

The seal of the Office of the Special Inspector General for Iraq Reconstruction is a large, circular emblem in the background. It features an eagle with a shield on its chest, holding an olive branch and arrows. The shield has vertical stripes and a sunburst at the top. The words "SPECIAL INSPECTOR GENERAL" are written in English and Arabic around the top half of the circle, and "IRAQ RECONSTRUCTION" is written around the bottom half.

**COMMANDER'S EMERGENCY
RESPONSE PROGRAM: PROJECTS AT
BAGHDAD AIRPORT PROVIDED SOME
BENEFITS, BUT WASTE AND
MANAGEMENT PROBLEMS OCCURRED**

**SIGIR 10-013
APRIL 26, 2010**

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SIGIR

Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 10-013

Why SIGIR Did this Study

According to the Under Secretary of Defense (Comptroller), since 2004, \$3.74 billion has been allocated to the Commander's Emergency Response Program (CERP) for Iraq, enabling military commanders to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility. In July 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) examined a hotel construction project at the Baghdad International Airport (BIAP) and identified a number of weaknesses in the project's overall management by the Multi-National Corps-Iraq (MNC-I). These projects are now the responsibility of U.S. Forces-Iraq. Because of these weaknesses, SIGIR initiated a study of all of MNC-I's CERP projects at BIAP. The cost of these projects totaled about \$35.5 million as of November 2009.

Our reporting objectives for the CERP-funded BIAP projects were to examine their (1) cost and outcome and (2) management.

What SIGIR Recommends

SIGIR recommends the following: (1) The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects; (2) the Commanding General, U.S. Forces-Iraq, should enhance its ongoing efforts for gaining additional benefits from the BIAP project investment by working with GOI officials to develop approaches for improving the use and sustainment of CERP-funded BIAP projects and, to the extent practicable, develop a plan for accomplishing any agreed-upon approaches for improving the use and sustainment of the projects; (3) the Commanding General, U.S. Forces-Iraq, should take actions to enhance its data systems used to track and record CERP project data.

Management Comments

USF-I agreed with SIGIR's recommendation that it take actions to enhance its CERP project data systems. However, it did not agree that the Under Secretary of Defense (Comptroller) should revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects.

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

April 26, 2010

COMMANDER'S EMERGENCY RESPONSE PROGRAM: PROJECTS AT BAGHDAD AIRPORT PROVIDED SOME BENEFITS, BUT WASTE AND MANAGEMENT PROBLEMS OCCURRED

WHAT SIGIR FOUND

After 4 years of effort and about \$35.5 million in expenditures on 46 projects, Multi-National Corps-Iraq's (MNC-I) goals—to develop a commercial economic zone at the Baghdad International Airport (BIAP) that would generate revenue; provide prosperity, stability, and social development for the people of Iraq; and establish BIAP as an international gateway—have only been partially achieved. SIGIR notes that 22 projects valued at \$19.3 million have had generally successful outcomes. However, 24 projects valued at \$16.1 million have had generally unsuccessful outcomes and these funds are at risk of being wasted without further action. SIGIR notes that MNC-I, now U.S. Forces-Iraq (USF-I) believed that improving the airport and stimulating economic recovery could help to reduce violence and contribute to the goals of the surge in U.S. military troop strength. To the credit of the current military command in Iraq, it is actively working with the GOI, which now has ownership of the facilities that were constructed, to identify opportunities to gain additional benefits from the investment that has been made.

In general, MNC-I officials who managed the CERP projects followed the policies and procedures that were in place at the time. However, the outcomes of the projects raise questions about the overall adequacy of project management, particularly as it relates to the adequacy of guidance for implementing CERP projects. SIGIR identified five issues that contributed to management problems that were experienced, including: (1) the projects were undertaken without a plan to guide the effort and without adequate coordination with U.S. civilian agencies; (2) the projects were undertaken without a plan to evaluate the projects' results and the impact on the level of violence in Baghdad; (3) CERP guidance in place at the time included management and oversight procedures designed for smaller, quick-reaction projects and did not fully address the management needs of large-scale counterinsurgency and economic development efforts; (4) MNC-I personnel assigned to the projects lacked expertise in large-scale development projects and rotated frequently, which contributed to oversight inefficiencies; and (5) project files were not well-maintained and project tracking data were incomplete. SIGIR also notes that project risk and outcomes were also impacted by (1) the inherent difficulties in undertaking projects in a war zone; and (2) difficulties in working with a government that is in the process of developing its own form of democracy and processes for governance.

Over the past several years, DoD and MNC-I have significantly improved their management of CERP projects. Guidance improvements and recent changes to address the shortages of personnel who are trained in contracting officer's representative and CERP-related responsibilities are particularly noteworthy. However, while these actions address some of SIGIR's concerns about project oversight, gaps still remain with regard to planning. CERP guidance does not require project implementation plans. While this may be appropriate for small-scale CERP projects this is not the case for large-scale efforts with multiple integrated projects like the BIAP projects.



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

April 26, 2010

MEMORANDUM FOR U.S. SECRETARY OF DEFENSE

COMMANDING GENERAL, U.S. FORCES-IRAQ

SUBJECT: Commander's Emergency Response Program: Projects at Baghdad Airport
Provided Some Benefits, but Waste and Management Problems Occurred (SIGIR
10-013)

We are providing this audit report for your information and use. It discusses a group of Commander's Emergency Response Program projects undertaken at the Baghdad International Airport. 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 Iraq reconstruction 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 9026.

We considered written comments from the U.S. Forces-Iraq when preparing this report. The comments are addressed in the report where applicable, and the letter is included in Appendix I.

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.

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Secretary of State
U.S. Ambassador to Iraq
Commander, U.S. Central Command
Administrator, U.S. Agency for International Development

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Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits but Waste and Management Problems Occurred

SIGIR 10-013

April 26, 2010

Introduction

According to Under Secretary of Defense (Comptroller), since 2004, \$3.74 billion has been allocated to the Commander's Emergency Response Program (CERP) for Iraq, enabling military commanders to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility. In July 2009,¹ the Special Inspector General for Iraq Reconstruction (SIGIR) issued a report on a CERP project to construct a hotel at the Baghdad International Airport (BIAP). During that audit, SIGIR identified a number of weaknesses in the Multi-National Corps-Iraq's (MNC-I) overall management of the project that raised questions about project selection, costs, oversight, management, and plans to transfer the hotel to the Government of Iraq (GOI). Because of these questions, SIGIR initiated a more comprehensive review of CERP projects at BIAP, including a collection of projects known as the BIAP Economic Zone (BEZ). The reported cost of these projects totaled about \$35.5 million as of November 2009.

Background

CERP is governed by statutes, a financial management regulation, and other guidance. The statutes provide congressional direction and the funding level for CERP. The Department of Defense (DoD) provides detailed implementation guidance to commanders through the DoD Financial Management Regulation.² MNC-I, headquartered in Baghdad, Iraq, provided the overall program coordination for CERP in Iraq for the Multi-National Force-Iraq at the time these projects were undertaken. MNC-I and the Multi-National Force-Iraq were reorganized into U.S. Forces-Iraq (USF-I) on January 1, 2010. Therefore, USF-I is the current responsible command for addressing matters discussed in this report and provided comments on a draft of this report. However, in this report, we continue to refer to MNC-I and MNF-I as these were the organizations that approved and implemented these projects. MNC-I developed *Money as a Weapon System* (MAAWS), a policies and procedures manual for implementing CERP in Iraq.

¹ *Commander's Emergency Response Program: Hotel Construction Completed, but Project Management Issues Remain Unresolved*, SIGIR 09-026, 7/26/2009.

² The Under Secretary for Defense (Comptroller) is responsible for the DoD Financial Management Regulation.

MAAWS provides additional guidance on the purpose of CERP and outlines a system of controls over the use of CERP funds, including instructions on program execution and project approval.

As the CERP evolved, more requirements were added to the statutes for using the funds, such as establishing project approval and cost-sharing requirements. MNC-I updated the MAAWS and other CERP guidance as required to reflect these requirements. The regulations also provided direction on the types of CERP projects that are permissible. One category of permissible projects is “economic, financial, and management improvements.”³ Under this category, MNC-I officials developed a concept to renovate and expand the existing infrastructure at BIAP to provide facilities where international investors and humanitarian agencies could conduct business and meet with GOI officials in a secure environment. MNC-I’s concept was to make BIAP a gateway for international travel and improve economic conditions at BIAP to present a positive impression of reconstruction progress in the country.

According to MNC-I officials, by improving the economic conditions at BIAP MNC-I would further a new strategy to help reestablish local governance, rebuild infrastructure, and revitalize the economy in Iraq. In December 2006, the Army issued a field manual on counterinsurgency that identified fundamental principles for achieving population security.⁴ The manual identifies multiple tactics, including using money to conduct economic development activities to win the “hearts and minds” of the people. The manual encourages commanders to coordinate the projects with civilian U.S. agencies, but when those agencies are unable to coordinate military commanders may proceed on their own.

Overarching Rationale and Approach to Projects

MNC-I’s decision to undertake the projects at BIAP was also strongly influenced by rising violence in Iraq in late 2006 and early 2007. MNC-I believed that improving the airport and stimulating economic recovery could help to reduce violence and contribute to the goals of the surge in U.S. military troop strength. A paper written by MNC-I’s Chief of Civil-Military Operations describes MNC-I’s rationale for initiating the effort at BIAP (see Appendix C). The paper notes that Iraq lacked foreign investors to assist in its recovery and that bringing international investors to Iraq to meet with GOI officials could spur economic development. MNC-I saw the effort at BIAP as critical to the comprehensive counterinsurgency effort. The paper also notes that the counterinsurgency required MNC-I to “employ every tool available, to include economic initiatives, to give the people of Iraq a reason to turn away from violence and pursue a hopeful future.” The paper further notes that, taken in isolation, the counterinsurgency efforts were controversial and high risk but that the efforts were necessary “to turn the war around given limited funding sources and a very compressed timeline.”

³ See Appendix F for a complete list of CERP categories in the MAAWS.

⁴ Army Field Manual 3-24, *Counterinsurgency*, 12/2006.

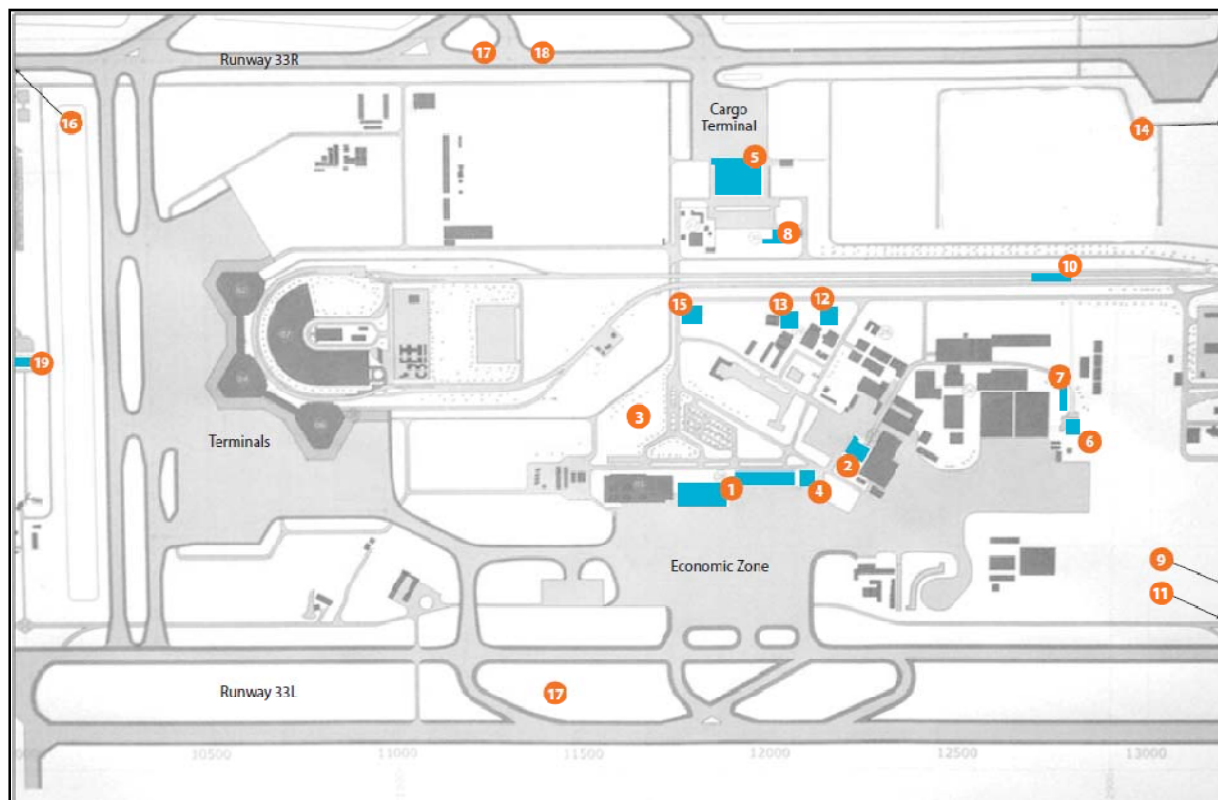
In written comments on a draft of this report, USF-I also explained that during the U.S. military surge in 2007 and 2008, the GOI provided significant ramp space and numerous facilities at BIAP for U.S. forces. To reciprocate, many CERP projects were initiated. According to USF-I, “the negotiated agreement can best be summarized as a stated commitment by U.S. Forces senior leaders to return the requisite space and facilities better than when they were received.”

The CERP projects at BIAP were approved in phases from February 2005 through February 2008. The main BEZ initiative consisted of four projects—a business center, a convention center, a hotel, and an office tower—intended to be used by for-profit businesses run by the Iraqi Ministry of Transportation (MOT). The other CERP projects at BIAP were intended to improve the airport and, in part, to enable BIAP to obtain International Civil Aviation Organization Airport Certification. This certification is a prerequisite for many international airlines to obtain insurance to land at an airport, which would enable more air traffic and greater economic development. These projects included renovation of an existing cargo terminal and the Iraq Aviation Institute; new construction of the Air Traffic Controller Training Center; and various other service, equipment, and utility projects. According to USF-I, many of the planned projects were impacted by the requirement to utilize existing property and infrastructure at BIAP.

Site Layout

Figure 1 illustrates the physical locations of 38 of the 46 individual CERP projects at BIAP. We visited most of these sites on September 28 and 29, 2009, and on November 16, 2009 we conducted a follow-up visit to observe the Business Center Security Building and the Transportation Operations Compound. Eight of the projects are not illustrated in Figure 1 because six were service projects that did not correspond to a specific facility, such as engineer retainer contracts and a trash clean-up project; one was a mural painted on a concrete blast protection wall and only remnants are still on site, and one was for an airport signs project that we could not locate during our site visits.

Figure 1—Site Layout of 38 of the 46 Individual CERP Projects at BIAP



Source: SIGIR update of briefing slide provided by 364th Civil Affairs Brigade (11/24/2009).

Notes: (Numbers in parentheses are the number of projects at that location.)

- | | |
|--|--|
| 1-Convention Center (1) | 11-Incinerators (1) |
| 2-Office Tower (1) | 12-Drinking Water System (1) |
| 3-Caravan Hotel (1) | 13-Electrical Generators (1) |
| 4-Business Center (2) | 14-Loop Mural (1) |
| 5-Cargo Terminal (3) | 15-Sewage System (1) |
| 6-Iraq Aviation Institute (6) | 16-Storm Water Drainage System (1) |
| 7-Air Traffic Controller Training Center (1) | 17-Culvert Lids (1); Runway Lighting System (1) |
| 8-Health Clinic (2) | 18-Runway Scrape and Paint (1) |
| 9-Transportation Operations Compound (1);
Trash Equipment (1) | 19-Air Traffic Control Center Standby Generator (1);
Uninterruptible Power Supply (1) |
| 10-Convenience Store and Coffee Store (1) | |

Responsible Organizations

BIAP is a Government-of Iraq (GOI)-owned facility funded by the MOT, which is responsible for airports and aviation in Iraq. The MOT assumed full control of BIAP on May 25, 2004. Previously, the airport in Baghdad was under the control of the Ministry of the Interior. Three entities within the MOT control airports and civil aviation: the Iraq Civil Aviation Authority (ICAA), which is responsible for civil aviation in Iraq and managing the country's airports and

airspace; Iraqi Airways, which is the state-owned Iraq airline; and the Meteorological Department, which is responsible for weather observation.

MNC-I was responsible for administering the CERP program in Iraq for the Multi-National Force-Iraq. Various civil affairs brigades under MNC-I conducted operations in support of MNC-I's Civil Military Operations to promote GOI self-reliance, facilitate reconciliation, and assist efforts to improve civil and governmental capacity. Part of their responsibility was using CERP funds and projects to further these efforts. These brigades were responsible for initiating, executing, and overseeing CERP projects, including project management, during their time in Iraq:⁵

U.S. Army 358th Civil Affairs Brigade February 2007 – November 2007

U.S. Army 360th Civil Affairs Brigade November 2007 – August 2008

U.S. Army 304th Civil Affairs Brigade August 2008 – April 2009

U.S. Army 364th Civil Affairs Brigade April 2009 – January 2010

The Convention Center, Office Tower, and Air Traffic Control Center Standby Generator projects were managed by the U.S. Army Corps of Engineers, Gulf Region Division for MNC-I. Headquartered in Baghdad, the Gulf Region Division provided engineering and construction services to the Multi-National Force-Iraq in support of military and civil construction through its division headquarters and one of its district offices (Gulf Region Central). The Gulf Region Division was inactivated on October 23, 2009 and replaced by the Transatlantic Division, headquartered in Winchester, Virginia. Gulf Region District remains the enduring district office in Iraq and is attached to U.S. Forces-Iraq.

The U.S. Embassy Baghdad's Transportation Attaché is the lead U.S. representative to the MOT and assists the GOI in developing its commercial airline industry.

Objectives

Our reporting objectives for the CERP-funded BIAP projects were to examine their (1) cost and outcome and (2) management.

For a discussion of the audit scope and methodology and a summary of prior coverage, see Appendix A. For a summary of CERP projects at BIAP, see Appendix B. For information on MNC-I's rationale for developing BIAP, see Appendix C. For a timeline of project approvals and disbursements as of November 22, 2009, see Appendix D. For a list of CERP statutes, see Appendix E. For a complete list of MAAWS CERP categories, see Appendix F. For a list of

⁵ In total, 46 CERP projects were initiated at BIAP and are examined in this report. The overall effort at BIAP included a few of the CERP projects that were approved prior to the 358th Civil Affairs Brigade's arrival in Iraq. We included these projects in our review because they were also intended to improve airport operations or enhance economic development. See Appendix D for the timeline for all CERP projects at BIAP.

acronyms used, see Appendix G. For the audit team members, see Appendix H. For a copy of the USF-I response to the draft report, see Appendix I. For the SIGIR mission and contact information, see Appendix J.

Many Projects Achieved Benefits, but Significant Investments Remain at Risk of Waste

As of November 2009, MNC-I had approved and initiated 46 individual CERP projects at BIAP at a total cost of about \$35.5 million. About \$19.3 million (54%) of the total expenditures involved 22 projects that resulted in successful outcomes. However, about \$16.1 million (46%) was used for 24 projects that resulted in outcomes with questionable value; those funds may be wasted unless steps are taken to improve the maintenance and use of the projects. Overall, these projects were intended to develop an economic zone and improve the operations of the airport; they consisted of various construction projects, service projects, equipment purchases and repair projects, and projects to renovate or repair utility systems. The successful projects included facility construction (48%), installation or repair of utilities (15%), purchase of equipment (17%), and management services (20%). The projects with questionable outcomes were largely facility construction (70%) and equipment purchases (25%).

To determine project costs and outcomes, we analyzed disbursement data from the Standard Finance System (Army) and the U.S. Army Corps of Engineers' Financial Management System and additional cost and project schedule data from documents in the CERP project files, such as project cost estimates, initial purchase request forms, contracts, statements of work, bills of quantities, notices to proceed, invoices, receiving reports, and payment documents. We also conducted two site visits. On September 28 and 29, 2009, we visited most of the project sites, and on November 16, 2009, we conducted a follow-up site visit to the Business Center Security Building and the Transportation Operations Compound. The projects we visited encompassed 34 of the individual CERP projects and about \$29 million spent at BIAP. During site visits, we interviewed GOI officials who happened to be at the project sites during our visit.

To present our analysis, we grouped the projects into two categories: those that were generally successful and those that had questionable outcomes. Overall, the generally successful projects are being used as intended. They have been completed, transferred to the GOI, and are being mostly sustained by the GOI. We also included one-time service contracts in the generally successful category where appropriate. The questionable outcome projects include projects that, at present, are not being used by the GOI, have not been maintained, are being used minimally or not as intended, or were terminated before completion. We also questioned the outcomes of projects where the project files contained minimal evidence of work performed. Where applicable, we took into account the results of third-party assessments that were related to the projects; we did not conduct independent engineering assessments to verify the third party assessments. Not all of the project files were complete, so we had to rely on testimonial evidence regarding project completion, transfer, and sustainment for some projects. When the preponderance of the available evidence suggested that project outcomes were favorable, we

categorized the projects as generally successful. In light of these limitations, we believe our categorizations are reasonable given the available evidence.

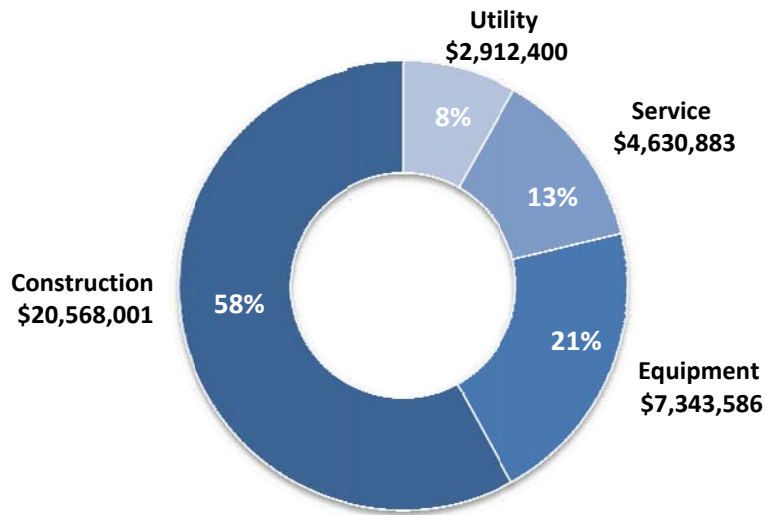
We acknowledge the overall MNC -I rationale for the BIAP projects was to reduce violence and to support the objectives of the military surge. We did not attempt to assess the project outcomes based on that rationale because such an analysis would require us to make military judgments that are not in the scope of our audit responsibilities or capabilities. However, we do note that MNC-I senior officials stated that overall the BIAP projects contributed to achieving those objectives.⁶ At the same time, we believe that opportunities still exist to gain greater benefits from the investment.

Projects Resulted in Benefits and Potential Waste

The total reported cost of the 46 individual CERP projects at BIAP was about \$35.5 million as of November 2009. The work included 16 construction projects to build or renovate facilities, 13 service projects such as managing a business center or providing temporary air traffic controllers, 14 projects to purchase or repair equipment, and 3 projects to renovate or repair utility systems. These projects, approved between February 2005 and February 2008, ranged in cost from \$7,600 for airport signs to about \$5.7 million for the renovation of two former terminals to serve as a convention center. The average cost of the 46 projects was \$770,758. Figure 2 shows the costs of the 46 projects by project type.

⁶ According to the senior MNC-I military official, the GOI permitted MNC-I to use the property and buildings at BIAP to support a combat aviation brigade, which facilitated the military surge; the CERP projects were funded, in part, to recognize the GOI's contribution to the war effort.

**Figure 2—Reported Costs of 46 Individual CERP Projects at BIAP
(by project type)**



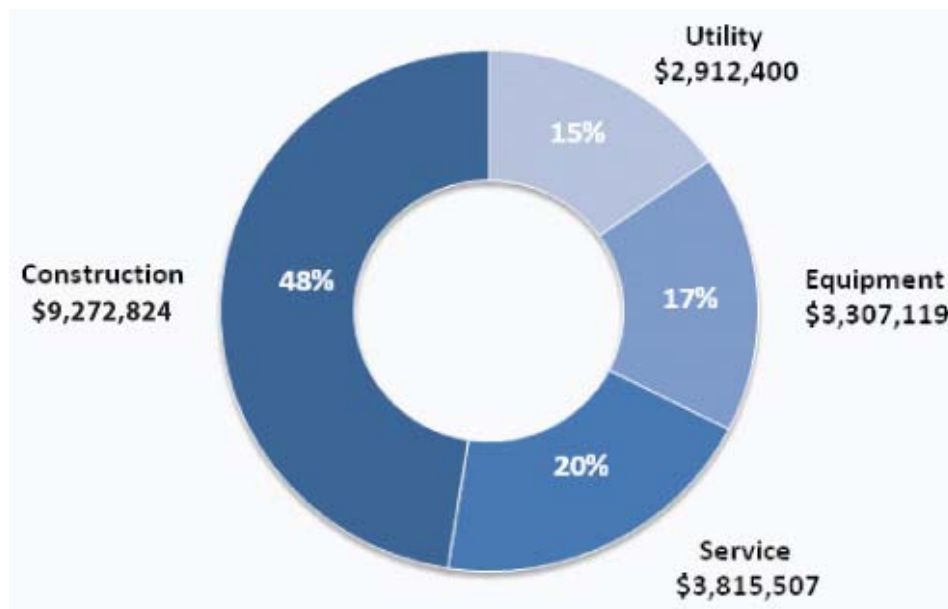
Source: SIGIR analysis of Standard Finance System (Army) and MNC-I and GRD data (11/22/2009).

Twenty-two of the projects were completed and were generally successful; however, 24 of the projects resulted in outcomes of questionable value.

Generally Successful Projects

Figure 3 shows the costs of the 22 generally successful projects by project type as of November 22, 2009.

Figure 3—Reported Costs of the 22 Projects with Generally Successful Outcomes (by Project Type)



Source: SIGIR analysis of Standard Finance System (Army) and MNC-I and GRD data (11/22/2009).

Table 1 lists the 22 generally successful projects, their project type, approval date, outcome, and cost. These projects represent about 54% of total CERP costs at BIAP.

Table 1—22 CERP Projects with Generally Successful Outcomes (as of 11/22/2009)

Name	Project Type	Approval Date	Outcome	Cost
Office Tower	Construction	04/2007	Renovation completed and used as intended	\$4,238,552
Caravan Hotel	Construction	10/2007	Construction completed and used as intended	\$4,164,588

Name	Project Type	Approval Date	Outcome	Cost
Transportation Operations Compound	Construction	02/2008	Renovation completed and used as intended	\$487,590
Convenience Store and Coffee Shop	Construction	08/2007	Renovation completed and used as intended	\$179,000
Health Clinic Renovation	Construction	11/2006	Renovation completed and used as intended	\$160,500
Business Center Security Check Point	Construction	07/2006	Construction completed and used as intended	\$42,594
Electrical Generators	Equipment	06/2007	Repaired and used as intended	\$1,457,641
Trash Equipment	Equipment	04/2007	Provided and used as intended	\$1,430,757
Health Clinic Equipment	Equipment	06/2007	Provided and used as intended	\$363,574
Uninterruptible Power Supply at Air Traffic Control Tower	Equipment	12/2006	Provided and used as intended	\$47,547
Airport Signs	Equipment	02/2005	Provided and used as intended	\$7,600
Air Traffic Controllers Replacement	Service	08/2007	Service provided	\$1,655,667
Loop Mural	Service	08/2007	Service provided	\$900,000
Trash Clean-Up	Service	10/2006	Service provided	\$350,000
T-Wall Mural	Service	05/2007	Service provided	\$280,000
Engineering Study for BIAP Sewer, Water, Electric and Storm Water	Service	07/2007	Service provided	\$252,000

Name	Project Type	Approval Date	Outcome	Cost
Business Center Management Contract II	Service	12/2007	Service provided	\$211,200
Business Center Management Contract I	Service	12/2006	Service provided	\$142,840
Fire System Test	Service	04/2007	Service provided	\$23,800
Drinking Water System	Utility	08/2007	Repair completed and used as intended	\$1,731,050
Sewage System	Utility	08/2007	Renovation completed and used as intended	\$836,350
Storm Water Drainage System	Utility	05/2007	Renovation completed and used as intended	\$345,000
Total				\$19,307,850

Source: SIGIR analysis of Standard Finance System (Army) and MNC-I and GRD data (11/22/2009).

These five projects are examples of projects with generally successful outcomes:

Office Tower

Outcome Summary: Renovation Completed, Transferred, Mostly Sustained, and Used as Intended

At a reported cost of about \$4.2 million, the Office Tower renovation was initiated in April 2007, completed on June 30, 2008, and transferred to the GOI on January 20, 2010, nearly 19 months after the project was completed. A private company has been operating the office tower for the GOI since October 2008. The management contract does not involve CERP funds, but MNC-I negotiated the management contract between the private company and the GOI because the management contract promotes project sustainment by providing the GOI steady revenue and helps to ensure that the facility is used as intended.

The initial U.S. investment resulted in some private investment and has enhanced professional opportunities for people in Iraq; however, the venture has not generated a net profit. From January through September 2009, the office tower has operated at a net loss to the private management company, mainly due to security expenses paid to a subcontractor and the salaries paid to employees. As of November 2009, the office tower was just about 64% leased. Private

investors who rented a floor in the tower stated that their company offers the only facility in Iraq where students can obtain international information technology certifications. We toured the office space and noted that it offers modern training equipment, which allows classes to be led by instructors from all over the world via satellite. An executive officer for the company stated that most of the students who attend training at the facility are Iraqi, and many work either for the GOI or for multinational companies. Figures 4 and 5 are examples of the office space in the office tower.

Figure 4—Office Tower Interior



Source: SIGIR photographs taken during site visit on 9/28/2009.

Figure 5—Remodeled Office Space and Computer Lab Independently Funded by Office Tower Tenant



Source: SIGIR photographs taken during site visit on 9/28/2009.

Replacement Air Traffic Controllers

Outcome Summary: One-time Service Provided.

This project was completed at a reported cost of \$1,655,667. As the air traffic to BIAP increased in 2007, the GOI faced a serious shortage of certified air traffic controllers to handle the increased civil air traffic at BIAP. Therefore, MNC-I initiated the Air Traffic Controller Replacement Project in July 2007 to provide four temporary civilian air traffic controllers for the BIAP control tower to replace Iraqi controllers, for 1 year, while they received advanced training to manage the increased workload. The justification documents for the award sufficiently explained the urgent requirement that necessitated limiting competition and at least two contracted air traffic controllers reported to work in November 2007 to meet this need.

Trash Equipment

Outcome Summary: Provided, Transferred, Mostly Sustained, and Used as Intended

This project was initiated in April 2007 at a reported cost of \$1,430,757; it included the purchase of trash equipment and construction of a trash transfer station. The trash equipment was purchased and appeared to have been used regularly; thus, we categorized the project as generally successful. The trash transfer station, however, appeared not to have been used for its intended purpose, which was to serve as a collection point for the incinerators. When we visited the transfer station in September 2009, we observed smoke stains on the cement bins of the transfer station, which appeared to have been caused by using the bins to burn trash. According

to MNC-I officials, burning trash in this manner is a standard practice throughout Iraq. Figure 6 shows an example of the trash equipment and the trash transfer station.

Figure 6—Trash Equipment and Trash Transfer Station



Source: SIGIR photographs taken during a site visit on 9/28/2009.

Loop Mural

Outcome Summary: One-time Service Provided

Initiated in August 2007, this project commissioned Iraqi artists to paint a mural on the wall that borders the access road to BIAP. The mural, which cost a reported \$900,000, was intended to reflect, in a progressive nature, historical and economic development themes. The concept was to provide patrons who are driving along the access road scenes that represent the transition of the Iraqi economy and to offer a perspective of future economic development. Two of the mural's specifications included a total distance of 4,000 meters long by 4 meters high and paint that would hold up under direct sun and other environmental conditions.

A written statement (see Appendix C) describing MNC-I's rationale for the BIAP projects includes this statement regarding the loop mural:

As MNC-I worked to get BIAP "open for business" through its minimalist work on the BIAP Economic Zone, the Corps felt an imperative to do something to beautify this 2.3 mile wall, the first and last impression of every civilian entering or departing Baghdad via air. For \$900K total, artists were hired to beautify this over two mile stretch with a mural highlighting Iraqi culture and hope; this seemed a very fair price to make an urgent statement that hope existed in Iraq.

We viewed the mural from vehicles as we were transported to and from other project sites during our site visit in September 2009; however, we did not get close enough to determine whether the mural had been sealed.⁷ The mural is painted on a cement wall that lines the main road wrapping around the airport. We noted that the mural wall had indications of surface deterioration. For example, in some instances the surface had chipped away and the underlying brick was exposed. Also, compared to images in the project files, the vividness of the color appeared to have faded since the mural was painted in 2007. MNC-I officials stated that the mural served its intended purpose; however, it is unclear what impact the mural had. Figure 7 shows two sections of the mural.

Figure 7—Loop Mural



Source: SIGIR photographs taken during site visit on 9/28/2009.

T-Wall Mural

Outcome Summary: One-time Service Provided

This project was initiated in May 2007. Similar to the loop wall mural, the purpose of the T-wall mural was to beautify BIAP and to reflect hope. Unlike the loop wall mural, the T-wall mural was painted on temporary T-walls, at a reported cost of \$280,000, which surrounded the convention center and adjacent buildings. During our site visit on September 28, 2009, we observed remnants of the T-wall from the roof of Hall 1 of the convention center (see Figure 8 right panel).

⁷Because of security concerns, vehicles are not allowed to stop on the airport entrance road.

It is unclear whether these murals had any impact on potential investors travelling to and from BIAP; however, the project was intended to be a temporary art installation and, as such, it appears to have been used as intended.

The Figure 8 left-panel photograph was taken from the project files and the right-panel photograph was taken by SIGIR.

Figure 8—Temporary T-Wall Mural

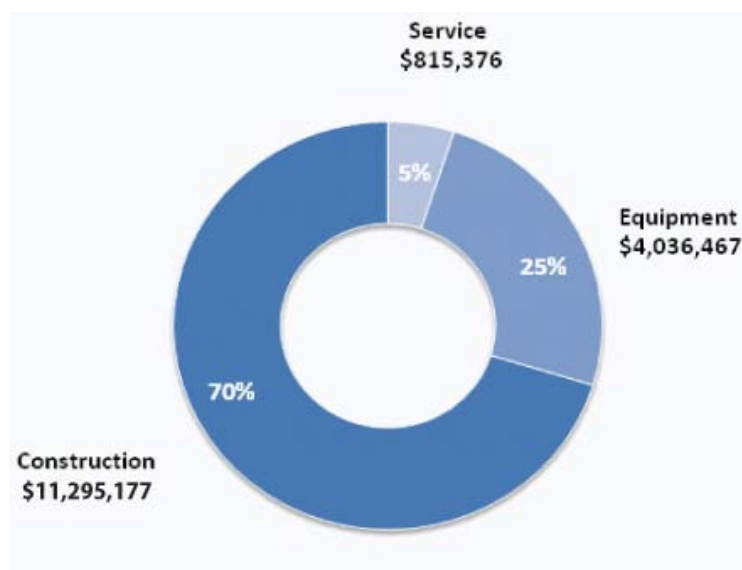


Source: Photograph from project file taken on 6/25/2007 and SIGIR photograph taken during site visit on 9/28/2009.

Projects with Questionable Outcomes

Twenty-four projects, including four projects discontinued for various reasons, resulted in questionable outcomes. USF-I questions SIGIR's assessment of 6 of these projects, and SIGIR has requested additional information on the projects' status. Figure 9 shows the reported costs of 24 projects with questionable outcomes by project type as of November 22, 2009.

Figure 9—Reported Costs for the 24 Projects with Questionable Outcomes (by Project Type)



Source: SIGIR analysis of Standard Finance System (Army) and MNC-I and GRD data (11/22/2009).

Table 2 lists the 24 projects with questionable outcomes along with the project type, approval date, outcome, and cost. These projects represent about 46% of total CERP costs at BIAP.

Table 2—24 CERP Projects with Questionable Outcomes (as of 11/22/2009)

Name	Project Type	Approval Date	Outcome	Cost
Convention Center	Construction	01/2007	Renovation partially completed, contracts terminated	\$5,725,380
Cargo Terminal Refurbishment	Construction	08/2007	Renovation completed, used minimally and not maintained	\$1,958,792
Air Traffic Controller Training Center	Construction	08/2007	Construction completed, used minimally	\$1,788,045
Iraq Aviation Institute Access Road and Parking Lot	Construction	04/2007	Construction completed, used minimally	\$1,041,648

Name	Project Type	Approval Date	Outcome	Cost
Iraq Aviation Institute Rehabilitation	Construction	10/2006	Renovation completed, used minimally	\$398,502
Business Center Building Renovation	Construction	11/2006	Renovation completed, not being used	\$168,550
Culvert Lids	Construction	02/2005	Minimal evidence of work performed	\$90,000
Iraq Aviation Institute Facility Improvement	Construction	04/2007	Renovation completed, used minimally	\$79,735
Business Center Security Building Rehabilitation	Construction	11/2006	Renovation completed, not being used	\$31,250
Iraq Aviation Institute Water Supply Pipe	Construction	11/2007	Construction completed, used minimally	\$13,275
Incinerators	Equipment	06/2007	Provided, not being used	\$2,939,896
Cargo Terminal Additional Equipment	Equipment	02/2008	Provided, not maintained	\$400,965
Iraq Aviation Institute Automation Contract	Equipment	04/2007	Provided, used minimally	\$186,493
Air Traffic Control Tower Standby Generator	Equipment	09/2005	Repaired, not maintained	\$128,000
Iraq Aviation Institute Furniture Purchase	Equipment	04/2007	Provided, used minimally	\$112,138
Business Center Automation Contract	Equipment	11/2006	Provided, not being used as intended	\$89,000
Business Center Furniture Contract	Equipment	11/2006	Provided, not being used as intended	\$82,804
Runway Lighting System	Equipment	01/2008	Provided, not maintained	\$72,856
Business Center Equipment Purchase	Equipment	04/2007	Provided, not being used as intended	\$24,315

Name	Project Type	Approval Date	Outcome	Cost
Cargo Terminal Automated Inventory System and Management Contract	Service	08/2007	System purchased but license agreement not signed, management contract terminated	\$459,996
Runway Scrape and Paint	Service	01/2008	Service partially provided, project terminated	\$177,870
Engineer Retainer Contract II	Service	06/2007	Minimal evidence of work performed	\$98,000
Engineer Retainer Contract I	Service	11/2006	Minimal evidence of work performed	\$61,590
Business Center Internet Service	Service	10/2007	Service partially provided, project terminated	\$17,920
Total				\$16,147,020

Source: SIGIR analysis of Standard Finance System (Army) and MNC-I and GRD data (11/22/2009).

The following five projects are examples of projects that had questionable outcomes:

Convention Center

Outcome Summary: Renovation Partially Completed, Project Terminated.

Since the project was initiated in January 2007, the U.S. government has spent a reported \$5.7 million⁸ on the convention center. The purpose of the project was to renovate two old terminal buildings to be used as convention center halls at BIAP. The project consisted of two contracts, both of which were awarded by GRD on behalf of MNC-I.⁹

- The first contract, for \$5.46 million, was awarded in January 2007. The contract was modified during the demolition phase to compensate for unforeseen site conditions—the discovery of asbestos and bird feces—which raised the price to about \$6.4 million. After

⁸ In addition to the costs paid to the contractor, the total cost reflects administrative costs paid to GRD for administering the contract.

⁹ A third contract to complete the renovations and manage the Convention Center was never awarded because the ICAA and the MOT could not agree on the terms of the contract.

about \$4.5 million was spent, the contract was terminated for default in November 2008 because the contractor failed to perform contractual obligations.

- The second contract, for \$1.39 million with funds deobligated from the first contract, was awarded in March 2009. It was terminated for convenience in September 2009 after about \$228,000 had been spent because negotiations between MNC-I and GOI for the management contract broke down. The ICAA and the MOT could not agree on the contract for managing the facility upon completion. Also, before the negotiations for the management contract dissolved, the GOI did not provide the contractor access to the project site because it was dissatisfied with the contractor's performance on previous projects. MNC-I decided not to spend additional funds on the project because it believed the GOI would not be able to sustain the project without a management contract in place. MNC-I directed GRD to terminate the contract for convenience.

The two contracts that were awarded did not include requirements to connect the convention center to the main power supply. At the time the convention center project was planned and approved, a separate project had been approved to improve the main power supply at BIAP. The statement of work for the convention center was written on the basis that the electrical project would have been completed and would have addressed the electrical supply needs for the convention center. Because the electrical power project was later cancelled, additional work—beyond what was included in the contracts' statement of work, would have been necessary to make the convention center buildings operational.

After the second contract was terminated, the ICAA placed security guards at the convention center; nevertheless, some equipment stored there disappeared. For example, an inventory taken in 2009 showed that 60 boxes of florescent bulbs were removed from the site. To prevent further loss, MNC-I officials moved the equipment to a U.S. government storage site near BIAP. The intent was to secure the equipment so that it could be reallocated to other CERP projects or be used elsewhere. During November 2009, the excess equipment was being transferred to the Defense Reutilization and Marketing Service site near BIAP. Once the equipment is turned over to the Defense Reutilization and Marketing Service facility, it will be reused, transferred, donated, sold, or disposed of.

When we visited the project site in September 2009, we observed that both buildings required significant work and had not yet been transferred to the GOI. Nevertheless, two events were held in the unfinished Hall 1 of the convention center in late 2008, and a third was held in December 2009. MNC-I officials estimated that one of these events, a 3-day oil exposition held in December 2008, generated about \$1 million in revenue. Power for this event was provided by running a temporary line from the electrical substation in Hall 2 to Hall 1 and by using a small generator provided by the contractor who ran the event. Potential investors have repeatedly expressed interest in holding events at the convention center; according to a senior USF-I military official, in February 2010 a Japanese delegation was specifically interested in the

facility. USF-I officials told us that they did not plan to spend additional funds on the convention center and transferred it to the GOI on January 20, 2010. Figures 10 and 11 show the condition of the convention center as of September 28, 2009.

Figure 10—Convention Center Hall 1, Exterior and Interior



Source: SIGIR photographs taken during site visit on 9/28/2009.

Figure 11—Convention Center Hall 2, Exterior and Interior



Source: SIGIR photographs taken during site visit on 9/28/2009.

In written comments on a draft of this report, USF-I said that management of the convention center project transferred between civil affairs brigades in February 2008. The subsequent assessment of the contract that led to its termination was executed after this transfer.

Incinerators

Outcome Summary: Provided, Not Being Used

The project was initiated in June 2007 to install incinerators at BIAP. Two incinerators were purchased and installed at a cost of about \$3 million. The project was transferred to the ICAA in May of 2008. On September 28, 2009, we observed that the fuel tank was empty and confirmed that the incinerators appeared not to have been used recently. SIGIR asked a senior GOI official why the incinerator was not used and he stated that Iraqis do not use incinerators, raising questions about project coordination with the GOI. Because the incinerators are not being used, SIGIR considers the \$3 million spent on this project to be wasted. Figure 12 shows the incinerators.

Figure 12—Incinerators



Source: SIGIR photographs taken during site visit on 9/28/2009.

Cargo Terminal Projects

Outcome Summaries:

- Cargo Center Refurbishment: Renovation Completed, Used Minimally, Not Maintained
- Cargo Terminal Automated Inventory System and Management Contract: System Purchased but License Agreement not Signed; Management Contract Terminated
- Cargo Terminal Additional Equipment: Provided but Not Maintained

The cargo terminal was to be renovated through three CERP projects costing about \$2.8 million. One contract for all three projects was awarded to a single contractor. The original contract, signed in September 2007, included two projects: the initial renovation project and a project to

provide an automated inventory system, which included a management contract to run the system. According to documents in the project file, MNC-I split the overall project into two bidding processes because the renovation and inventory management system required very distinct services. Specifically:

The renovation work requires a construction company with renovation, construction, and equipment repair skills; while the management project requires a company with international air freight expertise with knowledge of automated cargo management systems. Although both projects were awarded to one company, the management will be sub-contracted to a qualified company with vast knowledge and experience with international air freight operations.

Later an “increase in funds” project was added in February 2008. This project provided additional equipment that was not included in the original contract, such as high-loaders, a potable water station, and a fan for the ventilation system.

During our site visit on September 28, 2009, we observed that the cargo terminal was in a state of disrepair and garbage was strewn about. Some of the equipment purchased with U.S. funds seemed never to have been used or appeared damaged. For example, a generator and a forklift were still wrapped in their original plastic covering, and the generator appeared never to have been used. The large metal doors of the cargo terminal, which had been repaired as part of the original project, were damaged to the point that they were not operational.

Additionally, Iraqi officials on site confirmed that computers were purchased to run the automated inventory system, but the inventory system currently used at the cargo terminal is manual. Evidence in the project file indicates that the management project was de-scoped from the cargo terminal contract because Iraqi Airways refused to sign a licensing agreement with the cargo inventory system providers. Figure 13 shows the interior of the cargo terminal.

Figure 13—Cargo Terminal Interior



Source: SIGIR photographs taken during site visit on 9/28/2009.

See Appendix B for a discussion of all 46 CERP projects at BIAP.

Inadequate Planning, Staff Continuity, and Guidance Led to Questionable Outcomes

In general, MNC-I officials who managed the CERP projects at BIAP followed the policies and procedures that were in place at the time the projects were undertaken. However, gaps in those policies and procedures allowed the projects to move forward with less than adequate management controls. These gaps contributed significantly to the questionable outcomes and potential waste identified in the previous section. As the BIAP projects were being undertaken, MNC-I was significantly improving its guidance on managing CERP funds,¹⁰ and the majority of the management issues we identified have been addressed by these guidance changes. Nevertheless, the changes do not address the management of long-term projects and the type of management controls that need to be in place as project responsibility is handed from one unit to another.

Several issues contributed to the questionable outcomes of the CERP projects at BIAP:

- The projects were undertaken without a comprehensive plan to guide the effort, and without adequate coordination with U.S. civilian agencies. (Better coordination is now required by MAAWS, but comprehensive plans are not required.)
- The projects were undertaken without establishing a basis for evaluating the projects' economic and military impacts. (MAAWS now requires metrics.)
- CERP guidance, in place at the time, used management and oversight procedures designed for smaller, quick reaction projects and did not fully address the management needs of large-scale counterinsurgency and economic development efforts. (Guidance has improved but still focuses on individual projects.)
- MNC-I personnel assigned to the projects lacked expertise in large-scale development projects and rotated frequently, which contributed to oversight inefficiencies. (This remains an area of concern.)
- Project files were not well-maintained and project tracking data was incomplete. (This continues to be a long-standing problem that USF-I stated that it is aware of and is working to correct.)

¹⁰ For example, for higher cost projects, the January 2009 MAAWS requires commanders to document coordination with provincial reconstruction teams; secure GOI commitment to sustain the projects, including providing for operations and maintenance costs; establish performance objectives and monitor progress; and develop cost-sharing arrangements with the GOI.

MNC-I Did Not Develop a Comprehensive Plan for the BIAP Projects

MNC-I did not develop a command-approved master plan that included specific goals, objectives, relationships among projects, estimated costs, milestones for completion, and organizations accountable for completing and assessing project outcomes for the BIAP projects. Rather, the planning was accomplished through a series of documents developed at different points in time. These documents include concept papers and accompanying documents related to the CERP projects at BIAP, justification documents, BIAP project schedules, project plan spreadsheets, informational briefings, and a conceptual master plan. However, these documents generally lack a programmatic approach for achieving the overall objective of creating an economic zone at the airport. In general, the documents do little more than collectively identify the projects that MNC-I planned to undertake and propose a schedule for starting the projects; the documents give little or no attention to addressing goals and objectives for economic development.

In written comments on a draft of this report, USF-I stated that MNC-I did develop a master plan but noted that it could have been more detailed. As SIGIR stated earlier, we did see a number of documents related to the projects at BIAP. However, in SIGIR's judgment none of these documents contained the traditional elements of a project plan, nor did they contain any indication that they had been reviewed or approved by MNC-I officials at any level. As such, SIGIR did not consider these documents to be plans.

CERP Guidance Does Not Require Comprehensive Plans for Related Projects

The MAAWS does not require commanders to develop comprehensive plans for related CERP projects. While this may be appropriate for small projects, it becomes more necessary as the size and complexity of projects increases. SIGIR believes that this was the case for BIAP. As discussed earlier, the CERP projects at BIAP were managed as 46 individual projects rather than as an interrelated effort.

MNC-I has significantly improved its guidance and now requires commanders to address issues such as sustainment. Despite these improvements, in SIGIR's view, the MAAWS guidance still needs to address the management needs of larger projects. The content of these plans will vary, but issues that might be covered could include capacity building, security, reporting, and a strategy to address maintenance and use issues.

To some degree, the need for plans is identified in a Center for Army Lessons Learned handbook on CERP, titled *Commander's Emergency Response Program: Tactics, Techniques, and Procedures* (March 2008). However, the handbook presents this more as a suggestion than a requirement. Nonetheless, the handbook identifies a set of generally accepted principles for reconstruction and development programs that guide the development community. Some areas identified in the handbook that should require planning include the following:

- Projects should address capacity building, which involves the transfer of knowledge, techniques, and skills to the indigenous people, institutions, and government so that they obtain the requisite abilities to deliver essential services to the population.
- Only projects and services that will have a lasting effect on the local population should be selected. Achieving sustainability requires the commander and staff to research and analyze all potential projects.
- Commanders should request, or conduct for themselves, an assessment of local conditions before investing financial resources into potential relief and reconstruction programs.
- Enforcing accountability, building transparency into systems, and emplacing effective checks and balances to guard against corruption are important components to any relief, reconstruction, or development program. Accountability in all actions, including the unit CERP, reinforces the legitimacy of the commander and his operations as well as the legitimacy of the local government in the eyes of the population.

The planning documents used to guide the BIAP Economic Zone (BEZ) projects acknowledged many of the principles and other development criteria identified in the handbook, but MNC-I's documents did not outline a systematic approach for applying the criteria. Most notably, the documents provided insufficient guidance on capacity building and promoting host-country ownership.

In written comments, USF-I agreed that these elements should be included in a plan. However, it stated that it was up to the GOI, with the help of U.S. Embassy officials, to do this planning rather than MNC-I. SIGIR has previously reported on the importance of ensuring that reconstruction projects are consistent with the needs of the host government and that it has the capacity to maintain them.¹¹ While MNC-I may not be in position to develop the GOI's capacity, these projects were built with MNC-I's CERP funding, and thus we believe that MNC-I had the responsibility to help ensure that these elements of planning were addressed.

Project Coordination Was Informal and Not Well Documented

In written comments on a draft of this report, USF-I stated that MNC-I coordinated the projects with GOI representatives and, to a limited extent, with the U.S. Agency for International Development (USAID) and the U.S. Embassy. This coordination was accomplished in discussions between senior MNC-I and GOI officials. However, coordination with the GOI or agreements reached are not documented. Similarly, coordination that may have occurred with other U.S. reconstruction agencies is not documented. Discussions with GOI officials disclosed

¹¹ *Key Recurring Management Issues Identified in Audits of Iraq Reconstruction Efforts*; SIGIR 08-020, Jul. 27, 2008.

that coordination between the GOI and MNC-I was effective in the early stages of the project but was not effective in the later stages.

The MAAWS in use when these projects were undertaken required MNC-I to coordinate CERP projects with local GOI agencies, provincial reconstruction teams, USAID, and other nongovernmental organizations. However, prior to May 2008, MNC-I was not required to document this coordination during the approval process. To determine what coordination occurred, we reviewed project files and found that 42 of the 46 project files contained “letters of justification,” which are written narratives that outline the purpose and need for proposed CERP projects. Of the 42 letters in the project files, 41 stated that the projects had been coordinated with GOI agency representatives, 8 letters stated that the projects had been coordinated with DoS;¹² none of the letters indicated any coordination with USAID.

The letters of justification we reviewed contained little detail as to who MNC-I representatives spoke with or what agreements may have been reached during coordination with GOI officials. Documenting meetings and agreements is important to establishing accountability. Nonetheless, a senior U.S. military official told us that MNC-I had extensively coordinated these projects with the GOI, to include making presentations to the Council of Ministers and the Deputy Council of Ministers. A senior GOI official confirmed that he had frequently met with U.S. military officials to discuss the major security and development issues affecting Iraq’s transportation infrastructure, including its airports. He stated that as the U.S. began the process of transferring responsibility to Iraqi authorities, Iraqi ministries increasingly assumed control, and that process was closely monitored by the senior GOI official. There were also periodic reports and discussions with Iraq’s National Security Council, chaired by the Prime Minister. A senior GOI official further confirmed that the senior MNC-I official was frequently in contact with his office and he was regularly briefed on the scope and progress of the initiatives of the projects. The senior GOI official also visited the convention center and office building with representatives from the ministries of Transportation and Defense and subsequently briefed the Prime Minister, who also agreed with the projects.

At the request of USF-I, we also spoke with another senior GOI official. The senior official confirmed that initially MNC-I’s coordination with the GOI was excellent and he was briefed on the projects by a senior MNC-I officer once a week. However, when that individual departed, the briefings stopped and no further coordination occurred. When asked why the GOI was not using some of the projects, the senior official said that there were various reasons that certain projects were not used. These include 1) the lack of coordination with MNC-I in the projects’ later stages to ensure projects met Iraqi needs; 2) the frequent rotation of the civil affairs

¹² The letters of justification generally did not specify whether the projects were coordinated with DoS officials from provincial reconstruction teams, the Iraq Reconstruction Management Office, or the Office of the Transportation Attaché.

brigades; 3) the absence of an overall strategic plan for the project; 4) a lack of emphasis by the military and the Embassy; and 5) the inability of the GOI to sustain some projects.

SIGIR also noted during our review that, although the projects were coordinated with the GOI, BIAP is not one of the four geographic zones designated as free zones under Iraq's Free Zone Authority Law. As such, the BEZ is not an officially recognized economic zone.

USAID officials we interviewed recalled that they had been briefed on some of the CERP projects at BIAP while they served on the Baghdad provincial reconstruction team. U.S. Embassy officials also said they were briefed on the projects, particularly the four main BEZ projects. Interestingly, both Embassy and USAID officials told us that they viewed the projects as U.S. military efforts and stated that they did not have decision-making authority on how CERP funds are spent and which projects would be started. This separation of economic development responsibilities between the Department of Defense and civilian agencies further illustrates SIGIR's position that a lack of unity of command was a primary contributor to inefficiency, ineffectiveness, and waste in the Iraq reconstruction program.

In written comments on a draft of this report, USF-I said that MNC-I also collaborated with another DoD activity working on economic development.

Measures to Assess Project Effectiveness Were Not Developed

MNC-I did not attempt to measure the economic impact of the CERP projects at BIAP or to determine whether the projects had a direct impact on the level of violence or economic development in Iraq. The MAAWS requires that CERP projects immediately assist the people of Iraq; however, the MAAWS did not require performance measures until January 2009.

The documents MNC-I developed to guide the CERP projects at BIAP identified two goals and objectives; however, these were broadly scoped and not easily measured. For example, the goals and objectives were to:

- establish BIAP as an international gateway
 - increase passenger and cargo traffic to Baghdad
 - reestablish Iraq as a member of the international community
 - attract international travelers, businessmen, and investors
 - present a positive impression of reconstruction progress in the country
- develop a commercial economic zone, known as the BIAP Economic Zone

- create an economic engine that is a regional revenue generator and employer that provides prosperity, stability, and social development for the people of Iraq¹³
- serve as an economic incubator for the Baghdad area
- create a secure business environment conducive to sustained economic growth
- revitalize and modernize facilities benefiting the regional infrastructure
- attract international participation in the investment of economic revitalization in Iraq

MNC-I officials said it was not feasible to evaluate the impact of the projects while conducting combat operations and other missions in Iraq. MNC-I did track information on the BIAP projects, such as the number of projects implemented and the amount of money spent. However, MNC-I did not gather information on whether the BIAP projects had any short- or long-term effect on the violence or economic development in Iraq.

The MNC-I official's statement that evaluating the impact of projects during combat operations was not feasible highlights one of SIGIR's key concerns about the appropriateness of using CERP funds for large-scale development efforts. In cases where field commanders use relatively small amounts of CERP to better control their areas of operation, it is understandable that impact evaluation would take a low priority. However, when CERP projects collectively involve \$35 million to achieve a goal of improving the economic environment in Iraq, measuring project impact seems appropriate.

In commenting on a draft of this report, USF-I said that a metric indicating project success is that the last indirect fire attack on or in the vicinity of the BEZ was May 2007.

Initial CERP Guidance Inadequate for Large-scale Projects

In 2005, MNC-I's initial CERP guidance indicated that most projects averaged \$50,000, but by the January 2009 iteration, the MAAWS stated, "CERP is intended for projects that can be sustained by the local population or government and cost less than \$500,000 per project." While the reported project costs increased, the documentation required for project approval remained fairly constant until the May 2008 version of the MAAWS, which provided additional criteria for high-cost projects. The majority of the CERP projects at BIAP, however, were initiated before these improved internal controls went into effect.

In May 2008, the MAAWS guidance was revised to better address the needs of large-scale projects. Among the changes were (1) a requirement for a legal review of all proposed projects; (2) documentation of coordination with GOI and provincial reconstruction teams for proposed projects costing greater than \$50,000, and (3) a requirement that purchasing officers include sustainment letters from GOI officials for any construction or equipment project costing \$50,000

¹³ This was labeled as the primary objective of the BEZ initiative.

or more. In January 2009, the MAAWS guidance was further revised to require performance metrics for projects \$50,000 or greater, and additional approval for projects costing greater than \$1 million.

After the CERP projects at BIAP were initiated, MNC-I designated the 364th Civil Affairs Brigade as the National CERP Management Office for Iraq. The brigade reviewed CERP proposals from throughout Iraq in an effort to coordinate overall CERP spending. We did not conduct an independent review of this process, yet the lessons learned from this effort may be a valuable tool for helping commanders decide whether and under what circumstances to use CERP funds for large-scale projects.

Lack of Expertise and Frequent Turnover of Personnel Led to Inefficiencies

The civil affairs brigades that managed the 46 CERP projects at BIAP were under the direct supervision of MNC-I headquarters. Multiple civil affairs brigades managed the BIAP projects on a rotational basis.¹⁴ As a result, the quality of the program management and oversight provided was dependent upon the capabilities of the individuals who were in Iraq at the time. At times, MNC-I appointed individuals to provide program-level management for the CERP projects at BIAP and other U.S. military-funded economic initiatives that were underway. MNC-I personnel we interviewed, who provided program oversight in 2007, acknowledged that they were not subject-matter experts in engineering or airport development.¹⁵ Additionally, they stated that they were ambitious and wanted to complete as much as possible during their tours in Iraq. After the unit redeployed, they said that they believed that the command emphasis on CERP projects at BIAP varied due to command changes in MNC-I and the supporting civil affairs brigades.

In written comments on a draft of this report, USF-I said that the surge of U.S. forces under the direct control of MNC-I at the time of this project greatly complicated the command's on-going CERP focus.

Civil affairs officials told us that they relied primarily on their civilian skills to accomplish the tasks at hand because the civil affairs training they received did not address large-scale reconstruction efforts. Thus, those who did not have related experience lacked the knowledge and expertise necessary to oversee the projects effectively. These deficiencies were exacerbated by the fact that the brigades rotated regularly and files were not well-maintained. According to a senior USF-I official, the brigade that managed the projects in early 2008 had the expertise to

¹⁴ The civil affairs brigades had tours of duty ranging from 6 to 9 months, with an average of 8 months.

¹⁵ The individuals we interviewed were not professional engineers. According to a senior MNC-I military official, professional engineers, whom we did not interview, provided oversight for the projects, and MNC-I engaged a GOI Ministry of Transportation official for expertise in airport development.

manage the projects, but acknowledged that after this brigade departed the expertise may have been reduced.

The Army has recently recognized that its expeditionary contracting workforce is not adequately staffed, trained, or structured and that such conditions constitute a material weakness in its operations, and has recently taken steps to address the inexperience of personnel overseeing contracts in Iraq, including those for CERP projects. 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 administration of contracts, which are critical to the Army's success in Iraq. The Vice Chief instructed Army commanders to nominate and train contracting officer's representatives and other oversight personnel before deployment to Iraq. This includes identifying and nominating contracting officer's representatives that have experience with the contract activities that they will oversee. The Vice Chief also instructed contracting officials to review their representatives' qualifications and training, and to monitor their performance in overseeing contracts. SIGIR is hopeful that these lessons learned by the Army will help improve oversight of CERP projects; however, SIGIR will continue to monitor oversight of CERP projects in future audits.

In commenting on a draft of this report, USF-I said that the Vice Chief of Staff's issue is not the same issue discussed in this report. However, SIGIR continues to believe that the discussion is relevant to the issues discussed in this report. The contracting officer's representatives who are responsible for overseeing CERP project activities typically come from program office staff. For these projects, the various civil affairs brigades were the program office and the ability of their personnel to effectively oversee and manage the CERP projects would have been an important factor in the projects' outcome.

MNC-I Project Data and Documents Were Incomplete and Limited Our Analysis

Project documentation is a recurring problem that SIGIR has identified in many audit reports, and these projects similarly had project files that were not well-maintained and project tracking data that was incomplete.

The weaknesses occurred for several reasons, according to USF-I. Primarily, MNC-I headquarters officials did not ensure that project information was properly recorded and filed. For example, following one transition between brigades, concerns were so great that the 360th Civil Affairs Brigade placed memoranda in five project files stating that it did not take responsibility for the projects it had inherited from its predecessor, the 358th Civil Affairs Brigade.

These long-standing weaknesses in MNC-I's controls over CERP funds and projects are similar to other weaknesses previously reported by SIGIR since 2005.¹⁶ For example:

- MNC-I's project files were incomplete, which limited our ability to analyze the projects. MNC-I requires that CERP project files include a number of documents, similar to a contract file, and to use checklists so that military personnel can verify that they have included the required documentation in the files. However, during our audit, officials were organizing the files, and we received the files on a piecemeal basis. Many of the files contained documents on project approval and payments made; however, the files lacked key documents related to the transfer of projects to the GOI.
- The data systems that MNC-I uses to track and record CERP project data are also incomplete. MNC-I used two methods to track the CERP projects at BIAP: an MNC-I-created spreadsheet and the Iraq Reconstruction Management System, which is the central database for reporting all projects initiated with CERP. These two methods did not track all of the CERP projects at BIAP. For example, MNC-I's project tracking sheet did not include four completed projects with combined costs of about \$685,000. Similarly, some of the CERP projects were not included in the Iraq Reconstruction Management System database, and four projects were entered in the database twice. The MAAWS requires accurate reporting of project data to enable MNC-I officials' reconciliation of expenditures on a monthly basis. This data is also used to provide project information to the Congress and to justify future CERP funding levels.

In written comments on a draft of this report, USF-I said that it has made a concerted effort to improve its project files and, while there may still be some missing documents, there are not as many as in the past.

¹⁶ See Appendix A for a list of SIGIR's previous reports on CERP.

Conclusions, Recommendations, and Lessons Learned

Conclusions

After 4 years of effort and about \$35.5 million in expenditures on 46 projects, MNC-I's goals—to develop a commercial economic zone at the BIAP that would generate revenue; provide prosperity, stability, and social development for the people of Iraq; and establish BIAP as an international gateway—have only been partially achieved. SIGIR notes that 22 projects valued at \$19.3 million had generally successful outcomes. However, 24 projects valued at \$16.1 million have had generally unsuccessful outcomes and these funds are at risk of being wasted without further action. SIGIR also notes that in the judgment of senior military officials, the BIAP projects were an important part of the overall military surge effort and played a role in reducing violence. To USF-I's credit, it is actively working with the GOI, who now has ownership of the facilities that were constructed, to identify opportunities to gain additional benefits from the investment that has been made.

In general, MNC-I officials who managed the CERP projects at BIAP followed the policies and procedures that were in place at the time. However, the outcomes of the projects raise questions about the overall adequacy of project management, particularly as it relates to the adequacy of guidance for implementing CERP projects. SIGIR identified five issues that contributed to the management problems for these projects, including: (1) the projects were undertaken without a plan to guide the effort and without adequate coordination with U.S. civilian agencies; (2) the projects were undertaken without a plan to evaluate the projects' results and the impact on the level of violence in Baghdad; (3) CERP guidance in place at the time included management and oversight procedures designed for smaller, quick-reaction projects and did not fully address the management needs of large-scale counterinsurgency and economic development efforts; (4) MNC-I personnel assigned to the projects lacked expertise in large-scale development projects and rotated frequently, which contributed to oversight inefficiencies; and (5) project files were not well maintained and project tracking data were incomplete. SIGIR also notes that project risk and outcomes were also impacted by (1) the inherent difficulties in undertaking projects in a war zone; and (2) difficulties in working with a government that is in the process of developing its own form of democracy and processes for governance.

Over the past several years, DoD and MNC-I have significantly improved their planning and management of CERP projects. Guidance improvements and recent changes to address the shortages of personnel who are trained as contracting officer's representative and in meeting other CERP-related responsibilities are particularly noteworthy. While these actions address some of SIGIR's concerns about project oversight, gaps still remain with regard to planning. CERP guidance does not explicitly require project implementation plans. While this may be appropriate for small-scale CERP projects this is not the case for large-scale efforts with multiple integrated projects like the BIAP projects.

Recommendations

To improve the management of CERP and promote the sustainment of the CERP projects at BIAP, SIGIR recommends the following:

1. The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects.
2. The Commanding General, U.S. Forces-Iraq, should enhance ongoing efforts for gaining additional benefits from the BIAP project investment by working with GOI officials to develop approaches for improving the use and sustainment of CERP-funded BIAP projects and to the extent practicable develop a plan for accomplishing any agreed-upon approaches for improving the use and sustainment of the projects.
3. The Commanding General, U.S. Forces-Iraq, should take actions to enhance data systems used to track and record CERP-project data.

Lessons Learned

Certain of the issues raised by SIGIR in this report have been addressed by DoD during the course of the projects' implementation or were the subject of prior audit recommendations. Nonetheless, they provide useful lessons for other contingency operations.

1. CERP projects were undertaken on a larger scale than anticipated and before the appropriate policies and procedures for managing the programs were developed. As a result, program implementation problems were experienced. In other contingency situations, such as those in Afghanistan, steps should be taken to provide guidance appropriate to the scope of CERP projects that will be initiated.
2. Improved coordination among agencies and host governments, and project performance measurement could help U.S. military and development agencies reduce inefficiencies, minimize risks, and likely achieve better outcomes.
3. Inadequate oversight by contracting officer's representatives and personnel with CERP-related responsibilities has been a general CERP project management weakness. The weaknesses have been caused by a shortage of personnel who have been sufficiently trained to perform oversight duties. 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.
4. MNC-I experienced problems in managing CERP files for the BIAP projects. As a result, it is difficult to determine accountability for the project outcomes. These problems are significant and constitute a major weakness in ensuring that CERP funds are not subject to waste and fraud. SIGIR has previously reported on this problem. MNC-I and subsequent

responsible commands have taken action to improve its processes by noting the importance of file management in MAAWS and providing training on MAAWS requirements.

Management Comments and Audit Response

USF-I agreed with SIGIR's recommendation that it take actions to enhance its data systems used to track and record CERP-project data. However, it did not agree with SIGIR's recommendation that the Under Secretary of Defense (Comptroller) should revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects. USF-I also disagreed with SIGIR's assessment on 6 of the 24 projects we identified as having questionable outcomes. USF-I has offered to provide support for its position and SIGIR has requested that support. USF-I's comments are in Appendix I.

According to USF-I's comments, it is currently working with the Under Secretary of Defense (Comptroller) to correct the CERP information in the Iraq Reconstruction Management System (IRMS). The objective is to complete the update prior to the shut-down of IRMS on September 1, 2010. USF-I will provide IRMS data to users until September 1, 2010 and is presently evaluating data tracking mechanisms for after the IRMS shut-down date.

USF-I did not agree that the Secretary of Defense should revise CERP guidance to include a requirement that a project implementation plan be developed for large scale projects. According to USF-I this recommendation is no longer applicable because there are no CERP funded large-scale projects. Thus, USF-I believes that the recommendation is dated.

SIGIR continues to believe its recommendation has merit because, while the approval requirements for CERP projects have been strengthened, it is still possible to execute projects over \$1 million if approved by the Secretary of Defense. Also, to the extent that DoD is involved in stabilization and reconstruction operations in Iraq and in other theaters, the possibility that other large-scale projects may be undertaken remains. Lastly, it is also possible to initiate multiple related projects that could have a combined value in the millions of dollars, as happened with the BIAP projects. Effectively planning for these types of projects will remain a requirement that should be addressed in DoD guidance. Consequently, this recommendation will remain open.

USF-I stated that 6 of the 24 projects SIGIR identified as not being used were actually being used. These were the:

- Cargo Terminal Refurbishment
- Iraq Aviation Institute Rehabilitation
- Iraq Aviation Institute Automation Contract
- Iraq Aviation Institute Furniture Purchase
- Iraq Aviation Institute Facility Improvement

- Iraq Aviation Institute Water Supply Pipe

USF-I also partially concurred with our assessment of the Iraq Aviation Institute access road and parking lot, and business center renovation.

USF-I has offered to provide support for its position, and SIGIR has requested that support. SIGIR notes that its assessment represents the point in time when our field visit was made (September 2009) and that we reported that USF-I was actively working with the GOI to improve facility utilization. An increased use of the facilities as a result of continuing engagement with the GOI would support SIGIR's position that such actions could help ensure that the U.S. investment at BIAP realizes the maximum benefit.

USF-I also provided a number of technical comments that SIGIR addressed as appropriate in the report. See Appendix I for a copy of the USF-I comments and SIGIRs response to each point..

Appendix A—Scope and Methodology

Scope and Methodology

In June 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) announced Project 9026 to examine the use of Commander's Emergency Response Program (CERP) funds at the Baghdad International Airport (BIAP). Our reporting objective for the CERP-funded BIAP projects were to examine their (1) cost and outcome and (2) management. SIGIR performed the 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 during June 2009 through March 2010 in Baghdad, Iraq.

To determine project costs and outcomes, we analyzed disbursement data from the Standard Finance System (Army) and the U.S. Army Corps of Engineers' Financial Management System and additional cost and project schedule data from documents in the CERP project files, such as project cost estimates, initial purchase request forms, contracts, statements of work, bills of quantities, notices to proceed, invoices, receiving reports, and payment documents. We also conducted two site visits. On September 28 and 29, 2009, we visited most of the project sites, and on November 16, 2009, we conducted a follow-up site visit to observe the Business Center Security Building and the Transportation Operations Compound. The projects we visited encompassed 38 of the individual CERP projects and about \$29 million spent at BIAP. During site visits, we interviewed Government of Iraq (GOI) officials who happened to be at the project sites during our visit.

As a result of our analysis, we grouped the projects into two categories: those that were generally successful and those that had questionable outcomes. Overall, the generally successful projects are being used as intended. They have been completed, transferred to the GOI, and mostly sustained by the GOI. We also included one-time service contracts in the generally successful category where appropriate. In contrast, we questioned the value of projects that are not currently being used by the GOI, have not been maintained, are being used minimally or not as intended, or were terminated before completion. We also questioned the outcomes of projects where the project files contained minimal evidence of work performed. Where applicable, we took into account the results of third-party assessments that were related to the projects; we did not conduct independent engineering assessments to verify the third parties' results. Not all of the project files were complete, so we accepted testimonial evidence regarding project completion, transfer, and sustainment for some projects. When the preponderance of the available evidence suggested that project outcomes were favorable, we categorized the projects as generally successful. In light of these limitations, we believe our categorizations are reasonable given the data we reviewed.

To evaluate the management and oversight of the CERP projects at BIAP, we analyzed documents from the CERP project files, such as the projects' justification letters, legal approval documents, funding approval documents, and evidence of materials and services received compared to payments made. We also interviewed officials from the 364th Civil Affairs Brigade, U.S. Army Corps of Engineers, Gulf Region Division (including its Central district office), as well as current and former Multi-National Force-Iraq and Multi-National Corps-Iraq (MNC-I) officials who provided project oversight. These units are now part of or attached to U.S. Forces-Iraq. Because multiple CERP operating procedures were in effect during the time periods in which the projects were awarded, we did not attempt to conduct an in-depth file review to determine whether all of the criteria had been followed. Instead, we limited our review to those areas that might suggest material internal control weaknesses.

Our review of the management and oversight of the projects included a review of the coordination of the CERP projects. To do this, we interviewed officials from the Department of State (including the Office of the Transportation Attaché, Economic Affairs, and the Iraq Transition Assistance Office), the United States Agency for International Development, the U.S. Army Corps of Engineers Gulf Region Division (including its Central district office), the 364th Civil Affairs Brigade, and current and former MNC-I and Multi-National Force-Iraq officials who were involved with the projects. We also reviewed evidence of coordination in the project files. The files contained minimal evidence of coordination with the GOI; but a senior GOI official stated that the projects had been collaborated with the GOI.

Additionally, our review of the management and oversight of the projects included efforts taken to transition the completed projects to the GOI and the GOI's efforts to sustain the projects. To do this, we analyzed letters or other evidence—including testimonial evidence—that the projects had been transferred to the GOI. To evaluate whether a project appeared to have been appropriately sustained and used for its intended purpose, we primarily relied on observations and testimonial evidence gathered during our site visit in September 2009. We also considered the results of after-action reports completed by MNC-I officials, an airport certification assessment completed by the U.S. Federal Aviation Administration in March 2009, other documentation gathered over the course of the audit, and testimonial evidence of senior GOI officials.

We conducted this audit 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

To achieve the assignment's objectives, we relied on computer-processed data contained in the Army Standard Finance System, and to a lesser extent we also relied on data in the U.S. Army Corps of Engineers' Financial Management System. We did not assess either system's financial controls, but we assessed the reliability of the financial systems' output through comparison to available documentation in the project files. Based on these assessments and tests, we concluded that the data were sufficiently reliable to be used in meeting the assignment's objectives.

Internal Controls

In conducting the audit, we assessed certain internal controls pertinent to the audit objectives with respect to the CERP. Specifically, we identified and assessed internal or management controls including:

- procedures for awarding and tracking CERP projects after award
- procedures for monitoring and evaluating activities in the field
- controls related to the contract award, contract oversight, and award-fee decisions

Prior Coverage

We reviewed reports by SIGIR, the Government Accountability Office, and the U.S. Army Audit Agency.

Special Inspector General for Iraq Reconstruction

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

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

Commander's Emergency Response Program in Iraq Funds Many Large-scale Projects, SIGIR 08-006, 1/25/2008.

Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006, SIGIR 07-006, 4/26/2007.

Management of the Commander's Emergency Response Program for Fiscal Year 2005, SIGIR 05-025, 1/23/2006.

Management of Commanders' Emergency Response Program for Fiscal Year 2004, SIGIR 05-014, 10/13/2005.

Government Accountability Office

Actions Needed to Improve Oversight and Interagency Coordination for the Commander's Emergency Response Program in Afghanistan, GAO-09-615, 5/18/2009.

Military Operations: Actions Needed to Better Guide Project Selection for Commander's Emergency Response Program and Improve Oversight in Iraq, GAO-08-736R, 6/23/2008.

U.S. Army Audit Agency

Commander's Emergency Response Program Multi-National Division – North, Audit Report: A-2009-0169-ALL, 7/28/2009.

Appendix B—Summary of 46 CERP Projects at BIAP

This appendix summarizes the costs and outcomes of the 46 CERP projects at BIAP. To determine project costs and outcomes, we analyzed disbursement data from the Standard Finance System (Army) and the U.S. Army Corps of Engineers' Financial Management System and additional cost and project schedule data from documents in the CERP project files, such as project cost estimates, initial purchase request forms, contracts, statements of work, bills of quantities, notices to proceed, invoices, receiving reports, and payment documents. We also conducted two site visits. On September 28 and 29, 2009, we visited most of the project sites, and on November 16, 2009, we conducted a follow-up site visit to the Business Center Security Building and the Transportation Operations Compound. The projects we visited encompassed 38 of the individual CERP projects and about \$29 million spent at BIAP. During site visits, we interviewed GOI officials who happened to be at the project sites during our visit.

To present our analysis, we grouped the projects into two categories: those that were generally successful and those that had questionable outcomes. Overall, the generally successful projects are being used as intended. They have been completed, transferred to the GOI, and mostly sustained by the GOI. We also included one-time service contracts in the generally successful category where appropriate. The questionable outcome projects include projects that are not being used by the GOI, have not been maintained, are being used minimally or not as intended, or were terminated before completion. We also questioned the outcomes of projects where the project files contained minimal evidence of work performed. Where applicable, we took into account the results of third-party assessments that were related to the projects; we did not conduct independent engineering assessments to verify the third parties' assessments. Not all of the project files were complete, so we had to rely on testimonial evidence regarding project completion, transfer, and sustainment for some projects. When the preponderance of the available evidence suggested that project outcomes were favorable, we categorized the projects as generally successful. In light of these limitations, we believe our categorizations are reasonable given the available evidence.

The projects with generally successful outcomes are discussed first, in descending order of cost; the projects with questionable outcomes are discussed later, also in descending cost order.

Generally Successful Outcomes

There were 22 generally successful projects that cost \$19,307,850, or about 54% of total CERP costs at BIAP.

Office Tower

Reported Cost: \$4,238,552

Outcome: Renovation Completed, Transferred, and Mostly Sustained

Discussion: The office tower was initiated in April 2007, completed on June 30, 2008, and was transferred to the GOI on January 20, 2010, nearly 19 months after the project was completed. A private company has been operating the office tower for the GOI since October 2008. The management contract does not involve CERP funds, but MNC-I negotiated the management contract between the private company and the GOI because the management contract promotes project sustainment by providing the GOI a revenue stream and helping to ensure that the facility is used as intended. The initial U.S. investment has resulted in some private investment and enhanced professional opportunities for people in Iraq; however, the venture has not yet generated a profit.

Caravan Hotel

Reported Cost: \$4,164,588

Outcome: Construction Completed, Transferred, and Mostly Sustained

Discussion: The Caravan Hotel was formally transferred to the GOI in August 2009. Almost half of the rooms are rented to permanent customers. The hotel's occupancy has increased steadily since it was first opened for business in November 2008, and as of November 2009, the monthly occupancy was about 70%. Since the transfer date, the GOI has continued to honor the management contract that is in place, which includes profit sharing between the company that manages the hotel and the GOI. The current 2-year management contract expires in August 2010; it contains an option for the GOI to extend the contract into a third year.

Drinking Water System

Reported Cost: \$1,731,050

Outcome: Utility Repair Completed, Transferred, and Mostly Sustained

Discussion: Initiated in August 2007, the drinking water system project was to repair and

increase the capacity of the drinking water system at BIAP to ensure a safe, reliable drinking water source. This project was completed in December 2007. Although we did not evaluate the condition of the system, MNC-I officials assessed the system on September 1, 2009, and found it to be in good working condition.

Air Traffic Controller Replacement

**Reported
Cost:** \$1,655,667

Outcome: One-time Service Completed

Discussion: As the air traffic to BIAP increased in 2007, the GOI faced a chronic shortage of certified air traffic controllers to accommodate the increased civil air traffic at BIAP. Therefore, MNC-I initiated the air traffic controller replacement project in August 2007 to provide four temporary civilian air traffic controllers for the BIAP control tower to replace Iraqi controllers while they received advanced training to manage the increased workload.

Upon initial review, we questioned whether CERP funds could be used to pay for the salaries of contractors who served as temporary replacements for GOI air traffic controllers and whether a sole-source acquisition was needed in this case. Upon further review, we determined that although the funds were used to pay the salaries of air traffic controllers while ICAA air traffic controllers attended training, the funds were used to pay those salaries indirectly through a corporate contractor; therefore, the use of the funds was not prohibited by laws and regulations governing CERP. Also, the justification documents for the award sufficiently explained the urgent requirement that necessitated limiting competition; the contracted air traffic controllers reported to work in November 2007 to meet this need.

Electrical Generators

**Reported
Cost:** \$1,457,641

Outcome: Equipment Repair Completed, Transferred, and Mostly Sustained

Discussion: This project was initiated in June 2007. When we visited the project site in September 2009, 13 of 14 electrical generators, which are used to provide backup

electricity for BIAP, were operational. However, because electricity at BIAP is unreliable, the generators are used more frequently than intended. During our visit, we observed that the fuel tanks that supplied the generators appeared to be full.

Trash Equipment

**Reported
Cost:** \$1,430,757

Outcome: Equipment Purchase and Construction Completed, Transferred, and Mostly Sustained

Discussion: This project was initiated in April 2007. It included the purchase of trash equipment and construction of a trash transfer station. The trash equipment was purchased and appeared to have been used regularly; thus, we categorized this project as generally successful. The trash transfer station, however, appeared not to have been used for its intended purpose, which was to serve as a collection point for the incinerators. When we visited the transfer station in September 2009, we observed smoke stains on the cement bins, which appeared to have been caused by trash being burned in the bins. According to MNC-I officials, burning trash in this manner is a standard practice throughout Iraq.

Loop Mural

**Reported
Cost:** \$900,000

Outcome: One-time Service Completed, Transferred, and Mostly Sustained

Discussion: Initiated in August 2007, this project commissioned Iraqi artists to paint a mural on the wall that borders the access road to BIAP. The mural was intended to reflect, in a progressive nature, historical and economic development themes. The concept was to provide patrons driving along the access road with scenes that represent the transition of the Iraqi economy and to offer a perspective of future economic development.

We viewed the mural from vehicles during our site visit in September 2009. Although MNC-I officials stated that the mural served its intended purpose, it is unclear from MNC-I project files whether the mural had any impact on Iraqis travelling to and from BIAP.

Sewage System

**Reported
Cost:** \$836,350

Outcome: Utility Renovation Completed and Transferred

Discussion: Initiated in August 2007, this project was a partial renovation of the sewage system at BIAP. We reviewed the file for this project and found that operations and maintenance were terminated from the contract because the ICAA had a maintenance staff capable of operating and maintaining the sewer system and the related sewage pumping machinery. MNC-I civil affairs personnel assessed the sewage system on September 1, 2009, and found the facility to be minimally maintained but fully functional. We did not conduct an engineering assessment to verify MNC-I's results, but we visited the project site in September 2009 and confirmed that the system appeared to be operational. While the evidence suggests that the project has generally not been sustained, we include it in the generally successful category because it currently serves its intended purpose and the GOI has performed some maintenance.

Transportation Operations Compound

**Reported
Cost:** \$487,590

Outcome: Renovation Completed, Transferred, and Mostly Sustained

Discussion: This project was initiated in February 2008. When we arranged our original site visit in September 2009, visiting the transportation operations compound was not on the itinerary. We later reviewed the project file and found evidence that CERP funds had been spent on the facility. We visited the project site in November 2009 and observed that the renovation of the transportation operations compound maintenance bays, washing racks, office space, and parking areas, which were included in the project, appeared to have been used as intended. For example, during our visit, an Iraqi worker was cleaning a bus in the wash bay.

Health Clinic Equipment

Reported \$363,574
Cost:

Outcome: Equipment Purchase Completed, Transferred, and Mostly Sustained

Discussion: This project was initiated in June 2007. It included the purchase of equipment and furniture and the completion of other repairs. When we visited the clinic in September 2009, many patients were at the clinic, and the equipment and facility appeared to be used as intended.

Trash Clean-Up

Reported \$350,000
Cost:

Outcome: One-time Service Contract, Service Provided

Discussion: This project was initiated in October 2006 to clean up trash around the four main BIAP Economic Zone (BEZ) facilities. This was a one-time project to remove debris created by Coalition Forces during combat and later operations in the BIAP area. The project appeared to have served its intended purpose; during our site visits in September and November 2009, the area where the four main BEZ projects are located appeared to be free of battle debris.

Storm Water Drainage System

Reported \$345,000
Cost:

Outcome: Utility Renovation Completed, Transferred, and Mostly Sustained

Discussion: This project, initiated in May 2007, was to renovate two storm water drainage pump stations, which drain water from the airport to protect the runway's foundation and underground utilities. The water table around BIAP is high, and if it is not drained properly, water could flood the utility tunnels and potentially cause significant damage to the runway. MNC-I officials conducted extensive follow-up visits on this project and found that the water was being drained but that the equipment had not been maintained to standards.

MNC-I officials addressed the problems with the equipment by teaching GOI

officials how to operate, repair, and maintain the equipment. MNC-I civil affairs personnel conducted follow-up assessments and found that most necessary repairs had been completed and that both pump stations were in full operation when MNC-I visited in July 2009. When we visited the project site in September 2009, we noted that the fuel tanks to power the pumps were empty; however, fuel was in the pumps and the water appeared to have been drained as intended.

T-Wall Mural

Reported \$280,000
Cost:

Outcome: One-time Service Provided

Discussion: This project was initiated in May 2007. Similar to the loop wall mural, the purpose of the T-wall mural was to beautify BIAP and to reflect hope. Unlike the loop wall mural, the T-wall mural was painted on a temporary blast wall, only remnants of which are still on site at BIAP. It is unclear whether these murals had any impact on potential investors travelling to and from BIAP; however, the project was intended to be a temporary art installation and, as such, it appears to have been used as intended.

Engineering Study for BIAP Sewer, Water, Electric, and Storm Water

Reported \$252,000
Cost:

Outcome: One-time Service Provided

Discussion: Initiated in July 2007, this project was used to hire an engineering company to locate, assess, and record the capabilities of the utilities' infrastructure at BIAP. MNC-I considered the report's recommendations when planning the electricity, water, sewer, and storm water projects. However, MNC-I did not implement all of the recommendations. We did not conduct an independent engineering evaluation to determine the impact of MNC-I's failure to implement some of the recommendations raised in the assessment reports.

Business Center Management Contract II

Reported \$211,200

Cost:

Outcome: One-time Service Provided

Discussion: For this project, initiated in December 2007, an Iraqi company was hired to operate, manage, and maintain the business center. According to MNC-I officials, the business center was used as intended until the facility was transferred to the GOI, which occurred after the management contract expired.

Convenience Store and Coffee Shop

Reported \$179,000

Cost:

Outcome: Renovation Completed, Transferred, and Mostly Sustained

Discussion: The convenience store and coffee shop project was initiated in August 2007 and was ultimately opened as a restaurant. The restaurant had previously been opened under the name “Teddy D’s,” and it functioned for a while after it was transferred to the GOI. After transition, while under GOI control, the equipment purchased with CERP funds was removed and the business was closed. Due to the lack of detail in the contractor’s invoices, we were unable to determine the cost of the equipment.

During 2009, a public auction was held to allow private investors to bid on the space. The company that won the contract provided new equipment and furniture, built a screened-in back deck, added a building, made other improvements to the interior and landscaping, and reopened the facility as a restaurant under the name “Lido.” We observed that the restaurant was open for business during our site visits. Thus, while we acknowledge that some of the funds spent on the original equipment that was removed from the facility constitute waste, the overall project has been sustained by the GOI and generally is being used as intended.

Health Clinic Renovation

Reported Cost: \$160,500

Outcome: Renovation Completed, Transferred, and Mostly Sustained

Discussion: This project was initiated in November 2006 to renovate the health clinic facility at BIAP. When we visited the clinic in September 2009, we observed many patients at the clinic, and the equipment and facility appeared to be used as intended.

Business Center Management Contract I

Reported Cost: \$142,840

Outcome: One-time Service Provided

Discussion: Initiated in December 2006, this project hired an Iraqi company to operate, manage, and maintain the business center. According to MNC-I officials, the business center was used as intended until the facility was transferred to the GOI, which occurred after the management contract expired. The project was continued for another year, and the contract was awarded to the same Iraqi contractor as the first management contract.

Uninterruptible Power Supply at Air Traffic Control Tower

Reported Cost: \$47,547

Outcome: Equipment Purchase Completed, Transferred, and Mostly Sustained

Discussion: This project was initiated in December 2006 to purchase equipment to renovate the uninterruptible power supply system at the BIAP air traffic control tower. When we visited the project site in September 2009, we observed that the system was completed and is operational; however, Iraqi officials expressed concern that it is relied on too frequently. They explained that when electrical grid power is not available, the uninterruptible power supply system activates, which gives them time to turn on the back-up generator. Various batteries were purchased with U.S. funds but have lost their charge—due to extensive use—and need to be replaced because they are not rechargeable.

Business Center Security Check Point

Reported \$42,594

Cost:

Outcome: Construction Completed, Transferred, and Mostly Sustained

Discussion: Initiated in July 2006, this project funded the construction of a guard shack and the installation of a security fence outside of the business center facility. When we visited the project site in September 2009, the fence was intact and guards continued to use the shack at the checkpoint while on duty.

Fire System Test

Reported \$23,800

Cost:

Outcome: One-time Service Provided

Discussion: This project was initiated in April 2007 and resulted in an assessment of the fire system at BIAP's main terminals. The project led to a proposed U.S. government project that was never funded. However, in the summer of 2009, MNC-I officials met with representatives from the Ministry of Transportation and the Iraq Civil Aviation Authority (ICAA) to discuss potential GOI funding for the project. The GOI has put the project out for bid, but a contract to improve the fire system has not yet been awarded.

Airport Signs

Reported \$7,600

Cost:

Outcome: Equipment Purchased, Transferred, and Mostly Sustained

Discussion: The intent of this project was to design and install three signs that read "Baghdad International Airport" in Arabic and one sign that read "Baghdad" in English. MNC-I officials confirmed that the signs were purchased and installed at BIAP. We did not verify the outcome or sustainment status of this project because we did not locate the signs during our site visits.

Generally Unsuccessful Outcomes

There were 24 projects with questionable outcomes that cost \$16,147,020, or about 46% of total CERP costs at BIAP. USF-I disagreed with our assessment of 6 of the 24 projects we identified as having questionable outcomes. USF-I has offered to provide support for its position and SIGIR has requested that support.

Convention Center

Reported \$5,725,380
Cost:

Outcome: Renovation Partially Completed, Contracts Terminated

Discussion: The CERP funds spent on the convention center are at risk of being wasted. The project was initiated in January 2007 with the purpose of renovating two old terminal buildings for use as convention center halls at BIAP. The project consisted of two contracts, both of which GRD awarded on behalf of MNC-I and both of which were terminated.

When we visited the project site on September 28, 2009, we observed that both buildings required significant finish work. Nevertheless, two events were held in Hall 1 of the convention center in late 2008, and a third was held in December 2009. MNC-I officials estimated that one of these events, a 3-day oil exposition held in December 2008, generated about \$1 million in revenue. Potential investors have repeatedly expressed interest in holding events at the convention center. USF-I officials told us that they did not plan to spend additional funds on the convention center and transferred it to the GOI “as is” on January 20, 2010.

Incinerators

Reported \$2,939,896
Cost:

Outcome: Equipment Purchase Completed, Not Being Used

Discussion: The project was initiated in June 2007 to install incinerators at BIAP. Two incinerators were purchased and installed, and the project was transferred to the GOI in May of 2008. On September 28, 2009, we observed that the fuel tank was empty and confirmed that the incinerators appeared not to have been used recently. SIGIR asked a senior GOI official why the incinerator was not used, and he stated that Iraqis do not use incinerators, raising questions about project

coordination with the GOI. Because the incinerators are not used, SIGIR considers the \$3 million spent on the incinerators as wasted.

Cargo Terminal Refurbishment

Reported \$1,958,792

Cost:

Outcome: Renovation Completed, Used Minimally, Not Maintained

Discussion: This project was initiated during August 2007. During our site visit in September 2009, we observed that the cargo terminal was in a state of disrepair and had garbage strewn about. Some of the equipment purchased with U.S. funds seemed never to have been used or appeared damaged. For example, one of the generators and one of the forklifts were still wrapped in their original plastic covering. Also, the large metal doors of the cargo terminal, which had been repaired as part of this project, were damaged to the point that they were nonoperational.

USF-I did not agree with SIGIR's assessment and said that the cargo terminal is being actively used. SIGIR notes that its assessment reflects conditions at the time of our visit.

Air Traffic Controller Training Center

Reported \$1,788,045

Cost:

Outcome: Construction Completed, Used Minimally

Discussion: This project was initiated in August 2007. In September 2009, we visited the air traffic controller training center, which was not being used at that time to train air traffic controllers. Officials on site confirmed that the CERP-funded project was limited to the building's construction; the project did not include furniture or training equipment. The GOI has not purchased equipment, such as a flight simulator, for the training center because GOI officials expected the U.S. government to purchase the equipment. Instead, students use a mock trainer that is made of plywood and uses toy airplanes. Most of the air traffic controller training takes place at the BIAP air traffic control tower, not the CERP-funded facility.

Iraq Aviation Institute Access Road and Parking Lot

Reported \$1,041,648

Cost:

Outcome: Construction Completed, Used Minimally

Discussion: Initiated in April 2007, this project was to construct an access road and a 100-car parking lot for the Iraqi Aviation Institute. The parking lot serves both the Iraq Aviation Institute and the air traffic controller training center, which are adjacent to one another. However, because both facilities are used minimally, the parking lot is used minimally. USF-I partially concurred with SIGIR's assessment of this project. In its written comments, USF-I said that the driveway and parking lot in question currently are in a controlled area. As a result, most aviation students use government-provided transportation. USF-I projects that the need for the parking lot will dramatically increase as the stability in Iraq improves and becomes open to the public.

Cargo Terminal Automated Inventory System and Management Contract

Reported \$459,996

Cost:

Outcome: System Purchased but License Agreement Not Signed, Management Contract Terminated

Discussion: The cargo terminal automated inventory system project was initiated in August 2007 and was awarded concurrently with the initial cargo center renovation contract. The automated inventory system project, which included a management contract to run the system, was descoped. The reason cited was that representatives from the Iraqi Airways cargo terminal facility refused to sign license agreements with cargo inventory software companies. U.S. funds were used to purchase 25 personal computers for the system; however, the inventory system currently used at the cargo terminal is not automated. Consequently, the CERP funds spent on this project were wasted.

Cargo Terminal Additional Equipment

Reported \$400,965

Cost:

Outcome: Equipment Purchase Completed, Not Maintained

Discussion: The cargo terminal additional equipment project was approved in February 2008. The project provided additional equipment that was not included in the original contract, such as high-loaders, a potable water station, and a fan for the ventilation system, to continue the effort to bring the facility up to international standards. We visited the facility in September 2009, and it was in a state of disrepair. The additional funds spent on this project were not coordinated as part of an overall effort to bring the facility to international standards, which suggests the funds could have been put to better use.

Iraq Aviation Institute Rehabilitation

Reported \$398,502

Cost:

Outcome: Renovation Completed, Used Minimally

Discussion: Initiated in October 2006, this project repaired battle damage to a former vocational-technical school, which became the Iraq Aviation Institute. During the contract bidding stage, MNC-I noted that the building had not been used for many years but was still structurally sound. When we visited the Institute in September 2009, it appeared to have been used minimally.

USF-I did not agree with SIGIR's assessment and said in its written comments that the institute is fully staffed and operational. SIGIR notes that its assessment reflects conditions at the time of our visit.

Iraq Aviation Institute Automation Contract

Reported \$186,493

Cost:

Outcome: Equipment Purchase Completed, Used Minimally

Discussion: Initiated in April 2007, this project was to provide automation equipment, which included a server to provide Internet access for the Aviation Institute. When we

visited the project site in September 2009, we noted that multiple computers were in various offices, classrooms, and laboratories throughout the building, but on the day of our visit, they were not being used by students during instructional sessions. Also, they appeared to have been used minimally.

USF-I did not agree with SIGIR's assessment and said in its written comments that the institute is fully staffed and operational. SIGIR notes that its assessment reflects conditions at the time of our visit.

Runway Scrape and Paint

Reported Cost: \$177,870

Outcome: Service Partially Provided, Project Terminated

Discussion: The scrape and paint project was initiated in January 2008 due to rubber buildup and improper marking on the civilian runway, which were safety hazards for landing aircraft. The original contractor completed the scraping portion of the project, but ICAA-imposed delays and other restrictions prevented the contractor from painting the runway immediately after scraping. During this time, flight patterns changed, and the portion that had been scraped had more traffic than usual. MNC-I considered hiring another contractor to finish the painting portion of the project, but the U.S. Air Force determined that the runway should be scraped again before painting due to excessive rubber buildup. The Air Force also recommended that MNC-I re-bid the contract. MNC-I officials received a few bids that exceeded the amount remaining on the project's obligation. MNC-I officials terminated this project on September 2, 2009, and the funds used to originally clean up the runway are at risk of being wasted.

When we visited BIAP in November 2009, we observed that excessive rubber buildup on the takeoff and landing strip continues to obscure runway markings. However, Iraqi officials showed us a scraping machine they had purchased with GOI funds to remove the rubber. At the time of our visit, the ICAA had just received the equipment and planned to send GOI officials to training to learn how to operate the equipment.

Business Center Building Renovation

Reported \$168,550

Cost:

Outcome: Renovation Completed, Not Being Used

Discussion: Initiated in November 2006, this project renovated an old Ba’athist airport terminal to be used as a business center. The business center was the first of the four main BIAP Economic Zone projects. When we visited the project site in September 2009, the doors were padlocked. A GOI official escorted us through the building; it appeared to have been renovated, but it was vacant and abandoned. In its written comments on a draft of this report, USF-I stated that the building was turned over to the GOI in fully satisfactory condition, and that the current state of the building is the result of the GOI’s inability to properly maintain the structure.

Air Traffic Control Standby Generator

Reported \$128,000

Cost:

Outcome: Equipment Repair Completed, Not Maintained

Discussion: This project was initiated by the U.S. Army Corps of Engineers in September 2005 to repair the electrical-mechanical and exhaust systems to make the generator functional. The GOI did not conduct necessary on-going maintenance, and as a result, the generator is not working. U.S. Army Corps of Engineers officials were not involved with the project after it was transferred to the GOI, thus they did not know why the GOI did not conduct ongoing maintenance. At the time SIGIR visited the generator project site, it was unclear which generator was repaired using CERP funds. MNC-I, U.S. Army Corps of Engineers, and GOI officials later confirmed that CERP funds were used to repair the large generator, which is located to the left of the main entrance of the tower. The project was completed in August 2007. The repaired generator had a one-year warranty, which expired in August 2008. GOI officials on site showed how they had connected a newer, smaller generator to the large generator, which enables them to power the control tower when power is not available from the electrical grid.

Iraq Aviation Institute Furniture Purchase

Reported \$112,138
Cost:

Outcome: Equipment Purchase Completed, Used Minimally

Discussion: Initiated in April 2007, this project was to provide furniture for the Iraq Aviation Institute. When we visited the project site in September 2009, we noted that the various offices, classrooms, and laboratories were furnished throughout the building, but on the day of our visit, the furniture was not being used by students during instructional sessions. According to GOI officials, the building is used to provide training on an as-needed basis.

USF-I did not agree with SIGIR's assessment and said in its written comments that the institute is fully staffed and operational. SIGIR notes that its assessment reflects conditions at the time of our visit.

Engineer Retainer Contract II

Reported \$98,000
Cost:

Outcome: Minimal Evidence of Work Performed

Discussion: MNC-I officials did not know the results of the work performed by Iraqi engineers hired on retainer contracts to assist contracting officers' representatives with daily quality assurance and other quality checks. The engineers provided these services on projects such as the Caravan Hotel, which were executed by civil affairs brigades rather than GRD. MNC-I civil affairs personnel could not find evidence in the project files to verify whether the engineers had completed daily reports or had provided other feedback. The officials said that if the engineers had produced daily reports, the documentation would have been voluminous; thus, previous brigades may not have maintained the reports in the CERP project files after the projects were completed. Due to a lack of documented oversight, the funds spent on this project constitute potential waste.

Culvert Lids

Reported Cost: \$90,000

Outcome: Minimal Evidence of Work Performed

Discussion: This project was initiated in February 2005 to recast 550 concrete culvert lids. A GOI official verified that there was a CERP project related to the culvert lids; however, the official could not remember the location of the lids. An assessment conducted by the U.S. Federal Aviation Administration in late February 2009 found numerous open vaults in the taxiway strips at BIAP; additionally, large concrete vault lids were on site but were no longer being used. We did not attempt to verify whether lids identified in the Federal Aviation Administration report were the culvert lids that were purchased with CERP funds because we did not receive the project file until after we had completed our site visits. Also, MNC-I could not confirm the location of the lids; the project was started before MNC-I's civil affairs brigades had responsibility for the CERP projects at BIAP.

Business Center Automation Contract

Reported Cost: \$89,000

Outcome: Equipment Purchase Completed, Not Being Used as Intended

Discussion: Initiated in November 2006, this project provided servers, local area networks, and other computer equipment for the business center facility. When we visited the project site in September 2009, the equipment had been removed from the building. A GOI official stated that the equipment was deliberately removed from the business center and relocated to the ICAA's offices in the main terminal at BIAP. The official added that the GOI did not have funds to pay a management contractor to guard the facility, and had the equipment been left on site it would have been pilfered. Because the equipment was removed from the project site and currently is not being used as intended, the funds spent on the project constitute waste.

Business Center Furniture Contract

Reported \$82,804
Cost:

Outcome: Equipment Purchase Completed, Not Being Used as Intended

Discussion: Initiated in November 2006, this project provided furniture for the business center facility. When we visited the project site in September 2009, the furniture had been removed from the building. A GOI official stated that the furniture was deliberately removed from the business center and relocated to the ICAA's offices in the main terminal at BIAP. The official added that the GOI did not have funds to pay a management contractor to guard the facility, and had the furniture been left on site it would have been pilfered. Because the furniture was removed from the project site and currently is not being used as intended, the funds spent on the project constitute waste.

Iraq Aviation Institute Facility Improvement

Reported \$79,735
Cost:

Outcome: Renovation Completed, Used Minimally

Discussion: Initiated in April 2007, this project was to perform minor facility improvements such as install carpet, doors and windows, and electrical outlets; build administrative and food service counters; install signs; and improve landscaping at the Iraq Aviation Institute. When we visited the institute in September 2009, these improvements appeared to have been completed and maintained. Overall, the facility appeared to have been used minimally.

USF-I did not agree with SIGIR's assessment and said in its written comments that the institute is fully staffed and operational. SIGIR notes that its assessment reflects conditions at the time of our visit.

Runway Lighting System

Reported \$72,856
Cost:

Outcome: Equipment Purchase Completed, Not Maintained

Discussion: Initiated in January 2008, the Runway Lights project purchased spare bulbs and parts to repair the BIAP taxiway and runway lighting system. The lights were installed, but due to electrical power fluctuations, many of the original lights burned out. According to an MNC-I official, the GOI spends approximately \$50,000 per quarter replacing bulbs that continue to burn out.

Engineer Retainer Contract I

Reported \$61,590
Cost:

Outcome: Minimal Evidence of Work Performed

Discussion: MNC-I officials did not know the results of the work performed by Iraqi engineers hired on retainer contracts to assist contracting officers' representatives with daily quality assurance and other quality checks. The engineers provided these services on projects such as the Caravan Hotel, which were executed by civil affairs brigades rather than GRD. MNC-I civil affairs personnel could not find evidence in the project files to verify whether the engineers had completed daily reports or had provided other feedback. The officials said that if the engineers had produced daily reports, the documentation would have been voluminous; thus, previous brigades may not have maintained the reports in the CERP project files after the projects were completed. Due to a lack of documented oversight, the funds spent on this project constitute potential waste.

Business Center Security Building Rehabilitation

Reported \$31,250
Cost:

Outcome: Renovation Completed, Not Being Used

Discussion: Initiated in November 2006, this project was to renovate an existing building adjacent to the Business Center facility to provide a security command center for the Business Center. When we visited the project site in November 2009, we noted that the building had not been maintained and was in a state of disrepair. For example, the entryway to the building was covered with broken glass, holes in external walls had not been repaired, and the floor was covered by trash and what appeared to be human feces.

Business Center Equipment Purchase

Reported \$24,315
Cost:

Outcome: Equipment Purchase Completed, Not Being Used as Intended

Discussion: Initiated in April 2007, this project provided general support equipment such as a podium, microphone, and speakers for the Business Center facility. When we visited the project site in September 2009, the equipment had been removed from the building. A GOI official stated that the equipment was deliberately removed from the business center and relocated to the ICAA's offices in the main terminal at BIAP. The official added that the GOI did not have funds to pay a management contractor to guard the facility and that had the equipment been left on site it would have been pilfered. Because the equipment was removed from the project site and was not being used as intended, the funds spent on the project constitute waste.

Business Center Internet Service

Reported \$17,920
Cost:

Outcome: Service Partially Provided, Project Terminated

Discussion: Initiated in October 2007, this project provided Internet service on a temporary basis to the Engineer Retainer Teams that used the service. The project was terminated in October 2008 when it was determined that the service was duplicative and no longer required.

Iraq Aviation Institute Water Supply Pipe

Reported \$13,275
Cost:

Outcome: Construction Completed, Used Minimally

Discussion: Initiated in November 2007, this project was to install a water supply pipe that would provide potable water to the Iraqi Aviation Institute and the Air Traffic Controller Training Center facilities. When we visited the project site in September 2009, the pipe appeared to be connected and functioning properly;

however, both facilities it supports are used minimally.

USF-I did not agree with SIGIR's assessment and said in its written comments that the institute is fully staffed and operational. SIGIR notes that its assessment reflects conditions at the time of our visit.

Appendix C—MNC-I’s Official Explanation of the Development Effort at BIAP

During our audit, we met with senior U.S. Forces-Iraq officials formerly assigned to MNC-I when several of the BIAP projects were being planned and approved. The officials have extensive knowledge of the projects—for example, why certain decisions were made—that is not documented in the project files. We asked for written documentation of their knowledge of the BIAP projects. MNC-I provided comments, and U.S. Forces-Iraq approved our use of the comments in this report. The comments provide a historical context for the development effort at BIAP. We have referred to the comments throughout the discussion section of the report and are providing a copy of the comments in this appendix.

1 October 2009

This paper seeks to inform the "Audit of the Commander's Emergency Response Program (CERP) Projects within the Baghdad International Airport (BIAP) Economic Zone (Project No. 9026)." The author (COL William Kehrer) was the MNC-I C9, Chief of Civil-Military Operations, from December 2006 until February 2008. His staff division was responsible for the MNC-I BIAP Economic Zone efforts and exercised staff oversight of most of MNC-I's economic initiatives undertaken as part of "the Surge"/counterinsurgency effort of 2007. This paper describes MNC-I's rationale for embarking on the BIAP Economic Zone effort in the spring of 2007; it does not attempt to discuss what occurred with this effort following III Corps' redeployment after February 2008.

It is impossible to understand Multi-National Corps-Iraq (MNC-I) efforts with the BIAP Economic Zone without an appreciation for what III Corps faced at the end of 2006 when it assumed leadership of MNC-I. Over the next year, MNC-I executed a violent and successful, albeit costly, counterinsurgency campaign that was contested at every juncture by violent extremists and insurgents. The Corps, working in cooperation with its interagency partners and a nascent, sometimes sectarian, Government of Iraq (GoI), successfully reversed the security situation and gave the Iraqi people hope for the future. But this effort required MNC-I to employ every tool available, to include economic initiatives, to give the people of Iraq a reason to turn away from violence and pursue a hopeful future. Many of these efforts, taken in isolation, were certainly controversial. However, seen in the context of the deteriorating situation in Iraq in late 2006 and early 2007, they were absolutely necessary and were part of the combined effort that came to be known as "the Surge", a model for successful counterinsurgency.

When III Corps deployed to Baghdad in early December 2006, the Coalition effort in Iraq was at a crossroads. Stories in the press described the situation in Iraq as spiraling out of control. The rising level of sectarian violence in Baghdad seemed to feed on itself. High-profile attacks in the streets and markets of Baghdad were a common occurrence. Violence was increasingly consuming the capital city. Thousands of fighters in Baghdad took on the role as "protectors," and their actions consequently fueled the cycle of violence. Taking the offensive against Iraqi civilians on the other side of the sectarian divide, many launched attacks that elicited retaliation, providing further justification for the next round of brutal reprisals. Sunni and Shi'a alike tolerated the extremists in their midst because the Iraqi Army and Police, in some cases, could not be trusted and, in most cases, lacked the capacity to protect the population. The activities of militias and death squads helped to sustain the cycle of violence in Baghdad, and their continued growth stemmed from an absence of security. With the violence came fear and a loss of hope. Attitudes hardened as survival became the goal, allegiances formed along sectarian lines, and civilian deaths accumulated. Corpses were found in trash heaps and along Baghdad's side streets by the dozens each day.

Without meaning to sound overly dramatic, when III Corps arrived in December 2006 and into the spring of 2007, the state of Iraq was failing, on the brink of all out civil war—all hope seemed lost. Weekly security incidents in December were near 1,300 a week, peaking in June 2007 at near 1,600 per week. Civilian deaths were at 3,700 in December alone, over 2,000 of these were directly due to an ethno-sectarian torture and murder campaign; with the *surge* of Coalition Forces, by early summer, MNC-I decreased these to roughly 2,700 and 1,000 per month, respectively—still unacceptably high but on a downward trend. Monthly high profile/high casualty

producing attacks in December were at 80 per month, cresting in March 2007 at 130. Coalition casualties were on the rise with 98 combat related deaths in December, peaking in May at 120 deaths. National institutions to provide for the people were at a nascent capacity at best. Many ministries were still very sectarian in their execution, and those that were not, had only rudimentary skills and competencies. The Government of Iraq had yet to master the requisite ability to execute their budget effectively. Lack of sewer, fuel, electricity, water, sanitation, and health services was widespread. The Iraqi security forces had spotty performance at best; of these, both local and national police forces were often split along sectarian lines. In short, the Iraqi people had no reason to hope for a brighter future. Death squads roamed the streets freely, and military aged males had no viable employment options other than to join the ranks of violent extremists and insurgents. It is within this context that MNC-I took on the BIAP Economic Zone.

At the end of 2006, the U.S. policy decision was to go "all in" in Iraq, committing a final push (or *surge* of effort) in Iraq to turn the war around from its downward spiral; there would most likely be no other "second chances." This included a new strategy. The much heralded success of "the Surge" in 2007 rode on the backbone of an comprehensive counterinsurgency (COIN) campaign that brought together both military and civilian capabilities to aggressively stop and reverse the cycle of violence. The center of gravity for a COIN effort is "the people"; more specifically, the *psyche* of the people. Successful COIN efforts, at their most basic level, attempt to produce a *decision of the will* in the people to reject the insurgency and join ranks with their legitimate government. In COIN operations, by isolating segments of the population, protecting them where they sleep, building an indigenous security force to protect them that they can call their own, and giving them economic opportunity and basic governance built upon a foundation of essential services, COIN efforts ask the people to choose *hope*, to turn their backs on violence and extremism, and to make a *decision of the will* to move forward on a road to recovery that participates in basic human decency and quality of life led by an increasingly competent government. The BIAP Economic Zone was a large part of this effort to give the Iraqi people hope for a brighter future and expedite Iraq's recovery from the brink of civil war and horrific violence.

The BIAP Economic Zone was an MNC-I focused effort, with project inception and oversight occurring at the Corps and project execution conducted by the Corps' assigned Civil Affairs Brigade. The Corps decided to take on this comprehensive effort in the early spring of 2007 when violence had yet to reach its crest later in the summer. The Corps (V Corps) prior to III Corps had done some concept development for the economic (business and international meeting) zone and launched some of the BIAP revitalization work, completing the Business Center in the abandoned Ba'athist VIP terminal. Their goal was to prepare BIAP to become the central point of entry to Iraq for international business and investment, much like any airport in the world. III Corps made the decision to build upon this existing concept and expedite its development as an integral part of the greater COIN campaign to support the urgent need for both economic investment/development and international humanitarian assistance.

Failed or failing states that undergo recovery historically require a massive infusion of assistance from other governments, international organizations, and both private and humanitarian nongovernmental organizations (NGOs). The problem Iraq faced was a severe lack of foreign investment to assist in its eventual recovery. Very few, if any potential foreign investors or international organizations would come to Iraq because of the violence. Even the United Nations (UN) kept only a token presence in Iraq, choosing to base the bulk of its operations out of Jordan throughout 2007. There were no other international aid organizations to speak of in Iraq. Business and investment conferences focused on assisting Iraq would occur in places like Jordan, Dubai, and even Erbil, but no one would come to Baghdad. Psychologically, Iraq remained a hopeless cause. MNC-I saw it as an imperative that investment and humanitarian

entities and organizations needed to be able to come to Baghdad safely and be able to meet with GoI officials. Being able to conduct business *in Iraq* was critical to making the resounding statement that Iraq was "open for business," and on the road to recovery, breaking free from conflict.

MNC-I's challenge was the violence in Baghdad (the seat of government) remained very real and threatening. Therefore, the Corps saw BIAP as a great opportunity in the making; certainly violent downtown Baghdad was not a feasible option. If the Corps could somehow give BIAP a minimal capability to conduct secure international meetings and conferences where foreign investors and organizations could travel safely to Baghdad, have a reasonably secure place to stay and conduct meetings with GoI officials that could travel into the secured BIAP compound, and then return home, this would have huge implications on our counterinsurgency efforts. MNC-I was not out to completely revitalize BIAP, but rather, give it only a basic capability. To do this, the Corps saw as a minimal requirement the existing business center, an office tower that had space that could be rented out to international businesses and organizations, some capability for conferences or business expos (convention centers were to be located in the previous BIAP terminals long since abandoned, replaced by the new terminal)¹, and rudimentary temporary billeting accommodations, plus a few other supporting projects. Understanding foreign investment and international assistance were critical for any failing state's recovery, MNC-I saw the BIAP Economic Zone, the "gateway to Iraq," as absolutely critical to its comprehensive COIN effort. Conceptually, MNC-I envisioned the UN renting space in the office tower and parking UN C-130 cargo aircraft on the BIAP tarmac, and had meetings to this effect in Amman, Jordan in 2007. This basic international business and meeting capability would defy the extremist and insurgent messaging that all hope was lost. MNC-I needed to expedite this effort that amounted to roughly \$15M all total in "economic zone" related projects, especially in light of the 2007 U.S. policy to do whatever was physically and legally possible to turn the war around. The U.S. was "all in" in the high risk 2007.

Given the urgency of moment, the rising violence, and lack of foreign investors or other funds, MNC-I made the controversial decision to use CERP funds towards this effort. The Provincial Reconstruction Team (PRT) program's Quick Reaction Funds were not available for this effort, with that program still coming on line in an effective way, and the Embassy did not have any funds available. The GoI had yet to build the capability to effectively execute its budget, and there were no other funds available to execute this critical effort in a timely and urgent manner. With the gravity of the humanitarian situation in Bagdad, the Corps planned to complete this basic capability quickly, by the end of 2007 or early 2008, so as to provide the people of Iraq immediate assistance and to support the greater effort to defeat the insurgency. The Corps' assessment was this effort, once complete, would catapult Iraq forward and assist in expediting its recovery and break free of the violence. It was an integral part of the Corps' COIN efforts and would have national implications.

It is arguable this was a risky endeavor in retrospect, but it is equally arguable that everything the Corps was attempting was high risk. Not to be forgotten, the times were desperate, people

¹ The intended purpose of the Convention Centers were designed to attract international investment by creating a safe, professional environment in which the international and Iraqi business communities can meet, interact, and showcase their products and services. According to the Civil Affairs Brigade in January 2009, after the BIAP Caravan Hotel opened, the first two expos were held in December 2008 while the Convention Centers were in stasis. The Brigade estimated that the Oil Expo conducted in an unfinished building generated at least \$1.6M in revenues (probably more) for a three day event. The Trade Expo was not nearly as successful with significantly lower revenues—due to poor planning by the event management company. While the overall expos produced lukewarm results in terms of actual investment in Iraq, they do highlight the potential of the economic zone. If their numbers are reasonably accurate, \$1.6M in revenues resulting from a 3-day poorly run convention in an unfinished, contractually-challenged expo center is not a bad initial return for the BIAP Economic Zone investment, given the context presented in this paper.

remained the target of the violence, and more critically, the people had no hope. The enemy fought us everywhere, and the Corps was attempting to use every tool it had to stem the horrific violence, secure the population, and give the people a reason to reject violence and begin the road to recovery, and trust in the government. MNC-I felt compelled to find a way to expedite Iraq's urgent need for humanitarian assistance and reconstruction/investment given limited means. The BIAP Economic Zone seemed to be a reasonable effort for relatively low cost given all the efforts ongoing in Iraq to "rebuild" the country and enable the country to become the sovereign and secure country it is today. But the BIAP Economic Zone was not all that Corps did to target the psyche of the Iraqi people, to give them reason to hope. MNC-I executed many other aggressive decentralized efforts to support the overall COIN campaign.

Across Iraq, the efforts of MNC-I, working with our interagency partners, were attempting to target the *will of the people* to give them hope to compel a choice to move forward, away from the violence. Beyond the well documented 2007 change in strategy of moving back into the neighborhoods and aggressively working bottom-up reconciliation efforts such as the controversial Sons of Iraq program, MNC-I did much more. To improve governance infrastructure in 2007, MNC-I, partnered with Gulf Region Division and the PRTs, used CERP to execute nearly 500 sewer and water projects, 375 power generation and distribution projects, over 650 education projects, over 90 health related projects, and 450 transportation projects. These decentralized efforts sought to not only improve the welfare of the people of Iraq, but more importantly, to change their psyche and give them a reason to hope and choose to move forward. These efforts would certainly demonstrate an attempt to bring a ray of hope to the people. Some of these efforts were not successful because "the enemy got a vote." Everywhere they could, extremists on all sides resisted our efforts, as they too fought Coalition Forces to retain their hold on the will of the people. Even sectarian-minded GoI ministries deliberately worked against the greater good of the Iraqi people for the sake of sectarian ends, adding to the suffering and despair. But by mid- to late 2007, the change was beginning to occur in the psyche of the Iraqi people, defying the violence and sectarian actors at all levels.

Key to MNC-I's efforts were investing in human capital, especially targeting military aged males. The projects above sought to employ these males wherever they could. MNC-I also partnered with the Ministry of Labor and Social Affairs and USAID to renovate nearly all of the vocational centers across Iraq, thus giving opportunity for the youth to become skilled laborers. MNC-I spent roughly \$40M in CERP towards this partnered effort. MNC-I created the CERP microgrant program to enable company commanders to help small businesses and sole proprietorships get back on their feet following violence. In 2007, Soldiers and Marines helped start/restart or assist 1,661 small businesses to recover following combat operations in their neighborhoods, accounting for just under \$4M in CERP. This effort was partnered with USAID's successful Community Stabilization Program that had a larger microgrant program that targeted larger businesses and other areas, providing 4,100 grants totaling \$30.5M. Local commanders also supported the USAID micro-lending program in the neighborhoods and cities as USAID awarded 26,170 loans to businesses, totaling \$58.7M. In late 2007, with USAID assistance, the GoI eventually created its own micro-lending program modeled after the USAID program. Other CERP funded efforts to "target" the will of the people included employment centers, job fairs, business development workshops, jobs training, and civil conservation corps-type jobs initiatives.

These partnered grants, loans, and other employment initiatives enabled Iraqi people to restart their lives following violence. Were all successful? Certainly not. The violence at times was overwhelming, and violent extremists and sectarian actors fought diligently to resist MNC-I and its partners' efforts to win over the will of the people. But as MNC-I was fighting to turn the war and ethno-sectarian violence around, each of these efforts contributed to the Surge's success. And by the end of 2007, the tide was clearly turning. These efforts alone did not revitalize Iraq's

economy, but at the neighborhood level, people saw shops and markets opening up after MNC-I likewise protected them from IED attacks. Slowly people began to allow their children to attend school and play outdoors. People began to choose “hope”, the key to effective COIN.

A question has been raised about the \$900K BIAP mural project that is worth addressing. The idea originated in one of the many contested neighborhoods in Baghdad. Throughout Baghdad, Coalition Forces erected T-walls to limit sectarian attacks and prevent freedom of movement for death squads and insurgents. While very controversial at the time, this use of miles upon miles of T-walls proved incredibly effective. By their design, T-walls are ugly and offensive to affable Iraqi culture, but yet, a “necessary evil” at the time. Some enterprising artists began to paint murals on the T-walls to beautify the ugly barriers; this became hugely popular in the besieged neighborhoods. As MNC-I sensed a sea change occurring in the psyche of the Iraqi people, it began to see more and more of the T-walls painted with picturesque murals depicting Iraqi culture and heritage. This clear statement of “hope” was a key indicator for MNC-I that the war was beginning to turn ever so slowly against the cycle of violence. Seizing an important opportunity, enterprising commanders on the ground began hiring artists to paint T-walls across Baghdad neighborhoods, making a visible statement against the violence.

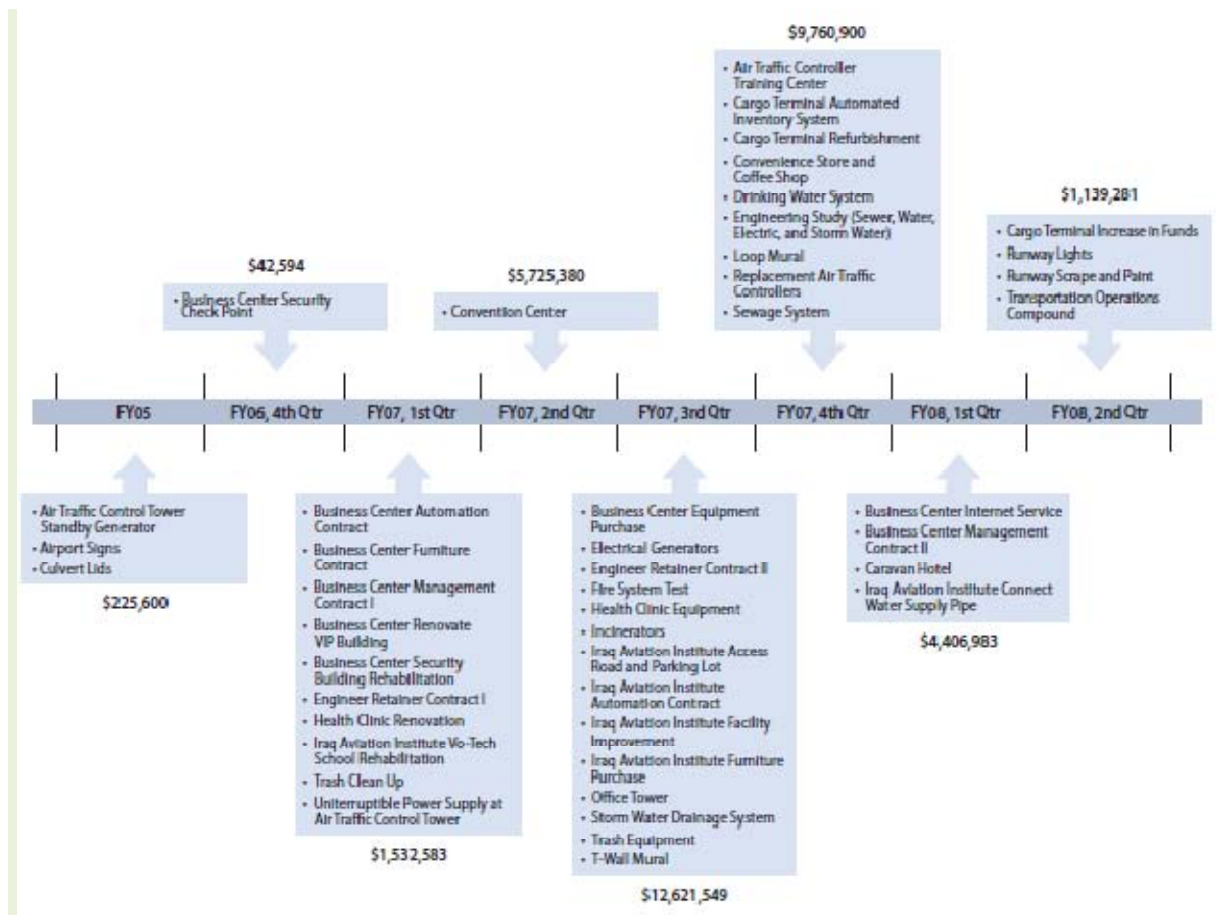
Within the greater BIAP complex, there is an ugly 2.3 mile long stretch of 12 foot high security barrier walls along a U-shaped stretch of road that all civilians must traverse to travel from the BIAP entry security control point to the actual BIAP terminals and economic zone. This 2.3 mile stretch of 12 foot wall separates the civilian side of BIAP from the Coalition Force side of the complex. As MNC-I worked to get BIAP “open for business” through its minimalist work on the BIAP Economic Zone, the Corps felt an imperative to do something to beautify this 2.3 mile wall, the first and last impression of every civilian entering or departing Baghdad via air. For \$900K total, artists were hired to beautify this over two mile stretch with a mural highlighting Iraqi culture and hope; this seemed a very fair price to make an urgent statement that hope existed in Iraq.

In conclusion, any of these afore mentioned efforts, taken out of the context of the horrific violence of 2007, would clearly seem unreasonable. However, given the last ditch 2007 U.S. policy decision in Iraq and the struggle underway in the battle for Baghdad, the heart of Iraq, and the greater counterinsurgency campaign, these combined traditional and nontraditional (sometimes controversial) efforts were absolutely critical to produce the wholesale change in the Iraqi psyche. “The Surge” was more than a change in strategy that moved Coalition Forces back into the neighborhoods and that executed successful reconciliation efforts. It is a mischaracterization of the success of the Surge to attribute its success to only a change in the conduct of combat operations and reconciliation efforts. The change that occurred in Iraq in 2007 resulted from MNC-I and its partners taking risks and employing every tool available to protect the population and to give the people hope. Regarding the use of CERP funds, specifically concerning the BIAP Economic Zone, MNC-I sought to act fully above board and completely within legal and fiscal guidelines and intent. The BIAP Economic Zone was an integral part of the Corps’ overall campaign to turn the war around given limited funding sources and a very compressed timeline. Again, not attempting to explain how the projects were managed following III Corps’ departure, during the height of the 2007 violence, we were “all in” doing everything we could legally do to turn the war around, defeat violent extremists and insurgents, and the Iraqi people the hope the desperately needed.

Appendix D—Approval Dates and Disbursements for CERP Projects at BIAP

Figure 14 illustrates a timeline, by quarter, for the BIAP project approvals and total disbursements as of November 22, 2009.

Figure 14—Approval Dates by Fiscal Year Quarter and Disbursements as of November 22, 2009, for CERP Projects at BIAP



Source: SIGIR analysis of CERP project file documentation as of 11/22/2009.

Appendix E—CERP Statutes

Since CERP’s inception in 2003, the Congress has enacted a number of CERP-related public laws. Most of the laws have either authorized or appropriated funding for CERP and have consistently described the program as having been created

for the purpose of enabling military commanders in Iraq to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the Iraqi people, and to fund a similar program to assist the people of Afghanistan.

In addition to the Public Law number and title, Table 3 outlines, for various CERP statutes, the appropriation amount and the ending date for obligations for the respective appropriation.

Table 3—CERP Statutes (FYs 2004 – 2009)

Date	Public Law	Name	Remarks	Appropriation Amount	End of Obligation Period Date
FY^a 2004					
11/6/2003	P.L. ^b 108-106, Title I, Section 1110	Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004	Set not to exceed \$180 million (Total Commander's Emergency Response Program)	\$180,000,000	9/30/2004
FY 2005					
8/5/2004	P.L. 108-287, Title IX, Section 9007	Department of Defense Appropriations Act, 2005	Set not to exceed \$300 million (Total Commander's Emergency Response Program)	\$300,000,000	9/30/2005
10/28/2004	P.L. 108-375, Title XII, Subtitle A, Section 1201	Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005	Authorized not to exceed \$300 million for FY2005		N/A

Date	Public Law	Name	Remarks	Appropriation Amount	End of Obligation Period Date
12/8/2004	P.L. 108-447, Division J, Title I, Section 102	Consolidated Appropriations Act, 2005	Increased not to exceed by \$200 million to \$500 million (Total Commander's Emergency Response Program)	\$500,000,000	9/30/2005
5/11/2005	P.L. 109-13, Title I, Section 1006	Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005	Increased not to exceed by \$354 million (from \$500 million to \$854 million) (Total Commander's Emergency Response Program)	\$354,000,000	9/30/2005
FY 2006					
12/30/2005	P.L. 109-148, Title IX, Section 9007	Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006	Set not to exceed at \$500 million (Total Commander's Emergency Response Program)	\$500,000,000	9/30/2006
1/6/2006	P.L. 109-163, Title XII, Subtitle A, Section 1202	National Defense Authorization Act for Fiscal Year 2006.	Authorized not to exceed \$500 million for each FY2006 and FY2007		N/A
6/15/2006	P.L. 109-234, Title I, Chapter 2, Section 1207	Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006	Added not to exceed \$423 million (Total Commander's Emergency Response Program)	\$423,000,000	12/31/2007
FY 2007					
9/29/2006	P.L. 109-289, Title IX, Section 9006	Department of Defense Appropriations Act, 2007	Set not to exceed \$500 million (Total Commander's Emergency Response Program)	\$500,000,000	9/30/2007

Date	Public Law	Name	Remarks	Appropriation Amount	End of Obligation Period Date
5/25/2007	P.L. 110-28, Title I, Chapter 3, Section 1307	U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	Added not to exceed \$456.4 million (Total Commander's Emergency Response Program)	\$456,400,000	9/30/2007
12/26/2007	P.L. 110-161, Title VI, Section 606	Consolidated Appropriations Act, 2008	Set not to exceed \$500 million (Total Commander's Emergency Response Program)	\$500,000,000	9/30/2008
FY 2008					
1/28/2008	P.L. 110-181, Title XII, Subtitle A, Section 1205	National Defense Authorization Act for Fiscal Year 2008	Amended the National Defense Authorization Act for FY2006 by striking FY2006 and FY2007 and inserting FY2008 and FY 2009; authorized an increase of \$447,441,000 not to exceed per fiscal year (from \$500 million to \$977,442,000)		N/A
6/30/2008	P.L. 110-252, Title IX, Section 9104	Supplemental Appropriations Act, 2008	Set not to exceed at \$1,226,841,000	\$1,226,841,000	9/30/2008

FY 2009				
10/14/2008	P.L. 110-417, Title XII, Subtitle B, Section 1214	Duncan Hunter National Defense Authorization Act for Fiscal Year 2009	Authorized an increase of \$722,559,000 for FY2008, not to exceed a total of \$1.7 billion; authorized an increase of \$552,559,000 for FY2009, not to exceed a total of \$1.5 billion	N/A
			Total	\$4,940,241,000
			Appropriations	

Source: SIGIR analysis of Commander's Emergency Response Program Statutes as of 1/4//2010.

Notes:

^a Fiscal Year

^b Public Law

Appendix F—Permissible Categories of CERP Fund Usage

The MAAWS, dated January 26, 2009 (with Change 2, dated November 1, 2009), allows CERP funds to be used under 20 broad categories of assistance. Overall, the categories have remained fairly constant since the initial CERP guidance was published in June 2005.

1. Agriculture/Irrigation: Projects to increase agricultural production or cooperative agricultural programs.
2. Battle Damage Repair: Projects to repair, or make payments for repairs of, property damage that results from U.S., coalition, or supporting military operations and is not compensable under the Foreign Claims Act.
3. Civic Cleanup Activities: Projects to clean up public areas; area beautification.
4. Civic Support Vehicles: Projects to purchase or lease vehicles by public/government officials in support of civic and community activities.
5. Condolence Payments: Payments to individual civilians for the death or physical injury resulting from U.S., coalition, or supporting military operations not compensable under the Foreign Claims Act.
6. Economic, Financial, and Management Improvements: Projects to improve economic or financial security.
7. Education: Projects to repair or reconstruct schools or to purchase school supplies or equipment.
8. Electricity: Projects to repair, restore, or improve electrical production, distribution, and secondary distribution infrastructure. Cost analysis must be conducted so the village or district may collect revenues to ensure operation and maintenance of the system for long-term use.
9. Food Production & Distribution: Projects to increase food production or improve
10.] distribution processes to further economic development.
11. Former Detainee Payments: Payments to individuals upon release from Coalition (non-theater internment) detention facilities.
12. Healthcare: Projects to repair or improve infrastructure, equipment, medical supplies, immunizations, and training of individuals and facilities in respect to efforts made to maintain or restore health, especially by trained and licensed professionals.

13. Hero Payments: Payments made to the surviving spouses or next of kin of Iraqi defense or police personnel who were killed as a result of U.S., coalition, or supporting military operations. ([These were] previously referred to as Martyr payments in Iraq.)
14. Other Urgent Humanitarian or Reconstruction Projects: Projects to repair collateral damage not otherwise payable because of combat exclusions or condolence payments. Other urgent humanitarian projects not captured under any other category. For other urgent humanitarian projects, this category should be used only when no other category is applicable.
15. Protective Measures: Projects to repair or improve protective measures to enhance the durability and survivability of a critical infrastructure site (oil pipelines, electric lines, et cetera).
16. Repair of Civic and Cultural Facilities: Projects to repair or restore civic or cultural buildings or facilities.
17. Rule of Law and Governance: Projects to repair or reconstruct government buildings such as administrative offices or courthouses.
18. Telecommunications: Projects to repair or extend communication over a distance. The term telecommunication covers all forms of distance and/or conversion of the original communications, including radio, telegraphy, television, telephony, data communication, and computer networking. Includes projects to repair or reconstruct telecommunications systems or infrastructure.
19. Temporary Contract Guards for Critical Infrastructure: Projects including Sons/Daughters of Iraq and others to guard critical infrastructure, including neighborhoods and other public areas.
20. Transportation: Projects to repair or restore transportation to include infrastructure and operations. Infrastructure includes the transportation networks (roads, railways, airways, canals, pipelines, et cetera) that are used, as well as the nodes or terminals (such as airports, railway stations, bus stations, and seaports). The operations deal with the control of the system, such as traffic signals and ramp meters, railroad switches, air traffic control, et cetera.
21. Water & Sanitation: Projects to repair or improve drinking water availability, to include purification and distribution. Building wells in adequate places is a way to produce more water, assuming the aquifers can supply an adequate flow. Other water sources such as rainwater and river or lake water must be purified for human consumption. The processes include filtering, boiling, and distillation among more advanced techniques, such as reverse osmosis. The distribution of drinking water is done through municipal water systems or as bottled water. Sanitation, an important public health measure that is essential for the prevention of disease, is the hygienic disposal or recycling of waste materials, particularly human excrement.

Appendix G—Acronyms

Acronym	Description
BEZ	Baghdad International Airport Economic Zone
BIAP	Baghdad International Airport
CERP	Commander's Emergency Response Program
DoD	U.S. Department of Defense
DoS	U.S. Department of State
FY	fiscal year
GOI	Government of Iraq
ICAA	Iraq Civil Aviation Authority
MAAWS	<i>Money as a Weapon System</i>
MNC-I	Multi-National Corps-Iraq
MOT	Ministry of Transportation
P.L.	Public Law
SIGIR	Special Inspector General for Iraq Reconstruction
USAID	U.S. Agency for International Development

Appendix H—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:

Paula A. Braun

Arthur Granger

Milton L. Naumann

Nancee K. Needham

Appendix I—Management Comments and Audit Response

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



REPLY TO
ATTENTION OF

HEADQUARTERS
UNITED STATES FORCES - IRAQ
BAGHDAD, IRAQ
APO AE 09342-1499

USF-I COS

14 April 2010

MEMORANDUM FOR Office of the Special Inspector General for Iraq Reconstruction (SIGIR)

SUBJECT: USF-I Response to SIGIR Draft Report 10-013, dated 26 March 2010,
Commander's Emergency Response Program (CERP): Projects at Baghdad Airport Provided
Some Benefits but Waste and Management Problems Occurred (SIGIR Project 9026)

1. Despite several productive attempts to provide insight on the background and current status of the Baghdad International Airport (BIAP) Economic Zone to which SIGIR Draft Report 10-013 refers, including USF-I Command referrals to key GoI leaders directly familiar with the referenced CERP projects from inception through execution, Draft Report 10-013 fails to capture the central thesis that defined the underlying requirement, conception, and execution of the CERP funded BIAP Economic Zone projects. In addition to the overarching comments presented below, the enclosed document details 39 recommended corrections / clarifying comments to SIGIR Draft Report 10-013.

2. Prior to the physical arrival of U.S. Forces identified for the 2007-2008 "surge" in Iraq, BIAP was returned to and under the supervision of the GoI. In order to support incoming surge forces, specifically (but not limited to) a U.S. Forces Combat Aviation Brigade consisting of more than 2,200 personnel, 110 rotary-wing aircraft, and significant ground support equipment, then MNC-I/MNF-I negotiated the temporary return of significant ramp space and numerous facilities at BIAP from the GoI to U.S. Forces. U.S. Forces then initiated and worked many CERP funded projects to reciprocate for this agreement. The negotiated agreement can be best summarized as a stated commitment by U.S. Forces senior leaders to return the requisite space and facilities better than they were received. Consequently, and in direct support to the overarching goals of the surge, the execution of this agreement and the positioning of additional U.S. Forces at BIAP significantly enhanced security, as evidenced by indirect fire attacks on BIAP reducing to zero by June 2007.

3. MNC-I/MNF-I senior leaders outlined the need and utility of an Economic Zone on BIAP through a series of detailed strategic engagements with the GoI. The first was with the Deputy Council of Ministers, followed by a similar formal presentation and follow-on agreement with the Council of Ministers. Essential to this agreement was the MNC-I/MNF-I commitment to aggressively invest in the reconstruction and continued development of the BIAP Economic Zone and related CERP-funded projects.



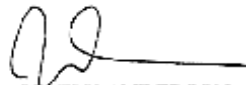
HEADQUARTERS
UNITED STATES FORCES - IRAQ
BAGHDAD, IRAQ
APO AE 09142-1400

USF-I CCS

SUBJECT: USF-I Response to SIGIR Draft Report 10-013, dated 26 March 2010,
Commander's Emergency Response Program (CERP): Projects at Baghdad Airport Provided
Some Benefits but Waste and Management Problems Occurred (SIGIR Project 9026)

4. Additionally, the draft report should better highlight the continuing and consistent effort of both USF-I and the GoI to maximize the current and future potential of the BIAP Economic Zone. Several exciting opportunities are in process, including foreign investment and use as evidenced most recently by a highly productive visit by a Japanese firm. However, the ultimate burden to provide continued support for this exciting initiative firmly rests with the GoI, not US Forces-Iraq.

Encl


JOSEPH ANDERSON
Major General, USA
Chief of Staff

**U.S. FORCES-IRAQ
COMMAND REPLY**

to

**SIGIR Draft Audit Report – Commander’s Emergency Response Program: Projects at
Baghdad Airport Provided Some Benefits, but Waste and Management Problems
Occurred**

SIGIR Report Number 10-013

SIGIR Project 9026

1. Draft Report Summary Page. There are several references to MNC-I in the present tense.

Command Comment. All present time and forward references to the former command headquarters (MNC-I, MNF-I, MNSTC-I, etc.) should be changed to USF-I.

SIGIR Response. SIGIR added wording in the background section of the report clarifying how responsibility for the projects shifted from MNC-I to USF-I. However, in the report we continue to refer to MNC-I and MNF-I as these were the organizations that approved and implemented these projects.

2. Draft Report Summary Page. The report states that “To MNC-I’s credit, it is actively working with the GOI, who now has ownership...”

Command Comment. Recommend changing MNC-I to USF-I and specifically detailing who in GOI should have ownership of this opportunity to gain additional benefits from the investment that has been made.

SIGIR Response. As discussed in comment 1, SIGIR added wording in the background section of the report clarifying how responsibility shifted from MNC-I to USF-I.

SIGIR also believes that USF-I is in the best position to determine which GOI officials are in the best position to help it facilitate the use of the BIAP projects.

3. Draft Report Summary Page. The report states that SIGIR also notes that project risk and outcomes were also impacted by (1) the inherent difficulties in undertaking projects in a war zone; and (2) difficulties in working with...”

Command Comment. Recommend specifically addressing the surge of U.S. Forces during the period of this project as amplification to the “war zone” reference. The surge of U.S. Forces under the direct control of MNC-I at the time of this project greatly complicated the command’s on-going CERP foci. Additionally, several projects were extended in duration in direct support of the surge forces positioned on BIAP in coordination with the GOI.

SIGIR Response. SIGIR added language in the executive summary, the background section, the section discussing SIGIR’s analysis of the cause, and in the conclusion section explaining USF-I’s position regarding the importance of the projects to the 2007-2008 surge in U.S. forces, and how MNC-I’S focus on the surge affected its oversight of the projects.

4. Draft Report Summary Page. The report states that, “While this may be appropriate for small-scale CERP projects this is not the case for large-scale efforts with multiple integrated...”

Command Comment. Recommend specifically addressing that CERP is no-longer used for large-scale efforts; this change was already made.

SIGIR Response: SIGIR continues to believe that guidance for large scale projects is still needed because, while the approval requirements for CERP projects have been strengthened, it is still possible to execute projects over \$1 million if approved by the Secretary of Defense. Also, to the extent that DoD is involved in stabilization and reconstruction operations in Iraq and in other theaters, the possibility that other large-scale projects may be undertaken remains. Lastly, it is also possible to initiate multiple related projects that could have a combined value in the millions of dollars, as happened with the BIAP projects.

5. Page 2, first sentence in second paragraph under title “Overarching Rationale and Approach to Projects.” The report states that “The CERP projects were approved in phases from February 2005 through February 2008.”

Command Comment: Recommend validating the start date for BIAP CERP projects, as 2005 may be incorrect.

SIGIR Response: SIGIR found that MNC-I information showed that the earliest projects were initiated in February 2005. SIGIR included these projects in its analysis because they were intended to facilitate airport certification.

6. Page 2, last sentence in second paragraph under title “Overarching Rationale and Approach to Projects.” The report states that “These projects included renovation of an existing cargo terminal and the Iraq Aviation Institute; new construction of the Air Traffic Controller Training Center; and various other service, equipment, and utility projects.”

Command Comment. Recommend that this paragraph include the fact that many of the planned projects were impacted by the requirement to utilize existing property and infrastructure at BIAP to facilitate the U.S. forces designated for the surge, which included an aviation brigade.

SIGIR Response. SIGIR added the recommended language to the report.

7. Page 4, Introduction Comments. “These brigades were responsible for initiating, executing, etc.”

Command Comment. USF-I updated information on the departure date of the 364th Civil Affairs Brigade.

SIGIR Response. SIGIR added the updated information to this report.

8. Page 4, last sentence in first partial paragraph. The report states that “The ICAA and Iraqi Airways share ownership of all facilities at the airport.”

Command Comment. This is not factual. In fact, they share only designated facilities.

SIGIR Response. SIGIR agrees, and this report contains this change.

9. Page 5, The Majority of Projects Achieved Benefits, etc. As of November 2009, MNC-I had approved and initiated 46 individual CERP projects at BIAP etc.

Command Comment. USF-I concurs with the information provided in the report.

SIGIR Response. No response required.

10. Page 5, The Majority of Projects Achieved Benefits, but Significant Investments Remain at Risk of Waste. “About \$16 million (46%) was used for 24 projects that resulted in outcomes with questionable value; etc.”

Command Comment. USF-I partially concurs with information provided in the report. We generally concur that there were problems or incomplete work on these projects, but will note areas of no concurrence on specific projects separately.

SIGIR Response. No response required. SIGIR will comment on the areas of disagreement in comments 31 to 38.

11. Page 5, fifth sentence in third paragraph under title “The Majority of Projects Achieved Benefits, etc.” “The questionable outcome projects include projects that, at present, are not being used, etc.”

Command Comment. The report should reflect that, at present, the decisions to use, not maintain, use minimally, or use differently than intended, or terminate are decisions made by the GOI, not the USF-I.

SIGIR Response. SIGIR has added a discussion of this issue in this report’s section on CERP guidance. In general, SIGIR’s position is that Iraq reconstruction efforts extend beyond brick and mortar construction to include providing the Iraqis with viable resources that improve their lives and environment. To achieve these results, SIGIR has previously reported on the importance of ensuring that reconstruction projects are consistent with the needs of the host government and that the host government has the capacity to maintain them. While MNC-I may

not be in a position to develop the GOI's capacity, these projects were built with MNC-I's CERP funding, and thus we believe that MNC-I had the responsibility to help ensure that these elements of planning were addressed. The current MAAWS guidance now addresses this issue.

12. Page 5, first sentence in fourth paragraph under title "The Majority of Projects Achieved Benefits, etc." "We acknowledge the overall MNC-I rationale for the BIAP projects was to reduce violence and to support the objectives of the military surge."

Command Comment. The report should reflect that several facilities and significant apron space were used on BIAP to facilitate the additional U.S. 3rd Combat Aviation Brigade, which was part of the initial surge force package in 2007. An additional rationale for the BIAP projects was in acknowledgement for the use of these facilities and space.

SIGIR Response. SIGIR has added this information to the background section.

13. Page 16, last sentence in first bulletized paragraph under title "Convention Center." After nearly \$5 million was spent, the contract was terminated for default in November 2008, etc."

Command Comment. The report should reflect that the MNC-I headquarters that initiated the convention center contract executed a Transition of Authority (TOA) on February 14, 2008. The subsequent assessment of the contract that led to termination was executed by this new headquarters.

SIGIR Response. SIGIR notes this information in this report.

14. Page 18, third sentence in first paragraph under title "Incinerator." "The project was transferred to the ICAA."

Command Comment. The report should attribute the September 28, 2009 observation of an empty fuel tank and infrequent use to the ICAA, as ICAA had ownership of the incinerators since May 2008.

SIGIR Response. SIGIR did not change the report to address this comment. As discussed in the report, SIGIR considers a project undertaken and given to the Iraqis that is not being used as money wasted.

15. Page 21, first bulletized paragraph under title "Inadequate planning, Staff Rotation, and Guidance led to Questionable Outcomes." "The projects were undertaken without a plan to guide the effort, and without adequate coordination with U.S. civilian agencies."

Command Comment. The report should specifically address that coordination was made by MNC-I with the U.S. Embassy's Transportation Attaché.

SIGIR Response. SIGIR added the fact that USF-I officials stated that MNC-I coordinated with the Transportation Attaché to the report. However, as noted in the report this coordination is not documented nor are any agreements reached as to the roles and responsibilities of each party.

16. Page 21, fourth bulletized paragraph under title “Inadequate Planning, Staff Rotation, etc.” “MNC-I personnel assigned to the projects lacked expertise in large-scale development projects, etc.”

Command Comment. The report should specifically address that the civil affairs brigade assigned to MNC-I through Transfer of Authority on February 14, 2008 had the necessary expertise to manage the BIAP CERP projects. After the transfer of the civil affairs brigade who originally managed the project, the expertise may have been reduced, leading up to the projects termination in November 2008.

SIGIR Response. SIGIR notes this information in this report.

17. Page 21, paragraph under “Inadequate Planning, Staff Rotation, and Guidance, etc.” “Project files were not well maintained and project tracking data was incomplete.”

Command Comment. USF-I partially concurs with information provided in the report. It is true that project files were not well maintained and that project tracking data was incomplete. This, however, does not continue to be a long-standing problem. We have gone through all files of every project and have a comprehensive paper and electronic filing system for every project. There are still missing documents, however, not nearly as many as in the past and the files are more complete than not.

SIGIR Response. SIGIR notes this information in this report.

18. Page 21, MNC-I Did Not Develop a Comprehensive Plan for the BIAP Projects. “MNC-I did not develop a command-approved master plan that included specific goals, objectives, etc.”

Command Comment. USF-I partially concurs with information provided in the report. Though it could have been more detailed, USF-I did in fact provide a BIAP master plan and conducted several briefs regarding the master plan. Additionally, the master plan in part drove some of the project development decisions during the course of construction. For example, the BIAP Caravan Hotel was originally a temporary structure designed to provide modest temporary billeting for transient personnel as a direct result of the BIAP Economic Zone master plan; the hotel increased from fifty to one hundred rooms and acquired a restaurant, central air conditioning, a lobby and became a three star hotel to accommodate the BIAP master plan.

SIGIR Response. SIGIR notes in this report USF-I’s position assertion that it had a master plan. However, as SIGIR stated in the report, we saw a number of documents related to the projects at BIAP. However, in SIGIR’s judgment none of these documents contained the traditional elements of a project plan, nor did they contain any indication that they had been reviewed or

approved by MNC-I officials at any level. As such, SIGIR does not consider these documents to be plans.

19. Page 22, last sentence in third paragraph under title “CERP Guidance Does Not Require Comprehensive Plans for Related Projects.” “Some areas identified in the handbook that may require planning include the following:”

Command Comment. Recommend the word “may” be changed to “should” as the GOI through the help of the U.S. Department of State Embassy Transportation Attache, should plan the enumerated areas that follow this sentence.

SIGIR Response. In this report, SIGIR uses the word “should” and notes USF-I’s position that it was up to the GOI, with the help of the U.S. Embassy’s Transportation Attaché to do this planning rather than MNC-I. Nonetheless, these projects were undertaken with MNC-I’s CERP funding, and thus SIGIR believes that MNC-I had the responsibility to ensure that these elements of planning were addressed.

Additionally, the separation of economic development responsibilities between the Department of Defense and civilian agencies illustrates SIGIR’s long-standing concern that a lack of unity of command can be a primary contributor to inefficiency, ineffectiveness, and waste in Iraq reconstruction programs.

20. Page 23, last sentence of first full paragraph. The report states that, “...the document did not discuss such factors as clearly defined boundaries for the zone, permitted and prohibited activities within the zone, and other economic benefits for investors, such as exemptions from taxes or fees.”

Command Comment. Recommend that the report properly annotate that these enumerated factors were within GOI’s responsibility to define, not MNC-I’s.

SIGIR Response. SIGIR agrees that these factors are within GOI’s responsibility to define. But, at the same time they are important planning factors in developing an economic zone. For example, economic zones usually have restricted access. Nowhere in the documents SIGIR reviewed were boundaries, boundary security, or access issues discussed. Also, SIGIR points out in the report that the Baghdad International Airport is not designated as a free trade zone under Iraqi law, and unless the Iraqis change their law it will not be an economic zone. This raises questions about what exactly the planning factors for the project were and what coordination occurred. Overall, this supports SIGIR’s findings that 1) the project was not undertaken as an integrated project, but rather as 46 independent projects, and 2) that the planning and coordination for the effort was inadequate and contributed to an unsuccessful outcome for a large number of projects.

21. Page 23, first sentence in first paragraph under title, “Project Coordination Was Informal and Not Well Documented.” The report states that, “...with representatives from the U.S. Agency for International Development and DoS.”

Command Comment. Recommend that the sentence specify the Embassy Transportation Attaché in the reference to DoS. Additionally, recommend the report annotate that MNC-I officials who were responsible for program management directly briefed the deputies of several GOI ministries, the Prime Minister, and the Chief of Mission in January 2008. This was immediately prior to MNC-I transition between headquarters and designed to ensure continued GOI involvement in the progress of the BIAP economic zone.

SIGIR Response. SIGIR notes in this report information on the many people that MNC-I said they coordinated with. However, SIGIR also notes that any agreements reached with either the GOI or other U.S. reconstruction agencies were not documented. As a result, no basis exists to determine project responsibilities and for assigning accountability for accomplishing those responsibilities.

22. Page 23, first sentence in the second paragraph under title “Project Coordination Was Informal and Not Well Documented.” The report states that, “The MAAWS in use when the projects were undertaken required MNC-I to coordinate CERP projects with local GOI agencies...”

Command Comment. Recommend the sentence specify that MNC-I directly coordinate this CERP project with ITAO within GOI.

SIGIR Response. SIGIR has no comment.

23. Page 24, first sentence of first full paragraph. The report states that, “At the request of MNSTC-I...”

Command Comment. Recommend that “MNSTC-I” be changed to “USF-I officials.”

SIGIR Response. In this report SIGIR uses “USF-I officials.”

24. Page 24, third full paragraph. The report states that, “USAID officials we interviewed...waste in the Iraq reconstruction program.”

Command Comment. Recommend that the paragraph include MNC-I’s specific collaboration with Task Force Brinkley (under the Office of the Secretary of Defense) for the BEZ and the hotel collaboration therein.

SIGIR Response. SIGIR notes this information in this report.

25. Page 24, first sentence in the first paragraph under title “Measures to Assess Project Effectiveness Were Not Developed.” The report states that, “MNC-I did not attempt to

measure the economic impact of the CERP projects at BIAP or to determine whether the projects had a direct impact on the level of violence or economic development in Iraq.”

Command Comment. Recommend that the report include factual information that the last indirect fire attack on or in the vicinity of the BEZ was May 2007.

SIGIR Response. SIGIR added the requested information.

26. Page 26, last sentence in the first full paragraph under title “Lack of Expertise and Frequent Turnover of Personnel Led to Inefficiencies.” The report states that, “After their tours ended, they said that they believed that the CERP projects at BIAP suffered a “lack of command emphasis.”

Command Comment. Recommend that a time reference be added to this statement, or that the opined “lack of command emphasis” be described as “varied due to command changes in MNC-I and the supporting civil affairs brigade.”

SIGIR Response. SIGIR notes this information in this report.

27. Page 26, third full paragraph under the title “Lack of Expertise and Frequent Turnover of Personnel Led to Inefficiencies.”

Command Comment. This entire paragraph refers to a completely different issue than that which is defined in the scope of the report. The topic is both outside the scope and the U.S. Army Vice Chief of Staff comments about COR training were made more than two years after the BEZ to which this project refers. Recommend deleting this paragraph altogether.

SIGIR Response. SIGIR believes that the discussion is relevant to the issues discussed in this report. SIGIR discusses this point in the “Lack of Expertise and Frequent Turnover of Personnel Led to Inefficiencies” section of the report. The contracting officers’ representatives who are responsible for overseeing project activities typically come from program office staff. For these projects, the various civil affairs brigades were the program office, and the ability of their personnel to effectively oversee and manage the projects would have been an important factor in the projects’ success. Since 24 of 46 projects had unsuccessful outcomes we believe that there were problems with the oversight of the projects. Further, the need for better training for contracting officers’ representatives has been identified in numerous reports including the Army’s Gansler Commission report.”¹⁷

28. Page 28, Conclusions, Recommendations, and Lessons Learned. Recommendation 1. The Secretary of Defense should direct the Under Secretary of Defense (Comptroller) to revise CERP guidance to include a requirement that a project implementation plan be developed for large-scale projects.

¹⁷ Urgent Reform Required: Army Expeditionary Contracting; Report of the “Commission on Army Acquisition and Program Management in Expeditionary Contracting,” Oct. 31, 2007.

Command Comment. Recommend that this recommendation be deleted as it is no longer applicable. There are no CERP-funded large-scale projects. The recommendation is dated.

SIGIR Response. SIGIR continues to believe its recommendation has merit and is including it in this report. While the approval requirements for CERP projects have been strengthened, it is still possible to execute projects over \$1 million if approved by the Secretary of Defense. Also, to the extent that DoD is involved in stabilization and reconstruction operations in Iraq and in other theaters, the possibility that other large-scale projects may be undertaken remains. Lastly, it is also possible to initiate multiple related projects that could have a combined value in the millions of dollars, as happened with the BIAP projects. Planning for these types of projects remains a requirement that should be addressed in DoD guidance.

29. Page 28, Conclusions, Recommendations, and Lessons Learned, Recommendation 2.

The Commanding General, U.S. Forces-Iraq, should take actions to enhance its data systems used to track and record CERP-project data.

Command Comment. USF-I J7, in coordination with the USDs, is currently scrubbing and correcting the CERP information in the Iraq Reconstruction Management System. The objective is to complete the update prior to the shut-down of the system. USF-I J7 will provide data to users until September 1, 2010 and is presently evaluating data-tracking mechanisms for after September 1, 2010.

SIGIR Response. SIGIR has no response as USF-I concurred with the recommendation.

30. Page 30, Appendix A-Scope and Methodology

Command Comment: USF-I concurs with the information provided.

SIGIR Response. SIGIR has no response as USF-I concurs with the information.

Comments 31 to 38. USF-I did not agree with SIGIR's conclusion that 6 of the 24 projects we identified as having unsuccessful outcomes were deficient. These projects were:

- Cargo Terminal Refurbishment
- Iraq Aviation Institute Rehabilitation
- Iraq Aviation Institute Automation Contract
- Iraq Aviation Institute Furniture Purchase
- Iraq Aviation Institute Facility Improvement
- Iraq Aviation Institute Water Supply Pipe

Command Comments. USF-I provided comments on six projects that disagreed with SIGIR's inspection findings.

SIGIR Response. SIGIR addresses each of USF-I's comments in detail in Appendix B of this report. Overall, SIGIR's assessments remain unchanged since it reflects our findings at the time

of our site visits. Subsequent improved use of the projects is consistent with SIGIR's recommendation to maximize the benefits of the investment. USF-I has offered to provide support for its position, and SIGIR has requested that support.

39. Page 51, Appendix C-MNC-I's Official Explanation of the Development Effort at BIAP

Command Comment. USF-I concurs with the information.

SIGIR Response. SIGIR has no response as USF-I concurs with the information.

Appendix J—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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