data into a single Excel spreadsheet and provided it to MNF-I. These reports included each project's identifying data and purpose, progress towards completion; and data on committed, obligated, and expended funds for each project. The project tracking tool is the mechanism by which the MSCs communicate project status information to MNC-I and MNF-I for management of the overall program.

This project tracking tool is provided to the Army Forces Central Command-Army (ARCENT) each month, but without project completion information. ARCENT used this tool to compare MNF-I data with the financial report for CERP funds from the Army's financial systems, which is the official management system of record for the CERP. If the total obligations from the two reports do not match, ARCENT officials said they queried MNF-I to reconcile the data. ARCENT then sends its report of the status of funds and project information for the CERP to the Army Budget Office, which provides a report to the Congress on the source, allocation, and use of CERP funds for each quarter of the fiscal year pursuant to P.L. 108-375.

We analyzed MNF-I's project tracking tool and found several problems in the data which caused us to question the tool's reliability. MNF-I's total obligation authority for the CERP for FY 2005 was $718 million. MNF-I reported it had obligated 100 percent of this by the end of the fiscal year (September 30, 2005) and ARCENT confirmed this on

October 16, 2005. During the course of our audit, however, MNF-I provided us with their year end project tracking tool—dated October 24, 2005—for FY 2005. Our analysis of the project tracking tool indicates that MNF-I was tracking 7,678 projects with total obligations of approximately $735 million.[7] These totals included:

- 114 projects representing $4.6 million in obligations that were listed as starting in FY 2004
- 22 projects representing $700,000 in obligations with "planned" start dates in FY 2004
- 96 projects representing approximately $21 million in obligations with a "scheduled" start in FY 2006

MNF-I officials provided us with documentation from the Army's financial systems certifying that MNF-I did not exceed its total obligation authority for the CERP for FY 2005. These officials also said the Army's financial systems have built-in safeguards to help program managers' avoid exceeding their total obligation authority in any fiscal year.[8] While we acknowledge some of the projects in error noted above may be attributed to clerical errors, the definition of terms, or addressed by financial safeguards; we could not determine, with any reasonable assurance, whether all these errors were reconciled.

For example, the projects noted above were still in MNF-I's project tracking tool after it submitted its year end report to ARCENT. MNF-I officials we interviewed indicated this occurred because MNF-I does not formally reconcile the obligations listed in the project tracking tool with total obligations recorded in the financial system. Part of the reasons for this are time and resource constraints, but primarily the Army's financial systems do not provide enough detailed information to compare total obligations to individual CERP projects. As a result, MNF-I could not provide us with assurance that these projects were properly accounted for in their management process during the course of our audit. Additionally, if the projects noted above were actually contracted for or obligated in FY 2004 or FY 2006, they must be de-obligated from FY 2005 and re-obligated against appropriate funds from the appropriate fiscal year.

Based on the errors discussed above, we believe the potential for additional errors in the information reported to ARCENT remains high. MNF-I officials we interviewed also agreed that the quality of the data in the project tracking tool should be improved, and should be as consistent as possible with the records in the Army's financial systems. At the conclusion of our audit, however, MNF-I did not yet have a plan in place to improve the accuracy of its project management data for FY 2005.

Maintaining Project Records. MNF-I centralized the management and maintenance of records for CERP projects at MNC-I. Throughout FY 2005, MNF-I required the MSCs to submit completed files of source documentation for completed projects to MNC-I for review and storage at the end of each month. In addition, as the requirements for specific CERP records changed over the course of the fiscal year, MNC-I issued fragmentary orders codifying these requirements; provided training to some MSCs on which records were required for completed project's file folders and to complete the records; and

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[7] For more information on our analysis, see Appendix A. For a complete list of obligations by project type as reported by MNF-I, see Appendix B.

[8] We did not audit the Army's financial systems during the course of this audit, but we plan to do so in a future audit.

published its Standard Operating Procedure document on June 29, 2005, which discussed all of the requirements for the management of records for CERP projects. Although the official record for the funding and status of CERP projects is kept within the Army's financial systems, DoD officials we spoke with in Baghdad and at the Pentagon said the project records maintained by MNC-I play an important part in preventing potential fraud, waste, and abuse of CERP funds by enabling DoD officials to verify that procedures to commit, obligate, and disburse funds are followed.

The MSCs, however, did not comply with MNF-I's guidance. MNF-I required the MSCs to submit 16 different types of records or other documentation to MNC-I for the project files for completed projects. To assess whether the MSCs complied with MNF-I's guidance for project records, we analyzed a random sample of 187 projects—stratified by MSC—out of 4,160 projects completed by September 5, 2005. To allow for the maximum number of statistical projections, however, we grouped: (a) records certifying the commitment of funds; (b) records certifying the obligation of funds; (c) records certifying the disbursement of funds; (d) records that certified the officials that were responsible for handling project funds; and (e) records that certified the completion of a project into five categories for statistical analysis. This allowed us to project the point estimate, or mean error rate, for these five categories with a 90 percent confidence level as reflected in Table 1.[9]

Table 1: Point Estimate Projections for Errors of Selected Documents

Record Category with Required Forms	Measure	Errors
Certification of the Commitment of Funds: • Department of the Army (DA) Form 3953; or • Department of Defense (DD) Form 1149	Number Rate	907 21.8%
Certification of Obligation of Funds: • Standard Form (SF) 44; or • SF 1449	Number Rate	385 9.3%
Certification of Disbursement of Funds: • DD Form 1081 marked on advance; and/or • DD Form 1081 marked on return	Number Rate	2,178 52.4%
Certification of Officials Responsible for Project Funds: • Purchasing Officer (PO) Appointment Letter; and • Pay Agent (PA) Appointment Letter; and • PO DD Form 577 purchasing card; and • PA DD Form 577 purchasing card	Number Rate	2,901 69.7%
Certification of Completion of Project: • Commander's Clearance Letter; and/or • DD Form 250	Number Rate	2,347 56.4%

Source: SIGIR

The type of errors in each category varied, with differences for both the individual records and for each MSC. For example, in reviewing documents for the Certification of Officials Responsible for Project category, we found that 66 percent of the required DD

[9] Point estimates represent the mean of the confidence interval between the lower and upper bounds of projected errors for each category. See Appendix A for more on our sampling methodology. For a summary of our results for the records for all 187 projects, see Appendix B.

Form 577s for Purchasing Officers were included in the project files, whereas only 33 percent of Appointment Letters for Purchasing Officers were present in the project files. These records identify and certify the MNF-I officials authorized to spend appropriated funds on CERP projects and provide a reasonable assurance to DoD officials that procedures to disburse funds are followed. We found that the Multi-National Division-Baghdad submitted 97 percent of their required DD Form 1081's "marked on return", while the Multi-National Force-West only submitted 17 percent of these records. Conversely, the MSCs submitted more documentation for all project folders identified as being among the Top 20 most expensive projects as of September 5, 2005. For a complete list of the occurrences of project records and documents in CERP project files for all 207 completed projects we reviewed, see Appendix B.

MNC-I officials acknowledged they were aware the MSC's were generally not following all of the requirements for submitting records for completed projects. For example, MNC-I conducted their own audit of the Multi-National Division-Baghdad in April 2005, and found 95 percent of the 100 files they reviewed (which included 30 FY 2005 CERP projects) did not fully comply with guidance from MNF-I and MNC-I. MNC-I officials we interviewed cited several factors for this, but primarily faulted the austere, war-time environment in Iraq which prevented the MSCs from establishing fully functional finance and accounting offices to maintain project records. For example, the personnel turnover at the MSCs is high: U.S. Air Force and U.S. Navy project officers, finance personnel, and contracting personnel can be in their positions for as little as four months before rotating out of Iraq.

Moreover, some MSC finance and accounting offices did not have the technological capability to electronically transfer records to MNC-I. In addition, MNC-I officials said foreign coalition forces could not necessarily be expected to use DoD forms to record project information given language barriers and differences in accounting systems. While we acknowledge these difficulties—and that the MSCs generally attempted to control funds and document project milestones using their own documents and management control processes—MNF-I required all MSCs to fully comply with published guidance for maintaining and submitting records to MNC-I, and did not permit waivers for meeting the requirements for these records for any reason.

Management Actions

During the course of this audit, we recommended to MNF-I that it take action to improve the quality of its data in its project tracking tool. MNF-I agreed and initiated its own review of its data for FY 2005 projects; however, this review was not completed at the conclusion of our audit. Also, in November, 2005, MNF-I began transitioning to the Iraq Reconstruction Management System as its project tracking tool for FY 2006.[10] This newly developed centralized database will be used to identify and track all U.S. reconstruction projects in Iraq, including the CERP. One of its commercial components called Maximo provides a formatted structure for capturing, updating, and reviewing project data. This will enable MNC-I and the MSCs to generate a Unique Requirements Identifier to track projects and avoid duplication of project data. MNF-I believes the errors in their current project tracking tool that we identified above will be reduced in FY 2006 by transitioning to this automated system.

[10] The DoD requested an appropriation of $500 million for the CERP for FY 2006, of which MNF-I expects to receive $375 million for use in Iraq.

Coordination of Projects

Interagency Processes

MNF-I's actions to effectively coordinate CERP projects with DoS and USAID varied in FY 2005. The primary methods of coordinating the CERP with DoS and USAID took place in the weekly Coordinated Embassy Reconstruction Team meeting in the U.S. Embassy in Baghdad. In addition, CERP projects were coordinated through interagency working groups, lower-level meetings, and personal contacts. According to MNF-I, DoS and USAID officials, all of these forums enabled U.S. officials to meet, discuss, and coordinate reconstruction projects to avoid duplication of efforts between MNF-I, DoS and USAID. These officials characterized this as *ad hoc*—but effective—coordination of CERP projects with other reconstruction programs, which improved over the course of FY 2005. However, the DoS' October 5, 2005, Management Review of the U.S. Mission – Iraq report to the U.S. Ambassador to Iraq stated that the lack of focused leadership of the U.S. reconstruction effort in Iraq resulted in disjointed and less than optimal results in FY 2005. These concerns were reflected in the coordination of the CERP in FY 2005 by MNF-I, DoS, and USAID as discussed below.

Coordination with the DoS. MNF-I effectively coordinated the CERP with the DoS in support of the Provincial Reconstruction and Development Committee (PRDC) program. The PRDC program is a DoS-led effort to promote the rule of law and governance capabilities of Iraqi provincial governments by providing $150 million from the Iraq Relief and Reconstruction Fund for capacity-building activities for 15 of 18 Iraqi provinces (i.e. $10 million for each province). However, DoS staff and funds were not available in May 2005 to start the program, so MNF-I agreed to staff and fund the program with $80 million from the CERP to support capacity building activities in nine strategic cities located in eight of the provinces in support of MNF-I's Campaign Plan. The eight PRDCs were authorized to nominate up to $10 million worth of CERP projects per city with MSC approval, and were expected to learn how to manage these projects with the assistance of their local MSC and other U.S. government officials. MNF-I officials said the use of the CERP "kick started" the PRDC program, resulting in the PRDCs nominating 484 CERP projects in FY 2005. However, during the course of this audit, we did not verify whether the PRDC's capability to manage CERP projects improved.

Conversely, MNF-I did not fully coordinate the sustainment of large CERP construction projects with the DoS. As previously reported by SIGIR, DoS is responsible for the continuous supervision and general direction of all assistance for Iraq, including the sustainment of all U.S. reconstruction programs such as the CERP.[11] MNF-I reported that it had obligated more than $500,000 for each of 126 large CERP construction projects, for a total obligation of approximately $190.9 million, or roughly 27 percent of the total CERP funds appropriated for Iraq in FY 2005. Of these, MNF-I also reported it had obligated $1 million or more for each of 53 construction projects; $4 million or more for each of 8 construction projects; and $8 million or more for 3 capital construction projects, the largest of which was an $11 million project initiated in August 2005 to protect the Beiji to Kirkuk oil pipeline. Some of these projects are integrated into Iraq's national infrastructure and therefore are strategically important to U.S. efforts to rebuild Iraq.

[11] When SIGIR issued SIGIR-05-022 Managing Sustainment for Iraq Relief and Reconstruction Fund Programs on October 24, 2005, the DoS did not yet have a plan to sustain reconstruction projects.

According to MNC-I officials, the scope of work for CERP construction projects may include some funding for sustainment or training of Iraqi personnel, but these funds typically last for only six months, and therefore do not cover the continuing sustainment requirements for these projects. Therefore, MNF-I units commonly used additional CERP funds to sustain these projects, which according to MNC-I officials we interviewed, deviates from the intent of the guidance for the CERP and delays the long-term U.S. goals of transferring reconstruction projects to the Government of Iraq to operate and maintain.

Coordination with the USAID. MNF-I did not formally coordinate the CERP with USAID's reconstruction programs. MNF-I units, however, effectively coordinated with USAID's Office of Transition Initiatives (OTI) to use CERP projects in conjunction with OTI Employment Grants on a case-by-case basis. In FY 2005, USAID OTI provided $175 million for 2,611 Employment Grants to provide short-term employment opportunities for unemployed Iraqis. In Baghdad, for example, OTI Employment Grants were used to provide essential services to the local population. This included the removal of trash and sewage; and the rehabilitation and renovation of community infrastructure such as clinics, markets, schools, and sports fields in conjunction with CERP projects executed by the Multi-National Division-Baghdad. According to USAID officials, the coordination of CERP and OTI projects resulted from an on-going agreement between the USAID Mission Director and the U.S. Commander of the Multi-National Division-Baghdad in March 2004, for USAID officials to attend the Multi-National Division-Baghdad's reconstruction meetings, and for a liaison officer from the Multi-National Division-Baghdad to be placed on USAID's staff, to ensure each organization stayed informed of the other's reconstruction activities in Baghdad.

OTI Employment Grants were also used in FY 2005 in conjunction with the CERP to repair and rebuild Najaf, Fallujah, Ramadi, and Tal Afar after combat operations concluded in those strategic cities. According to USAID officials, MNF-I units and USAID were able to coordinate post-combat reconstruction activities in Fallujah and Tal Afar early in the planning for these operations through the Combined Embassy Reconstruction Team meetings. Consequently, USAID OTI was able to broker agreements to be on the ground in these cities approximately two weeks after combat operations ended to assist MNF-I units with post-combat humanitarian assistance operations. As a result of this successful collaboration, MNF-I and Multi-National Force-West placed liaison officers with the USAID office in Baghdad, and USAID placed liaison officers in Fallujah and Ramadi to better coordinate MNF-I and USAID programs.

This *ad-hoc* coordination, however, contributed to the uneven use of CERP projects in conjunction with OTI Employment Grants across Iraq. In Baghdad, USAID disbursed $68.1 million, or roughly 39 percent of total FY 2005 OTI Employment Grant expenditures, to support CERP projects and other DoD reconstruction priorities. In contrast, USAID disbursed approximately $25 million worth of OTI Employment Grant expenditures, or roughly 14 percent of the total for FY 2005, were used in Najaf, Fallujah, Ramadi, Salah Ad Din, and Diyala. This Baghdad-centric approach to reconstruction, according to the October 2005 DoS management review report, is not adaptive enough to respond to the rapidly changing war-time conditions that exist in Iraq today. Accordingly, MNC-I officials stated that a formal process to coordinate with USAID would have resulted in a more even distribution of the use of USAID OTI Employment Grants with CERP projects to better support MNF-I and U.S. mission objectives across Iraq.

Management Actions

MNF-I has taken actions that may address our concerns regarding the need for a more formal process to coordinate the CERP with other reconstruction programs. MNF-I and the U.S. Embassy – Iraq published a Joint Mission Statement on December 6, 2005, which stated that all political, military, and economic tools available to U.S. agencies in Iraq would be integrated in FY 2006 to maximize the effectiveness of U.S. efforts to rebuild Iraq. In addition, MNF-I implemented the Strategic Resource Council to better focus MNF-I, DoS, and USAID officials on specific reconstruction issues and to coordinate reconstruction costs in FY 2006.[12]

[12] MNF-I Fragmentary Order 05-316 (October 15, 2005) establishes the Strategic Resource Council in order to maximize the effect of limited funds to rebuild Iraq by providing a forum for MNF-I, DoS, and USAID to coordinate the funding priorities of reconstruction activities.

Conclusion and Recommendations

Conclusion

MNF-I made important progress in FY 2005 to improve the management of the CERP. We commend MNF-I and subordinate units for their efforts and look forward to seeing the results of their additional improvements scheduled to take place in FY 2006. We believe, however, that MNF-I cannot currently provide a reasonable assurance to DoD leadership and the Congress that FY 2005 project information was sufficiently controlled to provide an accurate year-end report on the use of funds for projects; or that project records were sufficiently accounted for to protect against potential fraud, waste, and abuse of the program. We also believe that the lack of formal coordination with DoS and USAID of the CERP with other U.S. reconstruction programs and funds potentially limited the effectiveness of some CERP projects, particularly large construction projects. While we realize that the CERP is only one of the programs MNF-I is managing while conducting combat operations in Iraq, SIGIR believes the effective management of the CERP—of which the DoD has requested $500 million for FY 2006, with $375 million of this total planned to go to Iraq—is essential to the success of the long-term U.S. goals for Iraq.

Recommendations

We recommend that the Commanding General, Multi-National Force-Iraq, direct his program managers and subordinate units to take these actions:

1. Conduct a thorough examination of all FY 2005 CERP funds and projects to account for project status reporting errors. In addition, if it is determined that funds were inappropriately obligated against the FY 2005 appropriation, MNF-I should initiate a de-obligation from FY 2005 funds and re-obligate projects with the appropriate funds.

2. Conduct a quarterly review of the CERP to ensure the data contained within its project tracking tool is valid and is as consistent as possible with the data for project obligations in Army financial systems.

3. Clarify and enforce existing guidance on the collection of required project records. MNF-I should conduct quarterly reviews of project records to improve the management of project files. MNF-I should also consider developing a plan to provide training for all current and future MNF-I units on project documentation requirements and how to maintain and store these records. Methods for storing records in electronic formats should also be considered.

4. Formalize the process of coordinating CERP projects with the DoS and the USAID where the CERP is used in conjunction with other reconstruction programs, particularly those projects that are of strategic importance.

5. Coordinate plans and funding for the sustainment of large CERP construction projects; and projects that have strategic value with the DoS.

Management Comments and Audit Response. On behalf of MNF-I, the Multi-National Corps-Iraq (MNC-I) concurred or partially concurred with four of five

recommendations of the report. We generally agreed with the comments provided by MNC-I and, in some cases, changed our report accordingly. However, we also note that MNC-I has apparently misunderstood parts of two of our recommendations and therefore we reaffirm our position that coordination on sustainment of reconstruction projects is a key component of the overall success of the Iraqi government. The following responds to MNC-I's comments.

- In response to Recommendation 4, MNC-I concurs that CERP projects should be synchronized but non-concurs with "… the idea that this coordination can or should happen at the MNC-I or MNF-I level in all cases." Nowhere in our report did we prescribe a level at which all coordination should take place. MNC-I further states that the most effective coordination of projects occurs when MNC-I, DoS, and USAID officials discuss projects with Iraqi officials, and that any coordination should not limit the MSC commanders flexibility to respond to emergencies. We agree. However, based upon examples we have cited in our report, we believe that formalized coordination processes could optimize the use of scarce funds and resources and better enable MNF-I, DoS, and USAID to contribute to rebuilding Iraq.

- In response to Recommendation 5, MNC-I broadly non-concurs that it should coordinate sustainment plans and funding of large CERP projects with DoS. Rather, MNC-I states that the appropriate coordination takes place only between the commander executing the project and representatives of the Iraqi government. MNC-I also responds that this type of coordination takes place regularly through the PRDCs, Provincial Support Teams, and Provincial Reconstruction Teams. We note however, that these organizations are sponsored, supported, funded and, in some cases, chaired by DoS officials. MNC-I asserts that sustainment of CERP projects is solely the responsibility of the Government of Iraq. While it is true that the sustainment of existing infrastructure is the responsibility of the Government of Iraq, the failure of any project attributed to the lack of sustainment, regardless of which government is at fault, may weaken the Government of Iraq and ultimately be blamed on the U.S. Therefore, while we commend the efforts of MNC-I and DoS to coordinate with the Government of Iraq on the provincial level, it is the position of SIGIR that the DoS is the U.S. agency responsible for coordinating the overall sustainment of reconstruction projects in Iraq. Some CERP projects, particularly capital construction projects, and those of strategic value, rise to that threshold, thus requiring more concerted efforts between all government entities charged with responsibilities for reconstruction activities in Iraq.

MNC-I also provided technical comments and documents certifying that it did not exceed its total obligations authority for the CERP for FY 2005 for the January 5, 2005 draft of the report. We agreed with these comments and changed our draft report accordingly. However, we plan to perform a follow-up audit later this year to determine whether the quality of the data for the CERP, contained within financial systems and in reports to the Congress; is accurate, timely, and consistent.

The U.S. Agency for International Development also provided technical comments for this report. We agreed with their comments and changed our report accordingly.

Appendix A. Scope and Methodology

In August 2005, we initiated this audit (Project No. SIGIR-2005-15) to determine whether CERP projects and funds were effectively managed by MNF-I in FY 2005. This is the second in a series of audits of the CERP pursuant to a request in 2004 from the Deputy Secretary of Defense, through the Department of Defense Inspector General, that SIGIR review the CERP to determine whether CERP funds were properly administered by Department of Defense officials and agencies. This report discusses management controls over CERP projects, funds, and records, and the coordination of CERP projects with the reconstruction programs of the DoS and the USAID.

To determine if MNF-I implemented controls to effectively manage FY 2005 CERP projects, funds, and records we interviewed officials from MNF-I, MNC-I, and the Multi-National Division-Baghdad to understand how the program was managed over the course of FY 2005. This included attending several CERP Program Review Board meetings to observe how MNC-I managed the CERP from week-to-week. We also collected and analyzed guidance and fragmentary orders governing the program from the Office of the Secretary of Defense, MNF-I, and MNC-I. In addition, we tested the controls MNF-I implemented in FY 2005 to improve the management of the CERP in several ways.

First, to determine whether MNF-I used CERP funds for the purposes intended in DoD guidance, and adequately controlled the records for CERP projects at the control point (i.e. MNC-I), we reviewed the project records for 207 of 4,160 projects completed by September 5, 2005. This included a stratified random sample of 187 projects by MSC, which the Department of Defense Office of the Inspector General Quantitative Methods Division validated, and a judgmental sample of the top 20 most expensive completed projects at that time. The 16 records we selected for our review were based on MNF-I and MNC-I guidance on CERP procedures and administrative requirements included in fragmentary orders and Standard Operating Procedure documents issued over the course of FY 2005. We then grouped records into five categories to allow for the maximum number of statistical projections for our sample. As noted above, these categories are for the records that certify the commitment, obligation, and disbursement of funds; that certify the officials that were responsible for handling project funds; and certify the completion of a project. This allowed us to project the point estimate, or mean error rate, for all of these five categories of errors simultaneously with a 90 percent level of confidence, so that all intervals include their respective population error rate and number of errors across all 4,160 projects to state the error for the population total. For each individual category separately, there is a 98 percent level of confidence the projected error rate and number of errors is between the lower and upper bounds as illustrated in Table 2 below.

Table 2: Projections Using 90 percent Simultaneous Confidence Bounds

Record Categories	Error Measure	Lower Bound	Point Estimate	Upper Bound
Certification of Commitment of Funds	Number	579	907	1,234
	Rate	13.9%	21.8%	29.7%
Certification of Obligation of Funds	Number	115	385	655
	Rate	2.8%	9.3%	15.7%
Certification of Disbursement of Funds	Number	2,030	2,178	2,664
	Rate	48.8%	56.4%	64.0%
Certification of Officials Responsible for Project Funds	Number	2,562	2,901	3,239
	Rate	61.6%	69.7%	77.9%
Certification of Completion of Project	Number	1,840	2,347	2,516
	Rate	44.2%	52.4%	60.5%

Source: SIGIR

Then, to determine the errors for these categories, we only recorded an occurrence of an error when the record or document was not present in the project file at MNC-I. All other occurrences resulted in a "Present" mark. This included records with missing signatures, records and documents that were not applicable at the time of project completion, substituted documents as authorized, and records and documents for projects whose files were not present at MNC-I. The files for twenty projects were not present at MNC-I at the time we finished our review on October 27 2005: one project file from the Multi-National Division-Baghdad, one project file from the Multi-National Division-North Center, one project file from the Multi-National Division-Northeast, and 16 project files from the Multi-National Force-West. The results for the occurrences of all records for the 207 project folders we reviewed are tabulated in Appendix B below.

Last, we analyzed the tool used by MNC-I to track the status of projects to assess the validity MNF-I's data for the CERP. This included examining the following data sets:

- distribution of projects by start dates
- status of projects for planned, in-progress, complete, and cancelled projects
- number of construction and non-construction projects
- distribution of projects by MSC, project type, and obligations
- total obligations for projects reported by project and program managers to MNC-I

To determine if MNF-I effectively coordinated CERP projects, where appropriate, we interviewed officials and obtained relevant documentation from MNF-I and its subordinate units, the DoS, and the USAID to understand how reconstruction programs, including the CERP, were coordinated across U.S. government agencies in Iraq. We also attended several strategic interagency coordination meetings held in the U.S. Embassy – Iraq to further observe how reconstruction activities are coordinated. Furthermore, we reviewed MNF-I, DoS, and USAID plans to coordinate reconstruction programs in FY 2006 and queried officials on how the CERP will be integrated into these plans.

We conducted this audit from August 2005 through January 2006, in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Prior Coverage. SIGIR reported on October 13, 2005 in "Management of Commander's Emergency Response Program for Fiscal Year 2004" (SIGIR-2005-014) that CERP-appropriated funds were properly used for their intended purposes, but overall controls over the distribution of appropriated funds were not consistently followed, and the required project documentation for CERP projects was not consistently used to ensure accountability of projects. This report did not contain recommendations, therefore, no management response was required; however, the findings of this report were the basis for our current review of the FY 2005 projects and funds. Other SIGIR reports covering the CERP include SIGIR Report No. SIGIR 05-022 "Managing Sustainment for Iraq Relief and Reconstruction Fund Programs" (October 24, 2005).

In addition, the Army Audit Agency (AAA) is currently conducting a series of audits on the funds allocated to MNSTC-I for CERP projects in FY 2005. We met with the audit team from AAA and developed our audit methodology to ensure we did not duplicate their efforts. As a result, we did not review the project records of any MNSTC-I projects, however, the funding data for MNSTC-I projects was included in our analysis. Prior AAA reports on the CERP include:

- Report A-2005-0173-ALE "Commanders' Emergency Response Program and Quick Response Fund" (May 2, 2005)
- Report A-2005-0332-ALE "Follow-Up of Commander's Emergency Response Fund and Quick Response Fund" (September 30, 2005)
- Project A-2006-ALE-0108.000 "Follow-Up II of Commander's Emergency Response Program and Quick Response Fund" (Draft Report dated 2 December 2005)

Appendix B. Review of CERP Project Files

Table 3 below summarizes the results of our review of the 207 completed projects of the 207 CERP projects files we selected to assess whether the MSCs complied with guidance for submitting the 16 records and other project documents to MNC-I, as required by MNF-I guidance. As discussed above, the first ten types of records were grouped into five categories to project the errors for the population of 4,160 projects completed by September 5, 2005.

Table 3: Occurrences of Project Records in CERP Project Files

MSC	Occurrence	1. DA3953 or DD1149	2. SF 44(s) and/or SF 1449(s)	3. DD Form 1081 [On Advance]	4. DD Form 1081 [On Return]	5. Appointment Letter for Purchasing Officer	6. Appointment Letter for Pay Agent	7. DD Form 577 for Purchasing Officer	8. DD Form 577 for Paying Agent	9. MSC Commander's Clearance Memo	10. DD Form 250	11. Project Proposal or Statement of Work	12. Copy of Contract	13. 3+ Vendors or Sole Source Justification Documented	14. Invoice from Vendor(s)	15. MSC Comptroller Clearance Memo	16. MNC-I Approval for Projects With an Estimated Cost of $500,000 or More
Multi-National Division - Baghdad	Present	30	29	28	29	21	20	28	28	28	30	27	30	30	29	3	30
	Error	0	1	2	1	9	10	2	2	2	0	3	0	0	1	27	0
	Total	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
	Percent Present	100%	97%	93%	97%	70%	67%	93%	93%	93%	100%	90%	100%	100%	97%	10%	100%
Multi-National Division - Center South	Present	12	28	0	0	2	0	11	11	15	10	29	30	27	22	4	30
	Error	18	2	30	30	28	30	19	19	15	20	1	0	3	8	26	0
	Total	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
	Percent Present	40%	93%	0%	0%	7%	0%	37%	37%	50%	33%	97%	100%	90%	73%	13%	100%
Multi-National Division - North Center	Present	28	27	11	9	6	6	19	17	22	13	24	29	28	14	15	30
	Error	2	3	19	21	24	24	11	13	8	17	6	1	2	16	15	0
	Total	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
	Percent Present	93%	90%	37%	30%	20%	20%	63%	57%	73%	43%	80%	97%	93%	47%	50%	100%
Multi-National Division - North East	Present	4	5	3	3	3	3	5	5	3	4	3	5	6	3	3	6
	Error	2	1	3	3	3	3	1	1	3	2	3	1	0	3	3	0
	Total	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
	Percent Present	67%	83%	50%	50%	50%	50%	83%	83%	50%	67%	50%	83%	100%	50%	50%	100%
Multi-National Division - South East	Present	1	11	0	0	0	0	12	12	0	5	29	31	26	26	0	30
	Error	30	20	31	31	31	31	19	19	31	26	2	0	5	5	31	1
	Total	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31	31
	Percent Present	3%	35%	0%	0%	0%	0%	39%	39%	0%	16%	94%	100%	84%	84%	0%	97%
Multi-National Force - North West	Present	30	28	28	30	23	27	26	28	19	24	17	29	26	21	24	30
	Error	0	2	2	0	7	3	4	2	11	6	13	1	4	9	6	0
	Total	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
	Percent Present	100%	93%	93%	100%	77%	90%	87%	93%	63%	80%	57%	97%	87%	70%	80%	100%
Multi-National Force - West	Present	20	28	5	5	7	0	22	20	2	13	18	30	28	14	0	30
	Error	10	2	25	25	23	30	8	10	28	17	12	0	2	16	30	0
	Total	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
	Percent Present	67%	93%	17%	17%	23%	0%	73%	67%	7%	43%	60%	100%	93%	47%	0%	100%
Total for Random Sample	Present	125	156	75	76	62	56	123	121	89	99	147	184	171	129	49	186
	Error	62	31	112	111	125	131	64	66	98	88	40	3	16	58	138	1
	Total	187	187	187	187	187	187	187	187	187	187	187	187	187	187	187	187
	Percent Present	67%	83%	40%	41%	33%	30%	66%	65%	48%	53%	79%	98%	91%	69%	26%	99%
Total for Top 20	Present	18	20	16	17	13	14	19	19	17	20	20	14	20	17	4	14
	Error	2	0	4	3	7	6	1	1	3	0	0	6	0	3	16	6
	Total	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
	Percent Present	90%	100%	80%	85%	65%	70%	95%	95%	85%	100%	100%	70%	100%	85%	20%	70%
Total for All Projects	**Present**	**143**	**176**	**91**	**93**	**75**	**70**	**142**	**140**	**106**	**119**	**167**	**198**	**191**	**146**	**53**	**200**
	Error	**64**	**31**	**116**	**114**	**132**	**137**	**65**	**67**	**101**	**88**	**40**	**9**	**16**	**61**	**154**	**7**
	Total	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**	**207**
	Percent Present	**69%**	**85%**	**44%**	**45%**	**36%**	**34%**	**69%**	**68%**	**51%**	**57%**	**81%**	**96%**	**92%**	**71%**	**26%**	**97%**

Appendix C. CERP Fund Uses & Restrictions

Listed below are the uses and restrictions for the CERP for FY 2005, along with the total year-end obligations for each category as reported to us by MNF-I. The Office of the Under Secretary of Defense-Comptroller published a list of uses and restrictions for the CERP on November 25, 2003, and then augmented this list on February 18, 2005, and July 27, 2005.

Uses. Appropriated funds for the CERP were used for projects to meet urgent humanitarian relief and reconstruction requirements to assist the Iraqi people in the following 19 areas in FY 2005 in table 4 below.

Table 4: CERP Uses, and Reported Projects and Obligations for FY 2005

Uses	Number of Projects	Total Obligations
1. Water and sanitation	1369	$234,363,373
2. Food production and distribution	44	$2,245,472
3. Agriculture	74	$12,442,237
4. Electricity	522	$73,952,460
5. Healthcare	414	$32,060,661
6. Education	1188	$68,776,477
7. Telecommunications	155	$26,154,212
8. Economic, financial, and management improvements	267	$14,237,727
9. Transportation	680	$105,475,157
10. Rule of law and governance	531	$31,491,415
11. Irrigation	63	$8,690,243
12. Civic cleanup activities	343	$15,747,956
13. Civic support vehicle	65	$5,486,643
14. Repair of civic and cultural facilities	353	$13,873,578
15. Repair of damage that results from U.S., coalition, or supporting military operations and is not compensable under the Foreign Claims Act**	168	$6,791,468
16. Condolence payments to individual civilians for death, injury, or property damage resulting from U.S. coalition, or supporting military operations**	631	$14,866,544
17. Payment to individuals upon release from detention**	0	0
18. Protective measures to enhance the durability and survivability of critical infrastructure sites**	52	$16,452,392
19. Other urgent humanitarian or reconstruction projects	759	$51,869,018
Total	**7,678**	**$734,977,033**

Source: SIGIR and MNF-I as of October 24, 2005

Restrictions. Appropriated funds made available for the CERP shall not be used for the following 10 purposes:

1. Activities with a direct or indirect benefit to U.S., Coalition, or other supporting personnel
2. Providing goods, services, or funds to national armies, national guard forces, border security forces, civil defense forces, infrastructure protection forces, highway patrol units, police, special police, or intelligence or other security forces**
3. Except as authorized by law and separate implementing guidance, weapons buy-back programs, or other purchases of firearms or ammunition
4. Entertainment
5. Rewards program
6. Removal of unexploded ordnance
7. Duplication services available through municipal governments
8. Salaries, bonuses, or pensions of Iraqi or Afghan military or civilian government personnel*
9. Training, equipping, or operating costs of Iraqi security forces**
10. Conducting psychological operations, information operations, or other U.S., coalition, or Iraqi/Afghan security force operations**

* Added on February 18, 2005
** Added on July 27, 2005

Appendix D. Acronyms

ARCENT	U.S. Army Forces Central Command
CERP	Commanders Emergency Response Program
DoD	Department of Defense
DoS	Department of State
GRD	U.S. Army Corps of Engineers Gulf Region Division
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MSC	MNF-I Major Subordinate Command
OTI	USAID Office of Transition Initiatives
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

Appendix E. Report Distribution

Department of State

Secretary of State
  Senior Advisor to the Secretary and Coordinator for Iraq
U.S. Ambassador to Iraq
  Director, Iraq Reconstruction Management Office
Inspector General, Department of State

Department of Defense

Secretary of Defense
Deputy Secretary of Defense
  Director, Defense Reconstruction Support Office
Under Secretary of Defense (Comptroller)/Chief Financial Officer
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Inspector General, Department of Defense

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology
  Principal Deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology
  Deputy Assistant Secretary of the Army (Policy and Procurement)
  Director, Project and Contracting Office
  Commanding General, Joint Contracting Command – Iraq/Afghanistan
Assistant Secretary of the Army for Financial Management and Comptroller
Chief of Engineers and Commander, U.S. Army Corps of Engineers
  Commanding General, Gulf Region Division
Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force – Iraq
  Commanding General, Multi-National Security Transition Command – Iraq
  Commander, Joint Area Support Group – Central

Other Defense Organizations

Director, Defense Contract Audit Agency

Other Federal Government Organizations

Director, Office of Management and Budget
Comptroller General of the United States
Inspector General, Department of the Treasury
Inspector General, Department of Commerce
Inspector General, Department of Health and Human Services
Inspector General, U.S. Agency for International Development
Mission Director – Iraq, U.S. Agency for International Development

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations
- Subcommittee on Defense
- Subcommittee on State, Foreign Operations and Related Programs

Senate Committee on Armed Services
Senate Committee on Foreign Relations
- Subcommittee on International Operations and Terrorism
- Subcommittee on Near Eastern and South Asian Affairs

Senate Committee on Homeland Security and Governmental Affairs
- Subcommittee on Federal Financial Management, Government Information and International Security
- Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations
- Subcommittee on Defense
- Subcommittee on Foreign Operations, Export Financing and Related Programs
- Subcommittee on Science, State, Justice and Commerce and Related Agencies

House Committee on Armed Services
House Committee on Government Reform
- Subcommittee on Management, Finance and Accountability
- Subcommittee on National Security, Emerging Threats and International Relations

House Committee on International Relations
- Subcommittee on Middle East and Central Asia

Appendix F. Audit Team Members

This audit report was prepared and the audit work was conducted under the direction of Joseph T. McDermott, the Assistant Inspector General for Auditing, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed to the report include:

Walt Keays

Ronald Rembold

Clifton Spruill

Jason Venner

In addition, the following staff from the DoD Office of the Inspector General, Quantitative Methods Division contributed to the report:

James Hartman

Kandasamy Selvavel

Management Comments
Multi-National Corps-Iraq

DEPARTMENT OF THE ARMY
MULT-NATIONAL CORPS-IRAQ
CAMP VICTORY
APO AE 09314

January 15, 2006

Mr. Joseph T. McDermott
Assistant Inspector General for Audit
Special Inspector General for Iraq Reconstruction
US Embassy Annex
APO AE 09316

Dear Mr. McDermott:

Enclosed is the CERP Program Manager's response to the SIGIR draft report, "Management of the Commander's Emergency Response Program for Fiscal Year 2005," dated January 5, 2006, (SIGIR Report Number SIGIR-05-025).

The Program Manager partially agrees with the SIGIR's comments and recommendations pertaining to the success of the program and Multi-National Corps-Iraq's capability to effectively manage these funds. Although the SIGIR did find some minor faults in our reported data, we are proud that we have improved the overall accountability and effectiveness of the program. We believe that our processes are making an important difference to the soldiers who place themselves in harm's way daily for our country.

The Program Manager recognizes the needs for tighter controls on the reporting of projects and associated documents, and will address these needs during Fiscal Year 2006.

Sincerely,

William H. Haight III
Colonel, U.S. Army
Program Manager, CERP (Iraq)

Enclosure

SIGIR DRAFT REPORT – DATED JANUARY 5, 2006
SIGIR REPORT NUMBER SIGIR-05-025

"Management of the Commander's Emergency Response Program for Fiscal Year 2005"

PROGRAM MANAGER COMMENTS TO THE RECOMMENDATIONS

COMMENTS TO THE RECOMMENDATIONS

Recommendation 1: The SIGIR recommended that we conduct a thorough examination of all FY2005 CERP funds and projects to account for projects status reporting errors. We concur with this recommendation. We are currently loading all projects into the IRMS database. This database will assist us in avoiding duplication of projects. We will also screen the project data as it is entered to check for obvious errors. We will continue to reconcile the fiscal data in the FY05 report with the fiscal data reported into the financial management reporting system.

Recommendation 2: The SIGIR recommended that we conduct a quarterly review of the CERP to ensure the quality of the data is consistent with financial management reporting systems. We concur with this recommendation. The usefulness of this review is limited by the relatively long time required to post financial transactions, especially with non-US Army units who do not use the Army's automated systems. Because of this time delay, we will never have 100% agreement between the financial system and the project reporting system. We are also limited by the lack of a project-by-project fiscal report with which we can compare our project report. Because of this, we will always lack the fidelity to check each project's accounting data. Until these deficiencies are corrected, the review will have limited success in correcting our data inconsistencies.

Recommendation 3: The SIGIR recommended that we clarify and enforce existing guidance on the collection of required project records. We concur. We are rewriting our SOP so that required forms are not specifically listed as Department of the Army forms, but the accountability of funds is ensured. Also, we will use the Program Review Board to retrain the MSCs on the standards required to produce a complete project packet.

Recommendation 4: The SIGIR recommended that we formalize the process of coordinating CERP projects with the DoS and the USAID. We partially concur with this recommendation. While we concur with the fact that CERP projects can be synchronized, we non-concur with the idea that this coordination can or should happen at the MNC-I or MNF-I level in all cases. The most effective coordination of projects occurs when USAID, DoS, and the CERP project managers discuss actual projects with city managers and governmental officials. If MNC-I or MNF-I were to coordinate projects at their level, we would remove the quick response flexibility of the funds which is often critical to the commanders at and below division level. We recommend that DoS and USAID coordinate their projects with MNC-I, so that commanders at and below the division level can coordinate emergency response funds with these projects. Neither MNC-I nor MNF-I have the ability to direct this coordination with DoS or USAID.

Recommendation 5: The SIGIR recommended that MNC-I should coordinate plans and funding for sustainment of large CERP projects with the DoS. We nonconcur with this recommendation. The required coordination should take place between the commander executing the project and the Iraqi government, be it local, provincial, or national. This coordination regularly takes place and is facilitated by the PRDC, PST, and PRT organizations. This coordination assigns responsibility to the Iraqi government, which helps with capacity development at the local, provincial, and national levels. We recommend that the divisions continue to coordinate through the Iraqi PRDCs to ensure that the Iraqi government plans for project sustainment costs such as training and maintenance. DoS cannot and should not provide resources for sustainment of infrastructure throughout the country