

**HEALTH CENTER SUSTAINMENT
CONTRACT RESULTED IN SOME REPAIRS,
BUT IRAQI MAINTENANCE CAPABILITY
WAS NOT ACHIEVED**

**SIGIR 10-015
APRIL 29, 2010**

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Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 10-015

Why SIGIR Did this Study

The U.S. government spent about \$345 million to construct and equip primary healthcare centers (PHCs) in Iraq. In April 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) reported that a lack of visibility over the PHCs' status, together with operational and sustainability issues, left the U.S. investment at risk. SIGIR then recommended a study to provide transparency on the status of PHCs.

In response, the Iraq Transition Assistance Office (ITAO), which had program management responsibility, stated that it had an existing contract with Stanley Baker Hill, LLC (SBH) to conduct PHC assessments which should help to provide transparency on the PHCs' status. The U.S. Army Corps of Engineers (USACE) Gulf Region Division (GRD) was the contracting office. The objectives of this \$16.5 million contract were to (1) identify and repair PHC deficiencies, (2) conduct PHC assessments, (3) run an operations and repair program for one year, (4) develop a comprehensive maintenance management program for the Iraqi Ministry of Health (MoH), (5) use automation tools to collect and execute maintenance, and (6) enhance the MoH's operations and maintenance capabilities. SIGIR's objectives for this report were to examine the cost, outcome, and oversight of the contract and to assess the status of the PHCs as ITAO's responsibilities are transitioned to the U.S. Embassy, Baghdad.

Recommendations & Lessons Learned

SIGIR recommends that the U.S. Ambassador to Iraq direct that future engagements with the Government of Iraq (GOI) on health care issues include a focus on gaining maximum benefit from U.S. investments made in PHCs and the information gathered under the SBH contract.

SIGIR also offers four lessons learned.

Management Comments and Audit Response

The U.S. Embassy, Baghdad concurred with our recommendation and plans to complete a reassessment of the PHC status by December 2010. USACE stated it was concerned with SIGIR's view of the contract's deliverables as well as events related to this effort. SIGIR addressed these concerns where appropriate.

For more information, contact SIGIR Public Affairs at (703) 428-1100 or PublicAffairs@sigir.mil

April 29, 2010

HEALTH CENTER SUSTAINMENT CONTRACT RESULTED IN SOME REPAIRS, BUT IRAQI MAINTENANCE CAPABILITY WAS NOT ACHIEVED

What SIGIR Found

The contract's outcomes, for certain requirements, achieved the desired result, but for other requirements it did not, and funds were wasted. The contract assessed the physical status of 109 PHCs and corrected construction and equipment deficiencies at 17 PHCs. However, SBH fell short in establishing a maintenance management program for the MoH to use to sustain the facilities and a management information system that the ministry could use to prioritize, assign and execute maintenance. About \$3.9 million spent on these activities appears to have been wasted. Also, the ITAO goal of achieving transparency on the PHCs' status and providing information on potential operational and sustainability concerns was not realized.

The shortfalls in meeting some contract requirements were caused by a number of factors. First, the contract lacked specifics about what was to be done. For example, the contract did not specify how many PHCs were to be assessed or repaired. Second, oversight on the contract was poor. According to a senior SBH official, GRD instructed them to focus on repairing and assessing PHCs rather than on those tasks that would directly support MoH sustainment efforts. However, contractual documents showed that SBH was always responsible for meeting the sustainment requirements. Nevertheless, we found no evidence that GRD or ITAO ever took action to address SBH's lack of progress in developing the Iraqi MoH's capacity. Third, coordination between ITAO and GRD was ineffective. ITAO officials stated that after contract completion they made several requests for information on contract outcome but received nothing from GRD. GRD indicated that they conducted regular biweekly meetings where ITAO officials could have asked questions regarding the project. ITAO noted that this was one of hundreds of projects covered by these biweekly meetings and was not the forum to discuss projects in detail. Fourth, GRD contracting officials rotated frequently. As a result, some were not knowledgeable about the contractor's responsibilities, and in some cases GRD was dependent on SBH to explain what was required and how well it was meeting expectations. Lastly, in some cases the GOI did not make personnel available for training opportunities.

The MoH has taken ownership of the PHCs and assumed responsibilities for repairs. At the same time, the U.S. Health Attaché position was eliminated in February 2010, and ITAO will no longer exist after May 2010. Responsibility for health care issues will transition to the U.S. Embassy's Economic Section without a clear understanding of what was accomplished under the SBH contract and how information developed from the contract can best be used in further engagements with the GOI on PHC matters.

The situation regarding the contract's management and the larger issue of PHC matters transitioning to the Embassy's Economic Section illustrate two overall concerns that SIGIR has generally identified with the reconstruction effort. First is the ad hoc nature of the agencies that managed these programs and the gaps in information transfer that are created as matters transition from one entity to another. Second, and more importantly, is the lack of accountability for program results, which stems from the lack of unity of command.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 29, 2010

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ

COMMANDING GENERAL, U.S. FORCES-IRAQ

COMMANDING GENERAL, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved (SIGIR 10-015)

We are providing this audit report for your information and use. The report discusses issues related to the cost, outcome, and oversight of Stanley Baker Hill's \$16.5 million sustainment contract for U.S.-funded primary healthcare centers (PHCs). It also discusses the status of PHC issues as the Iraq Transition Assistance Office's responsibilities are transitioned to the U.S. Embassy, Baghdad. We performed this audit in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq and for recommendations on related policies designed to promote economy, efficiency, and effectiveness, and to prevent and detect waste, fraud, and abuse. This audit was conducted as SIGIR Project 9019.

The U.S. Embassy, Baghdad and the U.S. Army Corps of Engineers provided comments on a draft of this report, and comments are included in Appendices D and E. We considered these comments in preparing this report and addressed them in the report as appropriate.

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

A handwritten signature in black ink, which appears to read "Stuart W. Bowen, Jr." followed by a period.

Stuart W. Bowen, Jr.
Inspector General

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

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Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved

SIGIR 10-015

April 29, 2010

Introduction

The U.S. government spent about \$345 million to construct and equip 133 primary healthcare centers (PHCs) in Iraq.¹ The U.S. government contracted with Parsons Delaware, Inc., for the construction of these PHCs and later terminated the contract for convenience. The U.S. Army Corps of Engineers, Gulf Region Division (GRD) then awarded Iraqi companies follow-on work to complete partially constructed PHCs. The Special Inspector General for Iraq Reconstruction (SIGIR) reported in April 2009 that the PHC program cost substantially more, took much longer to complete, and produced fewer facilities than originally planned.² SIGIR also noted that a lack of visibility over the status of U.S.-funded PHCs, in conjunction with recognized operational and sustainment issues left the U.S. investment in PHCs at risk and subject to waste. SIGIR recommended that the U.S. Ambassador to Iraq and the Commanding General, Multi-National Forces-Iraq, direct a study to:

1. Provide transparency on the current status of PHCs and assess the cost and benefits of potential actions to address identified PHC operational and sustainment problems.
2. Identify actions the U.S. government could undertake to help ensure that the benefits expected from the PHC program are realized so that the investment will not be wasted.

In its response to SIGIR's prior report, the Iraq Transition Assistance Office (ITAO), which has program management responsibility for health care, concurred with SIGIR's recommendations, stating that in May 2008 it had initiated a \$16.5 million program with Stanley Baker Hill, LLC (SBH) for a PHC "maintenance and operations program that can ultimately be transferred to the Iraqi Ministry of Health (MoH)."³ ITAO also stated that PHC assessments, conducted under the SBH contract, would provide "transparency on the status [of PHCs] and the information needed to calculate the potential operational and sustainability concerns." SIGIR undertook this audit to assess the cost, outcome, and oversight of this contract as well as the status of plans for addressing PHC issues as ITAO's responsibilities are transitioned to the U.S. Embassy, Baghdad.

¹ According to U.S. Army Corps of Engineers' comments on SIGIR's last PHC report, all U.S. money for PHCs came from the Iraq Relief and Reconstruction Fund.

² SIGIR 09-015, *Construction of Primary Healthcare Centers Reported Essentially Complete, but Operational Issues Remain*, 4/29/2009.

³ The \$7 million originally allocated to this contract came from the Economic Support Fund; \$9.5 million was added later from the Iraq Relief and Reconstruction Fund.

Background

In March 2004, the U.S. Army issued a contract to Parsons Delaware, Inc., Pasadena, California,⁴ to provide design and construction services for several sectors in Iraq, including building, housing, and health care. The government later issued three task orders under the contract to design, construct, and equip 150 PHCs throughout Iraq.

Under this contract, Parsons was to provide three types of health care centers: Type A, a standard center, about 1,324 square meters; Type B, a center with teaching facilities, about 1,400 square meters; and Type C, a center with emergency and labor facilities, about 2,126 square meters. The medical equipment to be installed included, among other things, X-ray equipment, blood analyzers, examination tables, patient beds, defibrillators, brain scan equipment, ventilators, and incubators. The dental equipment to be installed included dental chairs, lights, cabinets, instruments, and supplies.

In June 2005, the Joint Contracting Command-Iraq/Afghanistan, which administered the Parsons contract, notified Parsons of design and construction concerns. In September 2005, eight PHCs were removed from the contract for “lack of progress.” In 2006, the contract was terminated for the convenience of the U.S. government, and the remaining 142 PHCs were awarded to Iraqi contractors for follow-on work. Between December 2006 and October 2008, GRD transferred the 142 PHCs in various states of completion to local Iraqi officials. However, the U.S. government temporarily retained legal ownership and liability for all 142, pending the development of a national-level transfer agreement.

SBH provides program management support for GRD under Task Order 25 of contract W914NS-04-D-0021. According to GRD officials, SBH supplements GRD’s project management workforce. In May 2008, GRD issued Task Order 36 to SBH, a \$7 million contract to help the Government of Iraq (GOI) sustain U.S.-funded PHCs. For this contract, ITAO was the program management office and provided the funds. ITAO also identified the outcomes it wanted from the contract. GRD was the contracting office. Task Order 36 is the subject of this report and hereafter is referred to as the PHC sustainment contract.

According to a GRD contracting official, only SBH responded to the request for proposal. The Statement of Work for this contract notes that “sustaining this newly acquired inventory of facilities and the delivery of reliable and full-function support is critical to the effort of improving health care in Iraq.” SBH was to (1) identify and repair PHC deficiencies, (2) conduct PHC assessments, (3) run an operation and repair program for one year, (4) develop a comprehensive maintenance management program, (5) use automation tools to collect and execute maintenance, and (6) enhance the MoH’s operations and maintenance capabilities.

In September 2008, ITAO added \$9.5 million to this contract, mostly to assess and repair PHCs, bringing the total contract amount to \$16.5 million. The PHC sustainment contract ended in September 2009, though at the time of this audit’s completion it had not been closed out. In November 2009, the U.S. government transferred legal ownership and liability for all 142 PHCs

⁴ Contract number W914NS-04-D-0006.

to the GOI, though 9 PHCs had been destroyed by insurgents, leaving only 133 functioning facilities.⁵ Table 1 includes estimated costs of the PHC program to date.

Table 1—Estimated Costs of the PHC Program (\$US millions)

Cost Element	Cost
Parsons Design/Build Contract	\$232.0
Follow-on Construction Contracts	\$57.0
Delivering and Installing Equipment and Training	\$56.0
Subtotal	\$345.0
SBH Operations, Maintenance, and Capacity Development	\$16.5
Total	\$361.5

Source: SIGIR analysis of prior reports and updated data from GRD.

Responsible Organizations

Two U.S. government organizations had responsibilities for the PHC program:

U.S. Army Corps of Engineers, Gulf Region Division – GRD provided planning, design, and construction management for military and civil infrastructure construction. GRD was a major subordinate command of the U.S. Army Corps of Engineers (USACE) and supported the Multi-National Force-Iraq; its successor organization, the Transatlantic Division, also a major subordinate command of the U.S. Army Corps of Engineers, supports the U.S. Forces-Iraq and was officially established on October 1, 2009. For the PHC sustainment contract, GRD provided contract administration and project management responsibilities, for which it charged a 6.5% fee.

Iraq Transition Assistance Office – ITAO was created by Executive Order in 2007 and was directed to facilitate the transition in Iraq through programming and oversight of large-scale reconstruction projects. ITAO reports to the U.S. Ambassador to Iraq. For the PHC program, ITAO provided program scope, objectives, and funding but did not have any direct involvement in overseeing the PHC sustainment contract’s day-to-day implementation. Rather, ITAO coordinated with SBH through GRD for that purpose. ITAO also coordinated with the MoH. The Executive Order that created ITAO expires on May 10, 2010.

In addition, the U.S. Embassy’s Health Attaché worked with ITAO but did not report to it on health issues. Rather, the Health Attaché provided advice to the U.S. Ambassador and others, and coordinated health programs with the Iraqi MoH. In February 2010, the Health Attaché position was eliminated, and the Economic Section of the U.S. Embassy, Baghdad assumed responsibility for engaging the GOI on health care issues. The Iraqi MoH is the end user and owner of the PHCs.

⁵ These nine PHCs were dropped between the time they were temporarily transferred to local Iraqi officials and the time they were legally transferred to the Government of Iraq. Hereafter we refer only to the 133 PHCs the U.S. transferred that were not destroyed.

Objectives

SIGIR's objectives for this report were to examine the cost, outcome, and oversight of the PHC sustainment contract and the status of PHC issues as ITAO's responsibilities are transitioned to the U.S. Embassy, Baghdad.

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 the audit team members, see Appendix C. For the U.S. Embassy, Baghdad's comments, see Appendix D. For the U.S. Army Corps of Engineers' comments, see Appendix E. For the SIGIR mission and contact information, see Appendix F.

Cost Increases Were Applied to Repairs, and Funds Targeted at MoH Training and Sustainment Resulted in Waste

Within the first four months of signing the PHC sustainment contract, the total contract value more than doubled. The majority of the increased funding was used to repair deficiencies at the PHCs: ultimately, 59 percent, or \$9.6 million of the \$16.5 million contract, was spent on repairs.⁶ Overall, the contract achieved significant assessment and repair benefits but fell short of enhancing the MoH workforce's capability to repair, use, and maintain the facilities. SIGIR estimates that about \$3.9 million was wasted on activities associated with the workforce enhancement and support contract requirements

Cost Increases Applied Primarily to Repairs

GRD issued the PHC sustainment contract for \$7 million in May 2008, with the goals of increasing visibility on the PHCs' status and aiding the Iraqi government with PHC sustainment. SBH was to (1) identify and repair PHC deficiencies, (2) conduct PHC assessments (3) run an operation and repair program for one year, (4) develop a comprehensive maintenance management program, (5) use automation tools to collect and execute maintenance, and (6) enhance the MoH's operations and maintenance capabilities.

According to GRD and SBH officials, initial PHC assessments identified poor conditions at a number of U.S.-funded PHCs. To address this problem, in September 2008 ITAO provided additional funding and the contract was increased by \$9.5 million, primarily to fund additional repairs.⁷ A senior SBH official stated that from that point forward, GRD instructed them to focus on repairing and assessing PHCs rather than on those tasks that would directly support MoH sustainment efforts. A contracting officer's representative noted that the \$9.5 million was to be spent primarily for repairs and maintenance but also stated that SBH remained responsible for all requirements in the original statement of work. Other GRD officials further noted, and contractual documents showed, that the expanded statement of work was an extension of the original contract and did not relieve SBH of its obligation to support sustainment efforts.

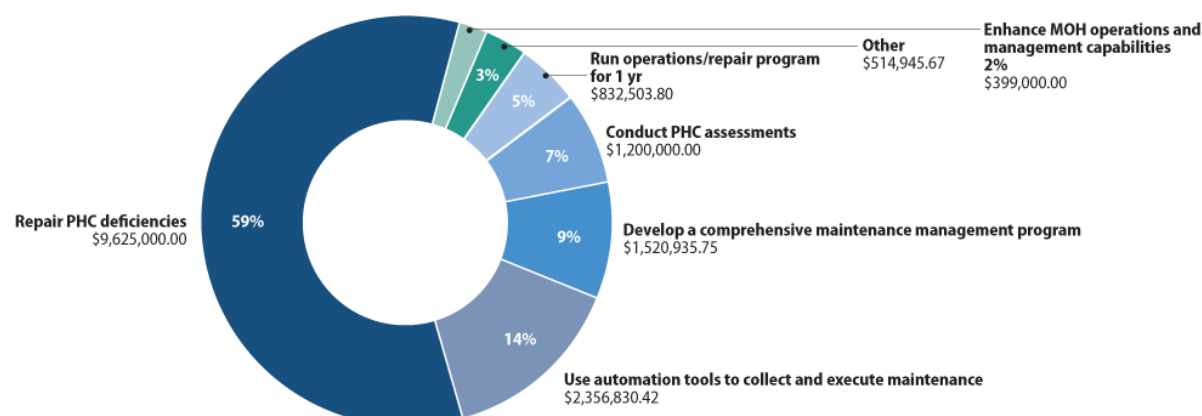
As of September 30, 2009, the full contract amount of \$16.5 million had been approved for payment to SBH. Figure 1 illustrates the amounts paid for each of the key contract requirements.⁸

⁶ Fifty-nine percent was arrived at using non-rounded figures as follows: \$9,625,000.00 / \$16,449,215.64 = 58.51%.

⁷ Many of the PHCs were open and operating for over a year and preventative maintenance often was not performed. The PHC assessments SIGIR reviewed found problems with both the original construction and maintenance.

⁸ SBH's invoiced cost descriptions were used to allocate costs to the contract's six main requirements. See Appendix A for a complete description of the audit scope and methodology.

Figure 1: PHC Sustainment Contract Costs, by Requirement



Source: SIGIR analysis of GRD and contractor data as of September 30, 2009.

Some Benefits Achieved, but Requirements to Support MoH Maintenance Management Were Not Fulfilled

The contractor achieved certain assessment and repair results; however, it is difficult to determine precisely what was expected of SBH because the contract did not specify the number of PHCs that were to be assessed and repaired. By the end of the contract, SBH had assessed the physical status of 109 PHCs and corrected construction and equipment deficiencies at 17 PHCs. However, SBH fell short in meeting the contract requirement to establish a maintenance management program for the MoH to use to sustain the facilities and a management information system that the ministry could use to prioritize, assign and execute maintenance. The contract statement of work specifically notes that this effort will “assist by providing to MoH a set of maintenance management tools, processes, and skill sets to sustain this infrastructure well into the future.” Also, the ITAO goal of achieving transparency on the PHCs’ status and information to calculate the potential operational and sustainability concerns was not realized.

Some Deficiencies Were Corrected

The PHC sustainment contract’s first statement of work required SBH to “identify, prioritize, design and expeditiously correct...[PHC] deficiencies.” However, the contract did not specify the number of PHCs on which these repairs were to be conducted. The contract’s expanded statement of work required SBH to concentrate on repairing heating, ventilation, and air conditioning (HVAC) systems; water purification units; generators/electric; and biomedical equipment. SBH spent \$9.6 million to repair these deficiencies at 17 of 133 U.S.-funded PHCs. According to MoH officials, these repairs were extremely helpful in improving the facilities’ operating conditions.

Based on work orders submitted by SBH for work completed at the 17 PHCs, the \$9.6 million was for the types of repairs listed in Table 2.

Table 2—PHC Repair Costs (\$U.S. thousands)

Repair Type	Cost
Facilities – Building and Interior	\$1,393
Water and Reverse Osmosis Treatment Systems	1,563
Plumbing and Septic System	465
Heating, Ventilation, and Air Conditioning Systems	878
Generator and Electrical Systems	3,967
Biomedical Equipment Repair, including X-ray, Dental, and Lighting	462
Fees	842
Other	55
Total	\$9,625

Source: SIGIR analysis of prior reports and updated data from GRD as of September 30, 2009.

Individual Assessments Were Conducted, but Transparency Was Not Provided

SBH assessed the physical status of 109 PHCs in response to the requirement that it conduct a “thorough initial inspection of all targeted facilities/equipment.” These assessments included the PHCs’ equipment and other needs. The total cost of the assessments was \$1.2 million.

According to GRD officials, SBH could not assess the remaining 24 PHCs due to security concerns. At the end of the contract, MoH received both paper and electronic copies of the 109 assessments. The contract did not require SBH to provide information summarizing the results of its assessments. However, in responding to SIGIR’s previous report on PHCs, ITAO said that the contract would provide transparency on the status of the PHCs. Although GRD officials indicated that the individual PHC assessments provided transparency, as of the end of our fieldwork, neither ITAO nor GRD officials had information that summarized whether the facilities are open and operating at their intended capabilities and the extent to which maintenance deficiencies needed to be addressed.⁹

SIGIR summarized 40 of the 109 assessments and noted general deficiencies in the PHCs’ facilities and equipment. However, since many of these PHCs had been occupied, used, and repaired by the MoH during the years prior to the assessments, we could not separate original construction deficiencies from poor maintenance and repairs. In fact, the 40 assessments SIGIR summarized appeared to indicate problems with both.

SIGIR’s review of the data noted certain facility deficiencies.¹⁰ For example, 26 of 40 assessments we reviewed indicate that the PHCs’ HVAC systems had major deficiencies or were not functioning. We considered a major HVAC deficiency as one or more of the typical six

⁹ For purposes of this audit report, SIGIR is defining “status” of PHCs as the extent of deficiencies that exist at the 133 U.S.-built PHCs as well as the number of these facilities that are open and operational.

¹⁰ See Appendix A for SIGIR’s scope and methodology for summarizing PHC deficiencies. Since assessments were performed as long as two years after PHCs were open and operating, SIGIR did not identify whether deficiencies were a function of poor construction or a lack of maintenance.

HVAC units not operating. Not functioning meant none of the six HVAC units were functioning.

We also noted that 15 of the 40 PHCs had sewage systems that were not functioning or had major deficiencies. A major deficiency was one or more of the lavatories not operating or a severe odor in the clinic that significantly affected operations. Not functional meant that none of the PHC's lavatories were operating or the sewage system was completely blocked. Table 3 provides a summary of SIGIR's review of the PHC facility assessments.

Table 3—PHC Facility Assessments Data

Facility Element	No Noted Deficiencies	Minor Deficiencies	Major Deficiencies/ Partially Functional	Not Functional
Physical Structure	1	33	5	1
Plumbing ^a	1	19	18	0
Sewage ^b	9	14	11	4
Electrical ^c	1	26	10	0
HVAC ^d	3	8	19	7

Source: SIGIR Analysis of SBH Assessments as of September 30, 2009.

Notes:

^a SBH did not inspect plumbing systems at two of the selected PHCs.

^b SBH did not inspect sewage systems at two of the selected PHCs.

^c SBH did not inspect electrical systems at three of the selected PHCs.

^d SBH did not inspect HVAC systems at three of the selected PHCs.

SIGIR also noted similar deficiencies at multiple facilities. For example, 27 of 40 assessments stated that the PHCs' water purification unit was not working. According to an SBH official, the PHCs' water purification units were designed to refill a facility's water storage tanks once per day. However, this is not possible without providing electricity to the water purification units for 24 hours a day. Since few PHCs receive more than a few hours of electricity per day, local staffs often bypassed the water purification units and instead pumped raw city water into the PHCs' tanks. GRD noted that the MoH agreed to provide electrical connections to every PHC.¹¹ Even where electricity is not a problem, local staffs are not trained to operate and maintain the water purification units. As a result, only 2 of the 40 PHCs had a water purification system without any defects, which could create health hazards if raw water is used for medical purposes. As two more examples, 11 PHCs lacked functioning X-ray equipment and 8 lacked functioning dental equipment, even though the U.S. had purchased this equipment for every PHC constructed. See Table 4 for a summary of PHC equipment assessments.

¹¹ Most of the 40 PHC assessments that SIGIR reviewed showed that the PHCs were connected to local electrical grids but often had only a few hours of electricity during the day.

Table 4—PHC Equipment Assessments Data

Equipment	No Noted Deficiencies	Minor Deficiencies	Major Deficiencies/ Partially Functional	Not Functional	Missing
Water Purification Units ^a	2	4	5	27	1
Generators ^b	5	25	5	3	0
Dental Equipment ^c	6	5	16	8	0
X-ray Equipment ^d	6	7	7	11	4

Source: SIGIR Analysis of SBH Assessments as of September 30, 2009.

Notes:

^a SBH did not inspect the water purification unit at one of the selected PHCs.

^b SBH did not inspect generators at two of the selected PHCs.

^c SBH did not inspect dental equipment at five of the selected PHCs.

^d SBH did not inspect X-ray equipment at five of the selected PHCs.

In addition to the equipment deficiencies in Table 4, few PHCs had functioning telephones or working fire alarm systems and many lacked a reliable water supply from their municipal governments. According to a GRD official, the MoH had committed to connecting each PHC to the municipal system. SIGIR noted in our review of the assessment reports that most PHCs were hooked up to the municipal water supply, but water did not always flow. Moreover, Iraqi officials stated that the shielding for the X-ray equipment installed under the original Parsons contract was insufficient, leading to radiation leakages. They stated that this remains a problem at all U.S.-funded PHCs except for the 17 that SBH repaired. Further, the assessments note that PHC staffs conducted little or no maintenance on the PHCs or their equipment prior to SBH's inspections. As a result, many generators, dental chairs, X-ray machines, and water purification units were experiencing problems related to inadequate or inappropriate maintenance.

The individual assessments contained a significant amount of information on the deficiencies and the operational status of PHCs, but the contract did not require a summary of the assessments or deficiencies. Given the amount of information in each of the 109 PHC assessments, a summary of the operational status and deficiencies of each would have been helpful to ITAO and the U.S. Health Attaché. Although a MoH official indicated that the individual assessments are useful to the GOI, without a summary, neither GRD or ITAO officials we interviewed knew how many U.S.-funded PHCs were open or the extent of deficiencies.

Call Center Was Maintained but Not Used As a Training Ground for MoH Engineers

The PHC sustainment contract's statement of work required SBH to "set up and execute, a... maintenance management facility operations, and repair program" for up to one year, and GRD paid SBH over \$800,000 to meet this requirement. It was also expected that MoH engineers would participate in and ultimately manage the center on their own. In response, SBH set up and operated a PHC maintenance call center at GRD offices and staffed it with two employees. SBH provided PHC staff with call center contact information and instructions on how to call the center as problems arose. An SBH official noted that over 1 year of operations, the call center

received about 30 calls. MoH officials noted that due to security and access issues, MoH engineers did not participate in the call center's operations. GRD officials noted that another reason the MoH engineers did not participate in call center operations was because they had requested but did not receive a stipend for working at the center. At the end of the contract, SBH had maintained the call center as required, but MoH personnel did not gain call center operating experience. We found no evidence that GRD or ITAO ever took action to address SBH's lack of progress in developing a call center. However, we also note that developing Iraqi call center experience required cooperation from the GOI as well, which was limited.

Funds Used to Develop a Maintenance Management Program Were Largely Wasted

The contract statement of work required SBH to "develop a comprehensive Maintenance Management Program to sustain [the PHCs]." This effort was to include "generic work plans, spare parts lists, preventive maintenance procedures" and other elements of a comprehensive program to help MoH sustain its health care facilities well into the future. An SBH official stated its operation of a hosted maintenance management system for one year met this requirement, and that GRD's instructions to focus on assessing and repairing PHCs diminished the importance of a Maintenance Management Program. Yet, GRD officials stated, and contractual documents showed, that SBH remained responsible for all contract requirements. Other GRD contracting officials we spoke with were largely unaware this requirement existed and therefore did not ensure the program was developed.

GRD did provide the MoH with some limited maintenance management materials at 17 PHCs, including Arabic language maintenance manuals for medical and facilities equipment, site-specific work plans, spare parts lists and some tools. However, in the end, GRD provided SIGIR with no evidence of a "comprehensive" maintenance management system as required by the statement of work. Thus, it is uncertain what this \$1.5 million program actually achieved besides providing MoH with limited maintenance management materials.

Funds Expended To Develop Automated System to Manage PHC Maintenance Were Wasted

SBH efforts to develop an information management system were also unsuccessful. GRD spent \$2.4 million on this requirement, and this money was largely wasted.

The contract statement of work required SBH to "use appropriate automation tools to establish a centralized collection point to prioritize, assign and execute...maintenance" and required that the planning be done "in partnership with the MoH." However, SBH did not develop a system that the MoH wanted or used. SBH officials stated that it based its plan on the MoH's request for a "state-of-the-art" operations and maintenance system. While SBH could not provide documentation for this request, it noted that its plan for implementing these automation tools was clearly outlined in its technical proposal, which we confirmed. To select these computer programs, SBH officials stated it consulted with the U.S. Army and Navy health services. Both SBH and MoH officials stated that MoH was not consulted before SBH selected specific systems. In addition, we found no evidence that SBH considered MoH's current maintenance system, organizational infrastructure, or technical or funding capabilities to determine what MoH would need to run a state-of-the-art system.

Absent such coordination and analysis, SBH stated that it set up a “world-class,” internet-based maintenance tracking system comprising three computer programs¹² and attempted to train MoH officials at the call center at GRD’s Baghdad office. SBH’s system relied on a single collection point for individual PHCs and other medical facilities accessing the internet to report facility status and needed repairs. However, this approach failed for several reasons. First, many PHCs do not have communication systems to access an internet-based maintenance management system.¹³ Second, as noted earlier, SBH’s attempts to encourage MoH engineers to participate in training at the call center did not materialize because of security conditions and concerns over stipend payments. The two Iraqi engineers selected for training on this system ultimately stopped attending training at the site, and SBH did not effectively address the issue.

An SBH official stated that it orally offered MoH officials the opportunity to lease the hardware and software beyond the contract period, but MoH officials declined. However, according to MoH officials we interviewed neither the U.S. government nor SBH offered to transfer this system to the GOI. In addition, SBH officials stated that all hardware and software used for this requirement was either leased or owned directly by SBH or related entities and that it was therefore not left with MoH. According to an SBH official, the internet-based system they set up was never intended to be transferred to the GOI. Rather, it was intended only as a demonstration of systems used to manage large, health care networks. SBH noted that it provided GRD the raw data from the internet-based system; however, without the hardware and software to run it, this data was not usable. At the end of the contract MoH was left without any automation tools and without an improved maintenance management system.

As SIGIR has reported previously, a key lesson learned is that project success is enhanced by designing and implementing reconstruction projects that are in keeping with the host government’s level of capacity. Absent doing that, a project likely will not be sustained or even used, and U.S. tax dollars could be wasted. In this case, the U.S. government contracted to provide capacity development to the Iraqis without considering Iraqi needs or limitations. At the end of the contract, the automation requirements were not achieved, and \$2.4 million in funds expended on this requirement were wasted.

Enhancement of MoH Operations and Management Capabilities Was Only Partially Achieved

The PHC sustainment contract’s statement of work required SBH to “enhance existing operations and management capabilities of the MoH workforce,” and SIGIR estimates that SBH spent \$0.4 million to meet this requirement. Our analysis indicates that the training conducted was limited; therefore, the goal was only partially achieved. In comments to a draft of this report, GRD noted that all training under this contract was to be on-the-job.

SBH did train Iraqi staff on facilities maintenance and operations at the 17 repaired PHCs and provided MoH several manuals for medical and facility equipment. SBH also set up one mobile vehicle containing medical equipment for MoH to use in training its maintenance personnel.

¹² An SBH official stated it used Maximo, Primavera, and VFA software for this requirement.

¹³ For the 40 PHC assessments SIGIR reviewed and summarized, telephone or communication system inspections were performed at only 17 PHCs. For these 17 PHCs where communications systems were inspected, 15 had no visible telephones or communication systems and 2 had communication systems that were non-functional.

As previously noted, SBH also set up two computers at GRD facilities where MoH officials were to conduct on-the-job training on both call center activities and on the internet-based system, but security and other issues prevented MoH participation. SBH attempted to meet the workforce enhancement requirement; however, after it was clear that MoH officials would not come to the chosen location, neither GRD nor SBH arranged for an alternate facility. Even after MoH officials were no longer being trained on it, SBH continued to operate the computer system. This contract provided an opportunity to train MoH facility and medical equipment technicians, but due to poor oversight, this opportunity was missed. According to one MoH official, “We expected an operations and maintenance training contract but only got the operations portion, not the maintenance training.” Consequently, the requirement to enhance maintenance was not met.

According to MoH officials, training remains their greatest need in terms of sustaining the U.S.-funded PHCs, as well as the GOI’s larger health care network. MoH officials stated that most PHC staffs still do not know how to maintain the more complicated equipment. Consequently, some of it is not working, and MoH does not have the expertise to fix it. As indicated above, SIGIR noted that the same issues appeared in SBH’s PHC assessments. For example, many dental chairs were not installed properly. While SBH fixed dental chairs in the 17 PHCs they repaired, many chairs in the other U.S.-funded PHCs remain improperly installed. Without additional training, local staffs generally do not have the knowledge to repair them. The assessments we reviewed also noted a lack of maintenance on generators and water purification units. In several PHCs, the local staffs were not using the X-ray machines because they did not know how to operate them. In those PHCs that have staff who can operate the X-ray machines, most do not have the expertise to repair equipment.

Weak Contract Specifications, Ineffective Agency Coordination, and Staff Turnover Led to Breakdowns in Oversight

Overall, the PHC sustainment contract suffered from a lack of specific deliverables, poor oversight, ineffective coordination between ITAO and GRD, and the high turnover of GRD oversight personnel. Additionally, the GOI did not always make sufficient personnel available for training. In the end, the contract largely focused on repairs to high-priority PHCs, and little attention appears to have been paid to developing the MoH's capacity to maintain the facilities after turnover. Even though the contract was not meeting certain of its requirements, we found little evidence that GRD or ITAO took action to address the deficiencies. Moreover, coordination between GRD and ITAO was ineffective as illustrated by ITAO statements that GRD did not provide requested contract project information, and GRD's position that ITAO never brought problems to its attention. SIGIR has previously noted that when program management and contracting offices reside in different agencies, unity of command, program accountability, and program results can suffer. Further, GRD contracting officials changed frequently, and some were not sufficiently knowledgeable about the contract's requirements. Last, acquisition justification and other award-related documents were not readily available at the time of our review leaving us unable to determine the basis for acquisition and award.

Contract Lacked Specifics Needed To Determine Success

Although the PHC sustainment contract included operations, maintenance, and capacity development requirements, it did not "clearly describe all services to be performed or supplies to be delivered".¹⁴ According to the statement of work, SBH was to conduct a "thorough initial inspection of all targeted facilities/equipment", but the statement of work does not specify which facilities or equipment were targeted. Ultimately, SBH assessed 109 PHCs. Both GRD and SBH officials agree that security conditions kept SBH from assessing the remaining U.S.-built PHCs. The statement of work also requires SBH to "correct and repair structural, primary and secondary system deficiencies that impede recently commissioned medical facilities," but it does not indicate how many facilities SBH was required to repair. Overall, it appears that this contract was driven by the funds available, rather than by the need to accomplish specific maintenance goals. This situation left no basis upon which to assess SBH's accomplishments against specific requirements. SBH ultimately conducted repairs at 17 PHCs. Both ITAO and GRD officials indicated it was generally understood that the funds available for repair were insufficient to cover all 133 PHCs and that SBH was to repair as many of the 17 high-priority PHCs as possible. However, this was not stated in the contract nor was the contract ever modified to identify this goal.

¹⁴ See Federal Acquisition Regulation 16.505(a) (2), which specifies requirements for orders under indefinite delivery contracts. We understand that the contract under which Task Order 36 was issued was an indefinite delivery/indefinite quantity contract.

Coordination between GRD and ITAO on Status and Outcomes Was Ineffective

ITAO was the program manager responsible for the U.S. efforts to improve the health care system in Iraq, while GRD was the contracting office responsible for ensuring that SBH met the contract's requirements and for providing day-to-day SBH oversight. The two entities, although belonging to separate agencies, were expected to work in a coordinated manner to ensure SBH met the contract's requirements. SIGIR has previously reported on problems that can arise from a lack of unity of command between the program and contract management offices, and such problems materialized in the case of this contract. Specifically, ITAO officials said that GRD did not provide it with accurate and timely information on the problems and successes of SBH's performance.¹⁵ As a result, they stated that they were unaware of the contract's status and final outcome and did not have the information necessary to intervene and make adjustments. In response to our draft report, USACE provided documentation of some coordination between itself and ITAO. In particular, USACE provided examples of Weekly Health Sector Update slides that included information on the PHC contract. GRD also stated that it provided ITAO weekly project updates, but according to the Embassy, these meetings covered hundreds of projects. Thus project status could not be discussed in detail.

However, in May 2009—eight months after MoH personnel stopped coming to SBH's training sessions—GRD briefed ITAO that the sustainment contract would provide the MoH with “maintenance management training.” In the same briefing, GRD stated that SBH would “deploy a computerized maintenance management system” and provide “tools and processes to support the entire MoH system” and “other Iraq Ministries.” This briefing took place four months before the end of the contract when it was apparent that none of these goals would be met.

In addition, ITAO and Health Attaché officials stated that they repeatedly asked GRD to provide a briefing on the contract's final status. However, other than the biweekly briefings that covered all projects, ITAO indicated they received only one briefing specifically on the SBH contract in the last 12 months of the contract. That briefing was held in May 2009, as noted above. The contract ended in September 2009. In November 2009, GRD provided ITAO with thousands of files related to work done under the contract. However the files did not include a summary of the PHC assessments or a final briefing on the contract's outcome. As recently as February 2010, an ITAO official requested that GRD provide a final briefing on the contract, including a summary of the PHCs' status, but at the time this report was issued GRD had not provided the requested briefing.

GRD officials did not agree that their coordination with ITAO or the Health Attaché was poor. According to one official, it held regular biweekly Program Management Review Board Meetings that both ITAO and the Health Attaché were invited to. GRD noted that if ITAO had questions on PHC project status, they could have asked those questions. ITAO said these briefings covered hundreds of projects and did not provide the more detailed information they desired about the contract's outcomes. The differing views between ITAO and GRD regarding

¹⁵ USACE's policies, set forth in its Project Management Business Process, require project managers to communicate with the customer, who in this case was ITAO.

the responsiveness and usefulness of their information sharing illustrate the ineffective coordination between the two activities.

Frequent Turnover of Contracting Officials Led to Insufficient Oversight

Frequent turnover in contracting officers and contracting officers' representatives led to insufficient oversight of SBH activities and made the funds vulnerable to waste and abuse. The turnovers created a situation in which GRD was dependent on SBH to explain what was required and how well it was meeting expectations rather than GRD providing the oversight necessary to ensure that SBH met contract specifications.

GRD staffed the PHC sustainment contract with six different contracting officers over the 16-month performance period. Contracting authority shifted back and forth among these six officials and between GRD offices in Baghdad and the U.S. SIGIR interviewed the three key contracting officers and found that they had little or no knowledge about the contract's terms. One contracting officer did not know what deliverables were required under the contract and asked us to identify them. In addition, the contracting officers we spoke with did not know whether SBH's technical proposal was included as a part of the contract.

During the 16-month contract period, contracting officer representatives also had a high turnover rate, with four different representatives during that period. One contracting officer representative stated that his knowledge of the contract's deliverables came mostly from SBH. As a result of this lack of knowledge, the contracting officer representative was unlikely to be able to determine whether SBH was meeting the contract requirements.

The Army has recognized that their expeditionary contracting workforce is not adequately staffed, trained, or structured and that such conditions constitute a material weakness in their operations. However, the Army has recently taken steps to address the inexperience of personnel to oversee contracts in Iraq. On March 2, 2010, the U.S. Army Vice Chief of Staff addressed the lack of trained personnel to assist in the technical monitoring and/or administration of contracts, which are critical to its success in Iraq. He instructed Army commanders to nominate and train contracting officer representatives and other oversight personnel prior to deployment to Iraq. This includes identifying and nominating contracting officer representatives that have experience with the contract activities that they will oversee. He also instructed contracting officials to review their representatives' qualifications and training, and to monitor their performance in overseeing contracts.

Acquisition Justification and Other Award-related Records Were Not Readily Available

Acquisition justification and other award-related documents were not readily available at the time of our review. Specifically, to determine the justification for acquisition and the reasonableness of the contract amount we requested contract award documentation from three contracting officers. However, all three stated that they did not have any award files. After completion of our fieldwork, and in response to our draft report, GRD provided some award-

related documents that SIGIR requested, including the request for proposal, SBH's technical proposal, and the government's independent evaluation of SBH's proposal. Since these and other key award documents were not readily available at the time of our audit we were unable to determine the basis for acquisition and award. We will review this information and report separately to the extent we identify any areas of concern.

Status of PHCs' Condition Is Unclear, but Deficiencies Exist, and the MoH Has Assumed Responsibility for Repairs

The PHC sustainment contract did not provide for the “transparency on the status [of U.S.-funded PHCs]” ITAO originally intended. However, the assessments GRD provided to ITAO and MoH offer useful information on the PHCs’ conditions and existing deficiencies. MoH officials reported that despite these deficiencies, all but 4 of the 133 PHCs are open. MoH officials stated that insufficiently trained PHC staff remains its greatest sustainment challenge. Nonetheless, the MoH has already assumed full responsibility for U.S.-funded PHCs, and according to MoH officials, the Ministry plans to repair and maintain all U.S.-funded PHCs, provided it can execute its budget. In May 2010, the Executive Order that created ITAO will expire, and the U.S. Embassy’s Economic Section will take over responsibility for issues related to the PHCs.

Transition of PHCs to Iraqi Government

In early 2009, the national-level MoH authorized regional-level offices to conduct maintenance on U.S.-funded PHCs, although only enough to keep them open and operating. According to a MoH official, the MoH decided to delay more substantial repairs until it was clear that the United States would not maintain any more PHCs under the SBH contract. In November 2009, the Iraqi Ministry of Planning and Development and the U.S. Embassy signed a Memorandum of Understanding that transferred full legal authority for all U.S.-funded PHCs to the GOI. Since the PHC sustainment contract ended in September 2009, and since the GOI has assumed full legal authority for all U.S.-funded PHCs, the MoH has developed plans to repair and maintain them, according to MoH officials.

As of February 2010, Iraqi officials stated that 129 of the 133 PHCs that the United States transferred are open to the Iraqi public. In comments on SIGIR’s April 2009 PHC report, ITAO stated that it, along with the Health Attaché, would use PHC assessments to “make recommendations to the MoH for capacity development and sustainability initiatives using GOI or, if available, U.S. or other donor funds.” However, in February 2010, the U.S. Embassy eliminated the Health Attaché position, and responsibility for health care issues was moved to the Embassy’s Economic Section. Moreover, on May 10, 2010, the Executive Order that created ITAO will expire. In February 2010, ITAO officials stated that they do not plan to spend additional U.S. funds on the PHC program.¹⁶ Consequently, no final assessment will be made to determine exactly what the substantial investment in the PHC reconstruction effort achieved.

¹⁶ In a subsequent meeting, an ITAO official indicated that an exception to this statement may be made. He noted that ITAO was in the planning stage to provide funding to remediate leakage of radiation from X-ray rooms in PHCs. He did not think expenditures for these repairs would be significant. Neither a solicitation nor a contract has been issued for this work as of March 2010.

Conclusions, Recommendations, and Lessons Learned

Conclusions

The U.S. government achieved some benefits under the PHC contract, principally through repairs to 17 of the 133 clinics. However, the contract requirement to enhance Iraq's maintenance capability was not met. Also the transparency on the PHCs' status and information on operational and sustainability concerns that ITAO said would be provided by the contract was not realized. The primary reasons certain contract requirements were unfulfilled were weak contract management and oversight caused by the lack of specific contract requirements, ineffective coordination between GRD and ITAO, and the frequent turnover of GRD contracting personnel. Also, the GOI did not always make personnel available for training as agreed. These factors resulted in MoH's operations and maintenance capabilities not being enhanced as planned and the apparent wasteful expenditures of about \$3.9 million on contract activities to develop those capabilities.

The MoH has taken ownership of the PHCs and assumed responsibilities for repairs. On the U.S. side, the U.S. Health Attaché position was eliminated in February 2010, and ITAO will no longer exist after May 2010. The health care portfolio will transition to the U.S. Embassy's Economic Section without a clear understanding of what was accomplished under the SBH contract and how information developed from the contract can best be used in further engagement with the GOI on PHC matters.

The situation regarding the PHC sustainment contract's management and the larger issue of PHC matters transitioning to the Embassy's Economic Section illustrates two overall concerns that SIGIR has identified with the reconstruction effort. First is the ad hoc nature of the agencies that managed these programs and the gaps in information transfer that are created as matters are transitioned from one entity to another. Second and more importantly, is the lack of accountability for program results, which stems from the lack of unity of command.

Recommendations

SIGIR recommends that the U.S. Ambassador to Iraq direct that the overall strategies and plans for continuing engagement with GOI on health care issues include a focus on gaining the maximum benefit from the U.S. investment in the PHCs and the information gathered under the SBH contract.

Lessons Learned

Because this contract is complete and the PHCs have been transferred to the GOI, SIGIR is not making recommendations to address a number of issues related to the contract's overall management. Rather, SIGIR provides the following lessons learned that should be useful to agencies involved in implementing reconstruction programs during a contingency operation.

1. The lack of unity of command between agencies responsible for contract program management and oversight, the ad hoc nature of agencies responsible for reconstruction

programs, and frequent transitions of program management responsibility from one organization to another create gaps in program management continuity that can adversely affect overall program results.

2. When program and contracting offices for a given project are in different agencies, communication and cooperation between them may be hindered, potentially leading to waste. A lack of unity of command contributes significantly to a lack of accountability for program results.
3. Sound contract management and oversight are crucial for successful execution of contingency contracting activities, and the U.S. Army Vice Chief of Staff recently reinforced the need for leaders and contracting officials to nominate and train personnel prior to deployment. In particular, contracting officials must be knowledgeable about a contract's terms so that they can enforce contractors' compliance. In addition, program managers and contracting officials must confirm that the contract will fulfill the program office's needs prior to contract issuance.
4. Communication and coordination with the host government before, during, and after reconstruction projects will increase the likelihood that needed contract modifications are made on a timely basis and intended transition benefits are achieved.

Management Comments and Audit Response

In preparing this report, SIGIR considered written comments from the U.S. Embassy, Baghdad and the U.S. Army Corps of Engineers. Their complete comments are included in Appendices D and E.

U.S. Embassy, Baghdad Comments

The U.S. Embassy, Baghdad concurred with our recommendation, adding that it will continue efforts to implement it. The Embassy also noted that, while there were biweekly program review meetings between ITAO and USACE, those meetings covered hundreds of projects, including this contract. Thus, project status could not be discussed in detail.

USACE Comments

No recommendations were directed to USACE. USACE provided comments for SIGIR's consideration as well as additional documentation. In its comments, USACE stated that it still has concerns with SIGIR's interpretation of the intent and deliverables of this contract, as well as events related to it. For example, USACE disagrees that the contract did not provide the transparency intended. This report reflects the USACE comments as appropriate, and SIGIR's specific response to each comment is contained in Appendix E. Two key points raised by USACE and our response are summarized below.

First, SIGIR still believes that ITAO's goal of achieving transparency on the PHCs' status was not realized. As noted in this report, without a summary of SBH's assessments, neither ITAO nor GRD officials used the available assessment information to determine the status of U.S.-funded PHCs. The summary could provide important information, such as whether the facilities are open and operating at their intended capabilities, and the major maintenance issues that need to be addressed.

Second, USACE stated that the report does not reflect the efforts it made or the challenges it encountered. For example, USACE disagreed that coordination between GRD and ITAO was ineffective, noting that it sent ITAO Weekly Health Sector Updates and attended biweekly project updates. This report includes this information, as well as the Embassy point that these biweekly meetings covered hundreds of projects. Thus projects status could not be discussed in detail. We believe these differing views illustrate our point regarding the ineffective nature of coordination.

Appendix A—Scope and Methodology

Scope and Methodology

In June 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 9019 to examine the cost, outcome, and oversight of Stanley Baker Hill's (SBH's) \$16.5 million primary healthcare center (PHC) sustainment contract. In addition, SIGIR examined the status of PHC issues as the Iraq Transition Assistance Office's (ITAO) responsibilities are transitioned to the U.S. Embassy, Baghdad. SIGIR performed this audit under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work from June 2009 through March 2010 in Baghdad, Iraq.

To determine the cost of the contract, SIGIR obtained and analyzed relevant financial and other data from the Gulf Region Division (GRD) contracting office. We also examined detailed SBH information, including invoices and work orders, on how the \$16.5 million was spent. To allocate PHC sustainment contract costs by requirement, we used SBH's last invoice for Task Order 36. Using SBH's descriptions for how it billed costs under the contract, we allocated those costs to the contract's six main requirements. We then verified this allocation with the contracting officer. To allocate costs by category for the 17 PHCs repaired, we used SBH's work orders, which contained repair price estimates. Using these estimates and their accompanying descriptions, we allocated costs to one of the seven categories of repairs—water supply and reverse osmosis equipment; generator and electrical; heating, ventilation, and air conditioning; the facilities' structure; plumbing; biomedical equipment; and other. We also discussed the cost allocation with SBH officials.

To determine the outcome of the contract, SIGIR obtained and analyzed relevant data from the GRD contracting office, including the base contract and all of its modifications and SBH's technical proposals. SIGIR also interviewed GRD contracting officials and reviewed additional documents and data from the Army Corps of Engineers, GRD (now the Transatlantic Division). Officials at GRD included contracting officers, contract managers, and contracting officer representatives. We visited the Army Corps of Engineers-Baghdad in December 2009. We then compared the contract's requirements against what was delivered as identified by GRD, SBH, and Iraqi officials. We also interviewed officials from ITAO and the U.S. Health Attaché and officials from the Ministry of Health (MoH) and the MoH Inspector General's office.

To determine the adequacy of contract management and oversight, SIGIR obtained and analyzed relevant contract documents. We also interviewed officials in the GRD contracting office, including contracting officers, contract managers, and contracting officer representatives. We asked all officials about the contract's parameters and deliverables. We also asked about specific contract management and oversight activities. In addition, we interviewed program management office officials from ITAO and the U.S. Health Attaché. Further, we reviewed relevant portions of the Federal Acquisition Regulation. Since acquisition justification and other key award-related documents were not readily available at the time of our review, we were unable to determine the basis for acquisition and award.

To determine the status of PHC transition issues, SIGIR interviewed officials from the Iraqi MoH and various organizations and officials in the U.S. Embassy including ITAO and the Health Attaché. To determine the type of information contained in the PHC assessments, we obtained SBH's assessment data for the 109 PHCs that it inspected. Of these, SBH stated that it fully renovated 17, which left 92 PHCs that SBH assessed but did not repair. SIGIR judgmentally selected 40 of these 92 assessments to review and develop summary data. Our judgmental selection was intended to produce a cross section of PHCs based on four factors, including the PHC's province, PHC type, the GRD division, and the type of assessor (expatriates, Iraqis, and subcontractors).

SBH assessed various construction and equipment elements for each PHC. SIGIR summarized nine of these elements by assigning SBH's comments to one of five categories depending on the nature of the comments. Those categories were (1) No noted deficiencies – operating as designed with no deficiencies noted by SBH; (2) Minor Deficiencies – operating as designed or very close, but containing minor deficiencies; (3) Major Deficiencies/Partially Functional – not operating as designed or containing major deficiencies or health risks; (4) Not functional – not working at all; (5) Equipment or element missing. SIGIR did not characterize the medical functionality of these facilities. Rather, we summarized SBH's assessments of the PHCs' construction and equipment, highlighting whether or not the individual physical systems operate as designed.

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

Use of Computer-processed Data

We did not use computer-processed data in this report. Cost data was provided by the contracting office and SBH and included invoices, payment authorizations, and work orders.

Internal Controls

We identified and reviewed internal controls used in managing and administering the contract. Our review included controls related to the contract award and program management oversight. To conduct this review, we examined documents in the contract file such as work orders and invoice approvals and held discussions with key oversight officials for insight on internal controls. We did not examine SBH's internal management and financial controls. We presented the results of our review in the body of this report.

Prior Coverage

We reviewed the following SIGIR reports:

Construction of Primary Healthcare Centers Reported Essentially Complete, but Operational Issues Remain, SIGIR 09-015, 4/29/2009.

Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations, February 2010.

Appendix B—Acronyms

Acronym	Description
GOI	Government of Iraq
GRD	U.S. Army Corp of Engineers, Gulf Region Division
ITAO	Iraq Transition Assistance Office
MoH	Ministry of Health
PHC	primary healthcare center
SBH	Stanley Baker Hill
SIGIR	Special Inspector General for Iraq Reconstruction
USACE	U.S. Army Corps of Engineers

Appendix C—Audit Team Members

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

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

Mohamed Abdou

Walter Franzen

Richard Kusman

J.J. Marzullo

Nancee K. Needham

Appendix D—U.S. Embassy, Baghdad Comments



Embassy of the United States of America

Baghdad, Iraq
April 19, 2010

Mr. Stuart Bowen
Special Inspector General for Iraq Reconstruction

Dear Mr. Bowen:

We appreciate the effort and research that has gone into SIGIR's efforts to review the evolution of the Health Center Sustainment (HCS) project and associated contracts. We accept the recommendation and will continue efforts to implement it.

SIGIR recommended that strategies and plans be put in place that will allow the USG to gain maximum benefit from the USG investment in the Primary Healthcare Centers (PHCs) and the information gathered under the HCS project. Specifically, the information from the SIGIR study indicated a need for more systematic Ministry of Health (MoH) maintenance of the PHC facilities. This need has been conveyed to the MoH and will continue to be emphasized. In the short term, the study identified minor program-wide problems with facility construction, which has resulted in a requirement for further testing and repair efforts in all 133 facilities. This reassessment effort is in the development phase and is expected to be completed in December 2010.

We note, for the sake of clarity, that although there were biweekly program review briefings between ITAO and USACE, these briefings covered hundreds of projects including this one. Details of each project could not be discussed in depth at each meeting.

We again thank SIGIR for undertaking this review. With the clarifications noted above, we accept the observations made and will continue to implement the recommendation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Patricia M. Haslach".

Patricia M. Haslach
Assistant Chief of Mission for
Assistance Transition

Appendix E—U.S. Army Corps of Engineers Comments



DEPARTMENT OF THE ARMY
U.S. Army Corps of Engineers
441 G Street, NW
Washington DC 20314-1000

APR 18 2010

REPLY TO
ATTENTION OF:

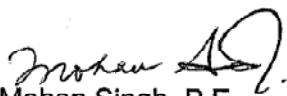
CEMP-GR

MEMORANDUM FOR SPECIAL INSPECTOR GENERAL IRAQ RECONSTRUCTION

SUBJECT: USACE Response to 10-015 – Health Center Sustainment Contract

1. The U.S. Army Corps of Engineers (USACE) appreciates the opportunity to review the draft report.
2. USACE also appreciated the changes made since the discussion draft was issued. However, USACE still has some concerns regarding SIGIR's interpretation of the intent and deliverables of this contract and events related to this effort. Further, the report does not reflect the efforts made by USACE personnel and the many challenges and variables encountered in this effort. Additional detailed comments are provided in the attached.
3. USACE would also like to reiterate that the previous organizational structure in Iraq has changed considerably in the last 12 months. The previous Gulf Region Division was inactivated on 23 Oct 2009 and our presence in Iraq is now represented by the much reduced Gulf Region District. The Transatlantic Division was established in Winchester VA to manage Divisional responsibilities for the CENTCOM AOR.
4. My points of contact for these comments are: Mr. John Daley (202) 761-5844.

Encl


Mohan Singh, P.E.
Chief, Gulf Regional Team, SES
Directorate of Military Programs

USACE Comment 1

USACE Comments to 10-015 - Health Center Sustainment Contract

What SIGIR Found, First Paragraph and Page 6 First Paragraph: “Also, the ITAO goal of achieving transparency on the PHC’s status and information to calculate the potential operational and sustainability concerns was not realized.”

USACE Response: USACE disagrees that the contract did not provide the transparency intended. The assessments along with other information were routinely shared with ITAO staff as well as with the Health Attaché and other relevant personnel. Summaries of the concerns were included in a number of Weekly Health Sector Updates that were sent to ITAO, Department of State Main, and the Health Attaché.

SIGIR Response: As noted in the report, neither ITAO nor GRD officials used the available assessment information to determine the status of the 133 U.S.-funded PHCs, including the extent of deficiencies and the number of those open and operational. Consequently, we continue to believe that ITAO’s goal of achieving transparency on the PHCs’ status was not realized.

USACE Comment 2

What SIGIR Found, Second Paragraph: “According to a senior SBH official, GRD instructed them to focus on repairing and assessing PHCs rather than on those tasks that would directly support MoH sustainment efforts. However, a GRD official stated that SBH was always responsible for meeting the sustainment requirements.”

USACE Response: the following excerpt reinforces the GRD official statement that SBH was always responsible for meeting sustainment requirements. The excerpt was taken from the Task Order 36 Statement of Work for Increased Contract Amount – “Running concurrently with assessments and correction is the implementation of preventative maintenance plans and capacity development.....SBH shall perform the maintenance and the engineer will “shadow” and see how – and how often – to perform the tasks themselves.”

The following excerpt from the same Statement of Work describes the revised focus the Department of State wanted GRD to take on the Task Order – “The DoS deemed that it was in the best interest of the USG to facilitate a more robust appropriation at year end to facilitate the repair and implementation of Original Equipment Manufacturing (OEM) Maintenance, in order for the facilities to operate to the design criteria specified....As an extension of the original SOW these additional funds, with DoS concurrence, will be used to repair, replace and/or correct deficiencies of existing equipment and facility systems.....Discussions with ITAO have revealed the work items on which they have tasked SHB to concentrate their efforts. The four areas of concern are the repair or replacement and preventative maintenance of the following in each facility: HVAC system, Reverse Osmosis, generator/electrical and bio-medical equipment.”

SIGIR Response: As noted in the report, we agree that SBH remained responsible for all requirements in the original statement of work. However, we also noted the contractor’s

statement that GRD officials instructed it to focus on repairing and assessing PHCs. In addition, one of the contracting officer's representatives we interviewed only knew about the requirements to assess and repair PHCs, and did not enforce any other requirements.

USACE Comment 3

What SIGIR Found, Second Paragraph: “Third, coordination between ITAO and GRD was ineffective. ITAO officials said that they requested information on the contract on several occasions, but received nothing from GRD. However, GRD says they conducted regular biweekly briefings on the project and that ITAO officials raised no issues.

USACE Response: This statement is not accurate. USACE has numerous documents and correspondence showing responses to ITAO requests. In addition to weekly meetings, USACE sent out a Weekly Health Sector Update that included a slide dedicated to this program. This update was sent to ITAO, Department of State Main, and the Health Attaché.

SIGIR Response: USACE provided documentation of some coordination between itself and ITAO. In particular, USACE provided examples of Weekly Health Sector Update slides that included information on the PHC contract. GRD also stated that it provided ITAO weekly project updates, but according to the Embassy, these meetings covered hundreds of projects so project status could not be discussed in detail. This report presents this information.

The report also presents examples of incomplete or inaccurate information provided by GRD. As noted in the report, in May 2009—eight months after MoH personnel stopped coming to SBH's training sessions—GRD briefed ITAO that the sustainment contact would provide the MoH with “maintenance management training.” In the same briefing, GRD stated that SBH would “deploy a computerized maintenance management system” and provide “tools and processes to support the entire MoH system” and “other Iraq Ministries.” This briefing took place four months before the end of the contract when it was apparent that none of these goals would be met.

Further, ITAO and Health Attaché officials stated that they repeatedly asked GRD to provide a briefing on the contract's final status, but never received one. As recently as February 2010, an ITAO official requested GRD provide a final briefing, including a summary of the PHCs' status, but at the time this audit was completed GRD had not yet provided one. Thus SIGIR continues to conclude that coordination was not effective.

USACE Comment 4

Page 7, 1st Full Paragraph: “Although GRD officials indicated that the individual PHC assessments provided transparency, as of the end of our audit fieldwork, neither ITAO nor GRD officials were able to collectively identify the status of PHCs.”

USACE Response: This statement is not reasonable. The individual assessments gave detailed information on each PHC assessed.

SIGIR Response: As noted in the report, an MoH official indicated that the individual assessments are useful to the Government of Iraq. Our point is that a summary of the assessments was necessary to provide transparency on the PHC status. The summary could provide important information, such as whether the facilities are open and operating at their intended capabilities, and the major maintenance issues that need to be addressed. However, such an analysis has not been done. Consequently, SIGIR continues to believe that, without a summary, the individual assessments do not provide the “transparency on the current status of PHCs” that ITAO stated as a contract goal.

USACE Comment 5

Page 10, Second Paragraph: The contract statement of work required SBH to “develop a comprehensive Maintenance Management Program to sustain [the PHCs].” This effort was to include “generic work plans, spare parts lists, preventive maintenance procedures” and other elements of a comprehensive program to help the MoH sustain its health care facilities well into the future.

USACE Response: The report does not reflect previous USACE advice that contract deliverables provided to the MoH included: Generic work plans, 109 detailed facility/equipment assessments, detailed site-specific work plans, spare parts lists, tools, operational procedures and preventative maintenance procedures for generators, RO systems, HVAC, solar lights, water treatment plant.

SIGIR Response: This report notes that this information was provided.

USACE Comment 6

Page 11 Second Paragraph: “An SBH official stated that it verbally offered MoH officials the opportunity to lease the hardware and software beyond the contract period, but MoH officials declined. However, according to MoH officials we interviewed neither the U.S. government nor SBH offered to transfer this system to the GOI. In addition, SBH officials stated that all hardware and software used for this requirement was either leased or owned directly by SBH or related entities and that it was therefore not left with MoH. SBH noted that it provided GRD the raw data from the internet-based system; however, without the hardware and software to run it, this data was not usable. Regardless of the circumstances, at the end of the contract MoH was left without any automation tools and without an improved maintenance management system..”

USACE Response: The SOW was designed to enhance and develop the capabilities and skills, as stated in the section below. The contractor was obligated to “use appropriate automation tools to establish a centralized collection point...” for the duration of the contract and to “include the incorporation of on-the-job or train-the-trainer management skills development.” No-where in the SOW is it stated that the USG or the contractor was to provide a permanent collection point and/or a permanent automated system.

SIGIR Response: The second paragraph of the contract statement of work specifically notes that this effort will “assist by providing to MOH a set of maintenance management tools, processes, and skill sets to sustain this infrastructure well into the future.” In addition, SIGIR believes that it would have served no purpose to “establish a centralized collection point” for maintenance management data if this collection point were not given to the MoH. A knowledgeable ITAO official voiced similar views.

USACE Comment 7

Page 11, Second Last Full Paragraph: “The contract statement of work required SBH to “enhance existing operations and management capabilities of the MoH workforce,” and SIGIR estimates that SBH spent \$0.4 million to meet this requirement. Our analysis indicates that the training conducted was limited; therefore, the goal was only partially achieved.”

USACE Response: No formal training was required in this contract. All training was to be OJT and shadowing.

SIGIR Response: The contract did not specify how workforce skills were to be enhanced. However, in GRD’s briefing to ITAO on May 9, 2009 it states that one of the PHC sustainment contract’s two objectives is “Capacity Development & Training.” ITAO’s funding request form for this contract, which GRD provided along with earlier comments, states that “the objective of [this initiative] is to support the training of MoH staff...” The contractor also stated that the purpose of meeting with MoH officials was to “train” them. However, as noted in the report, this did not occur because the Government of Iraq did not make personnel available to meet with the contractor. Regardless of whether these planned meetings with MoH officials were termed

‘formal training’ or on-the-job training, it is clear that SBH planned to provide training to MoH personnel and this did not occur.

The contractor did, however, enhance the “operations...capabilities” of some PHC staffs. Specifically, SBH trained local staff at 17 of 133 U.S.-funded PHCs. Consequently, we continue to believe that this requirement was partially achieved.

USACE Comment 8

Page 11, Last Full Paragraph: “...Additionally, SBH set up one mobile vehicle containing medical equipment to train maintenance personnel, but we found no indication that any mobile maintenance training occurred. “

USACE Response: The mobile vehicle was not developed for SBH to train the MoH engineers, it was developed for the MoH to utilize in training their own.

SIGIR Response: We revised our final report language to account for this new information.

USACE Comment 9

Page 14, First Paragraph: “Specifically, ITAO officials said that GRD did not provide it with accurate and timely information on the problems and successes of SBH’s performance.¹⁵ As a result, they stated that they were unaware of the contract’s status and final outcome and did not have the information necessary to intervene and make adjustments.”

USACE Response: The GRD BH&E Sector sent out a Weekly Health Sector Update that included a slide dedicated to this program. This update was sent to ITAO, Department of State Main, and the Health Attaché. For example, the report dated 04 Dec 2008 provided the following information to ITAO and the Health Attache:

Challenges:

- Utilities connections to essential city services; Power, water, and sewage
- Shortage of trained PHC medical equipment and building maintenance technicians
- MoH staff shortages
- Inadequate facility management
- MoH increasing demands for a comprehensive training program
- Bio-Medical consumables shortages

Key Assessment Findings:

- Lack of critical utilities
- Inoperative facility systems due to lack of maintenance, untrained staff, poor quality, or no utilities support
- Unused medical/facility equipment due to lack of utilities, skilled staff, repairs, or equipment specific consumables
- Missing equipment which was never installed or transferred to other sites
- Inaccurate condition status due to unreported deficiencies or inaccurate operational status

Way Forward:

- O&M services to commence as recommended & prioritized by the USG through coordination with MoH
- 16 PHCs identified for next assessments
- Assessments, repairs, and maintenances will continue at as many USG-funded healthcare facilities as fiscally possible

SIGIR Response: As noted above, USACE provided documentation of some coordination between itself and ITAO. In particular, USACE provided examples of Weekly Health Sector Update slides that included information on the PHC contract. GRD also provided ITAO biweekly project updates, but according to the Embassy, these meetings covered hundreds of projects, so project status could not be discussed in detail. This report presents that information.

However, as also noted in this report, in May 2009—eight months after MoH personnel stopped coming to SBH’s training sessions—GRD briefed ITAO that the sustainment contact would provide the MoH with “maintenance management training.” Moreover, as noted in this report,

ITAO and Health Attaché officials repeatedly requested, but never received a briefing on the contract's final status from GRD.

USACE Comment 10

Page 15, "Acquisition Justification and Other Award Related Records Are Missing

USACE Response: The title of this section should be changed as the records are not missing. USACE has copies of these documents and will provide to SIGIR.

SIGIR Response: This report notes we were provided this information and that we will report separately on any issues that may arise from our review of this information.

Appendix F—SIGIR Mission and Contact Information

SIGIR’s Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR’s Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
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