



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 26, 2010

LETTER FOR U.S. AMBASSADOR TO IRAQ

SUBJECT: Department of State Contract to Study the Iraq Reconstruction Management System (SIGIR 10-010)

This letter is to bring to your attention the concerns of the Special Inspector General for Iraq Reconstruction (SIGIR) about a Department of State (DoS) Office of Acquisition Management contract that would develop a follow-on system for the Iraq Reconstruction Management System (IRMS). DoS awarded a \$5 million contract to Enterprise Information Systems for a new system to be delivered in October 2010. SIGIR is concerned that the follow-on system will not be developed in time to achieve meaningful results and that replacing IRMS a year from now would not be a cost-beneficial way to track the small amount of U.S.-funded reconstruction projects that would remain after October 2010.¹

Background

In late 2004, the U.S. Army Corps of Engineers Gulf Regional Division (GRD) and the Project and Contracting Office developed IRMS. The system provided a unified information technology system that all U.S. government agencies receiving Iraq Relief and Reconstruction Funds (IRRF) could use to track and manage U.S. government-sponsored reconstruction projects. All agencies spending IRRF dollars were to load and update IRRF-funded project data into the IRMS system. The shared information in IRMS was meant to provide a common operating picture of the reconstruction program, avoid duplication of effort, assist decision making, and meet Embassy and Congressional reporting requirements. IRMS was also intended to provide the Government of Iraq with information on the U.S. reconstruction effort.

IRMS was originally intended to be a data base for IRRF-funded projects. However, through the years, data has been added from Iraq Security Forces Fund (ISFF) projects, Commander's Emergency Response Program (CERP) projects, and Economic Support Fund (ESF) projects.

SIGIR has issued two reports on IRMS that identify problems with the quality, accuracy, and completeness of its data. SIGIR's last IRMS report was issued in July 2008 and was intended to assess the overall data system management, policies, procedures, uses, and benefits.² However,

¹ Although SIGIR does not believe that a follow-on system for IRMS is needed, ITAO and GRD still need to identify how the existing IRMS data will be archived if a decision is made to discontinue the development of a new system.

² *Comprehensive Plan Needed to Guide the Future of Iraq Reconstruction Management System*, SIGIR 08-021, 7/26/2008.

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in the course of conducting the review, SIGIR learned that GRD was preparing a draft plan for the future of IRMS. As a result, SIGIR stopped its review and issued a report to alert the Embassy and GRD of certain issues that needed to be addressed.

Foremost, SIGIR pointed out that when IRMS was initiated in 2004, it had a design life of five years (completing in 2009). A life cycle maintenance program was not implemented, and the system, then in its fourth year of operation, was becoming operationally unreliable and unstable. SIGIR also reported that IRMS had few system upgrades and many of its critical system components were no longer under warranty. In some cases, the manufacturer no longer supported the system. SIGIR recommended that the U.S. Ambassador to Iraq and the Commanding General, Multi-National Forces-Iraq, jointly direct the establishment of an interagency planning process to address the future operation and use of IRMS.

In written comments on a draft of our July 2008 report, GRD stated that it had authorized one of its contractors to conduct a study of IRMS and that the study would consider factors such as the system's age, compatibility of hardware platforms, and software and network infrastructure. The study would also provide GRD with recommendations for the future needs of stakeholders.

DoS did not respond to the July 2008 draft report until December 20, 2008, but concurred with all the report recommendations. In the response, the U.S. Ambassador appointed the Iraq Transition and Assistance Office (ITAO) as the executive agent for IRMS. In addition, the Ambassador stated that the recommendation regarding current and future system requirements of stakeholders and the need for a common operating picture were particularly important.

As of November 2009, neither GRD nor ITAO had developed the plans they had committed to in their formal comments to SIGIR's draft report.

Replacing IRMS May No Longer Be Necessary or Cost Beneficial

In SIGIR's view, the more than one-year delay in developing and implementing our recommended plan to guide the future of IRMS has greatly lessened the need for a replacement system because more than 95% of the four major funds appropriated for Iraq reconstruction to date have been spent. At this time, investing resources to replace IRMS would likely be neither useful to IRMS users nor cost beneficial. Our view is based on the following facts:

1. By October 2010, the earliest date that a system will be delivered, the majority of funds appropriated for Iraq relief and reconstruction activities will have been obligated and few funds will remain to be tracked or managed by the proposed replacement system. Remaining Department of Defense projects can be tracked by the U.S. Army Corps of Engineers Financial Management System (CEFMS) and Department of State and U.S. Agency for International Development projects can be tracked by the DoS' Foreign Assistance Coordination and Tracking System.
2. The Government of Iraq's Ministry of Planning and Development Cooperation recently worked with ITAO and GRD to identify the IRMS project data that it will require for asset transfer and concluded that its needs can be met with existing IRMS data and it has no need for hardware or software support.

3. A SIGIR survey of all principal agencies involved in Iraq reconstruction found that none of the agencies currently use IRMS as their primary tool for financial or project reporting. Moreover, many of these agencies question the need for a replacement IRMS system as it will only require additional work for them to enter data into the system which they will not use.
4. Many of the organizations responsible for reporting reconstruction information into IRMS are currently in the process of reorganizing, downsizing or both. As this process proceeds, many of the personnel from these agencies who currently work with and are familiar with IRMS will be departing Baghdad or reassigned to new positions thereby creating a potential loss of critical expertise and experience which would be needed to design a new system to replace IRMS. The two major organizations managing and operating IRMS, ITAO and GRD, have already started the process of reorganizing and downsizing.
5. SIGIR has pointed out in numerous reports that IRMS suffers from inconsistencies in data quality, accuracy, and overall usefulness. Without a plan to resolve these issues, a new system will only perpetuate the inconsistent data quality, accuracy, and overall usefulness problems.

U.S. Appropriations Remaining for Obligation

By October 2010, the earliest date that a system will be delivered, the majority of funds appropriated for Iraq relief and reconstruction activities will have been obligated or will no longer be available for obligation. SIGIR does not believe that tracking projects funded by the amounts remaining warrants the development of a replacement project database system.

The following represents SIGIR's analysis of the reconstruction funds remaining:

- **The Iraq Relief and Reconstruction Fund (IRRF)** IRRF was the largest U.S. reconstruction fund, comprising \$20.87 billion made available through two appropriations: IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.39 billion). IRRF 2 expired for new obligations on September 30, 2008. Consequently, a replacement project database system to track IRRF projects is not needed.
- **The Iraq Security Forces Fund (ISFF)** The Congress has appropriated \$18.04 billion to the ISFF to support Iraq's Ministry of Defense and Ministry of Interior in developing Iraqi Security Forces. As of September 30, 2009, \$16.67 billion (92%) of the ISFF had been obligated. ISFF funds are one-year funds and as of September 30, 2010, all ISFF funds appropriated to date will have expired for new obligations. The Congress has included no new ISFF funds in DoD's FY 2010 appropriation bill. Consequently, a replacement project database system to track ISFF projects is not needed.
- **The Economic Support Fund (ESF)** Since 2003, the Congress has appropriated \$4.56 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and promote capacity building and economic development. ESF money is available for two years. The Congress appropriated \$439 million for ESF in FY 2009, and an additional \$382 million in FY 2010. Thus, a new project database system, if available in October 2010, could only track projects funded by the second year of a FY 2010 appropriation. In addition, other DoS and U.S. Agency for International

Development (USAID) automated systems are available to track projects such as the Foreign Assistance Coordination and Tracking System.

- **The Commander's Emergency Response Program (CERP)** Since 2004, the Congress has appropriated \$4.05 billion to the CERP to enable U.S. military commanders to provide targeted local relief and reconstruction throughout Iraq. Appropriated CERP funds are available for obligation for one year. In FY 2008 the Congress appropriated \$994 million for CERP and in FY2010 appropriated \$200 million. Consequently, a new project database to track CERP projects is not needed since the new system would not be available after the availability of FY 2010 CERP funds ends.

Providing Project Information to the Government of Iraq is No Longer Necessary

The original IRMS requirement to provide information to the Government of Iraq is no longer necessary. ITAO recently worked with the Government of Iraq's Ministry of Planning and Development Cooperation to identify its reconstruction project information needs for projects completed and transferred to the Ministry. The first transfer to the Ministry under the memorandum of understanding occurred on November 11, 2009, and provided information on 4,321 projects. The transmittal letter that accompanied this transfer identified the data fields in the project record along with a description of the data in each field. According to DoS officials, Ministry officials stated that their information needs can be met with existing IRMS data and they have no need for either hardware or software to support the asset transfer process.

U.S. Reconstruction Agencies Do Not Use IRMS as a Primary Information System for Reconstruction Data

A SIGIR survey of all principal agencies involved in Iraq reconstruction found that none of the agencies currently use IRMS as their primary management information system for financial or project information. As such, many of these agencies question the need for IRMS as it requires additional work for them to enter data into IRMS though they do not use the system. According to USAID officials, the DoS already maintains a management information system known as the Foreign Assistance Coordination and Tracking System to address its mandate to gather and store information on all Foreign Assistance money being spent in any country in the world. Additionally, USAID maintains information on its projects, both past and present, in other management information systems.

In addition, other agencies have indicated to SIGIR that they use other internal systems to report financial or project information to their agency management. The Multi-National Security Transition Command-Iraq uses a spreadsheet software package and GRD's Resident Management System software to review and track project status. The Multi-National Corps-Iraq uses the Department of the Army's Standard Financial System and Combined Information Data

Network Exchange system along with spreadsheet software to track and report its reconstruction projects.³

Agencies Responsible for Reconstruction Information Are Downsizing

Many of the organizations responsible for reporting reconstruction information into IRMS are currently in the process of reorganizing, downsizing, or both. As this process proceeds, many of the personnel from these agencies who currently work with and are familiar with IRMS will be departing Baghdad or reassigned to new positions thereby creating a potential loss of critical expertise and experience which would be needed to design a new system to replace IRMS. The two major organizations managing and operating IRMS, ITAO and GRD, have already started the process of reorganizing and downsizing.

In an August 21, 2009 memorandum, the GRD Commanding General stated that as of October 2010, GRD would no longer have the capability to manage IRMS. The memorandum goes on to state "...that DoS assumes full control of IRMS and/or the follow on system on 1 October 2010. This includes financing, awarding of contracts, and hiring Program Managers as required."

Conclusion

As the executive agent for IRMS, ITAO is responsible for leadership and strategic guidance regarding IRMS requirements. The Ambassador's December 2008 response to SIGIR's July 2008 report stated that ITAO, working with other IRMS users, would produce an analysis of IRMS information requirements. However, to date, this analysis has not been done.

SIGIR believes that the long delay in taking action to improve IRMS has largely negated any potential benefits from improving or developing a replacement for IRMS. About 95% of the funds appropriated for the reconstruction of Iraq to date have been spent, and the need for an improved management information system for the remaining funds is likely to be marginal. Additionally, the plan to turn IRMS hardware and software over to the Government of Iraq has been dropped. Given this, investing \$5 million for a replacement system that will not be available until October 2010 at the earliest will not likely provide any meaningful improvements or benefits to either the Embassy or any other IRMS users. Moreover, the principal agencies that will be involved in reconstruction beyond October 2010 have existing systems that can track reconstruction activities.

Recommendation

SIGIR recommends that, absent information showing the need to develop a replacement system for IRMS, the U.S. Ambassador to Iraq direct that the Iraq Transition Assistance Office cancel that part of the contract with Enterprise Information Systems to develop a new web-based system to replace Iraq Reconstruction Management System.

³ Both of these commands were subsumed into U.S. Forces-Iraq on January 1, 2010.

Management Comments and Audit Response

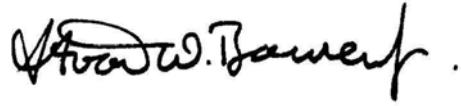
In written comments on a draft of this letter report, the Embassy stated that it did not concur with our recommendation that it cancel the contract with Enterprise Information Systems. According to the Embassy, it believes it should continue the contract because it “hopes to get a fresh perspective from [Enterprise Information Systems] and the possible directions ITAO can take on the future of the IRMS information.” The Embassy’s comments are reprinted in their entirety in Appendix D.

As discussed earlier, the contract directs Enterprise Information System to “develop a follow-on system that incorporates up to 5 additional databases” and to “Develop a new web based system to replace IRMS and assistance databases.” The contract also directs Enterprise Information Systems to “interview key personnel from the agencies currently involved in tracking and disseminating data for Iraq relief and reconstruction.”

In assessing the contract, SIGIR interpreted the requirement to interview personnel as a part of the new system-development effort called for in the contract. In its comments, however, the Embassy said that this is not the case and that this information is needed to determine a course of action for the existing IRMS information. When viewed as a requirement to gain information on the future of IRMS rather than a part of a new system development effort, and since this information has been gathered, SIGIR agrees that this information should be considered by the Embassy. Thus, while SIGIR continues to believe that the primary purpose of the contract was the development of a new system we do recognize that developing a course of action for IRMS information is important. Therefore, SIGIR modified its draft recommendation to make it clear that unless the information gathered under the contract provides some sound reasons to continue IRMS, we continue to believe that the Embassy should cancel the remaining system development tasks.

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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 (Washington, DC), (703) 604-1388/ glenn.furbish@sigir.mil.

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

Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Secretary of State
Deputy Chief of Mission for Assistance Transition
U.S. Secretary of Defense
Commander, U.S. Central Command
Commanding General, U.S. Forces-Iraq
Administrator, U.S. Agency for International Development

Appendix A—Scope and Methodology

In November 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 1001 to address concerns SIGIR identified in a July 2008 report on the Iraq Reconstruction Management System (IRMS). The objectives of this report are to determine whether plans for storing and maintaining data contained in IRMS over the long-term have been developed. This review was performed by SIGIR under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work from November through December 2009 in Baghdad, Iraq.

To accomplish our objectives we held discussions with officials from the Department of State, U.S. Agency for International Development, and U.S. Forces-Iraq in addition to reviewing prior audit reports. We reviewed the Iraq Reconstruction Funding Sources as of September 30, 2009, and conducted analysis of the U.S. Appropriations remaining obligations and the FY 2010 Appropriations Request and Recommendations to determine whether replacing IRMS is still necessary and cost beneficial. SIGIR's analysis of the U.S. appropriations remaining for obligations included (1) Iraq Relief and Reconstruction Fund, (2) Iraq Security Forces Fund, (3) Economic Support Fund, and (4) Commander's Emergency Response Program.

Our analysis considered what Congress had appropriated and the amount of funds expired for new obligations, along with the most recent appropriated funds availability for obligations, and also the amount of funds the Senate Appropriations Committee recommended for Fiscal Year 2010.

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

Computer-processed data was not used for any aspect of the audit.

Internal Controls

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

- reporting reconstruction information into IRMS, and
- maintaining the reliability of reconstruction data.

Prior Coverage

We reviewed the following reports by SIGIR for this audit:

Asset-Transfer Process for Iraq Reconstruction Projects Lacks Unity and Accountability, SIGIR 09-016, 4/26/2009.

Comprehensive Plan Needed to Guide the Future of Iraq Reconstruction Management System, SIGIR 08-021, 7/26/2008.

Interim Report on Iraq Reconstruction Contract Terminations, SIGIR 08-013, 4/28/2008.

Review of Data Entry and General Controls in the Collecting and Reporting of the Iraq Relief and Reconstruction Fund, SIGIR 06-003, 4/28/2006.

Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System, SIGIR 06-001, 4/24/2006.

Issues Related to the Use of the \$50 Million Appropriation to Support the Management and Reporting of the Iraq Relief and Reconstruction Fund, SIGIR 05-026, 1/26/2006.

Appendix B—Acronyms

Acronym	Description
CERP	Commander's Emergency Response Program
DoS	U.S. Department of State
ESF	Economic Support Fund
FY	Fiscal Year
GRD	U.S. Army Corps of Engineers Gulf Region Division
IRMS	Iraq Reconstruction Management System
IRRF	Iraq Relief and Reconstruction Fund
ISFF	Iraq Security Forces Funds
SIGIR	Special Inspector General for Iraq Reconstruction
ITAO	Iraq Transition and Assistance Office
USAID	U.S. Agency for International Development

Appendix C—Audit Team Members

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

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

Arthur Granger

W. Dan Haigler

Nancee Needham

Appendix D—Management Comments



*Embassy of the United States of America
Baghdad, Iraq*

January 14, 2010

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

Dear Mr. Warren:

This is in response to the SIGIR request that the Embassy provide comments to the audit *Department of State Contract to Study the Iraq Reconstruction Management System (SIGIR 10-1010)*.

ITAO recognizes that Iraq Reconstruction Management System (IRMS) is the most comprehensive database of U.S. reconstruction information, with over 74,000 individual lines of data accounting for more than \$28 billion worth of projects. However, ITAO is also aware of the significant cost associated with administering IRMS, and the complexity of acquiring information to support this system. The U.S. Army Corps of Engineers, Gulf Region Division (GRD), through a contractor, has been responsible for maintaining the hardware, software, and data but has indicated they will not continue to fund operations after September 2010. As the military to civilian transition proceeds, it will be important to keep IRMS information as complete as possible with a full accounting of projects up to the point that both the military ceases operations and all reconstruction is complete.

As such, ITAO's study of IRMS is underway to determine who continues to rely on IRMS and what information is valuable to the users. The contractor, Enterprise Information Systems (EIS), has commenced work on the IRMS review and toward that end will make a short one-week visit to Baghdad in January 2010 to interview all stakeholders. This is in addition to EIS' efforts to evaluate the current state of IRMS.

ITAO hopes to get a fresh perspective from EIS and the possible directions ITAO can take on the future of the IRMS information. ITAO currently uses IRMS to respond to data requests, and will be required to continue providing annexes of completed projects as part of the Asset Transfer agreement. It should be noted that there is more than \$500 million of IRRF and PRDC projects underway – all of which will complete by December 2010, and an additional \$200 million of CERP funds expected next year – many of which are potential projects to be included in future Asset Transfer annexes. There may be other reporting requirements which involve information from IRMS and in the future ITAO would collect this information from a non-IRMS source.

SIGIR recommends that the U.S. Ambassador to Iraq direct that the Iraq Transition Assistance Office cancel the contract with Enterprise Information Systems for a follow-on Iraq Reconstruction Management System. The Embassy non-concurs with this recommendation – given the complex issues involved and the importance of the data in the IRMS system, there is still value in using at least a portion of available funds to complete the study. Upon receiving the results the Embassy will meet with stakeholders to review this information and develop a course of action for the IRMS information.

SIGIR notes concern that any follow-on system would not be delivered until October 2010, well past the time it would be useful and thus not be developed in time to achieve meaningful results. However, the EIS contract is for one year, ending in September 2010. ITAO expects the results of the study, and any potential additional work, by EIS to be delivered well before September 2010 and in place before the drawdown of IRMS in October 2010.

The Embassy appreciates SIGIR's continued interest in IRMS. We look forward to continuing the good working relationship with SIGIR on the U.S. reconstruction effort in Iraq.

Sincerely,


Amb. Patricia M. Haslach
Assistant Chief of Mission
for Assistance Transition

Appendix E—SIGIR Mission and Contact Information

SIGIR’s Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
Obtaining Copies of SIGIR Reports and Testimonies	To obtain copies of SIGIR documents at no cost, go to SIGIR’s Web site (www.sigir.mil).
To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs	Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline: • Web: www.sigir.mil/submit_fraud.html • Phone: 703-602-4063 • Toll Free: 866-301-2003
Congressional Affairs	Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1059 Email: hillel.weinberg@sigir.mil
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