OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

COMMANDER'S EMERGENCY RESPONSE PROGRAM IN IRAQ FUNDS MANY LARGE-SCALE PROJECTS

SIGIR-08-006
JANUARY 25, 2008

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 25, 2008

MEMORANDUM FOR COMMANDING GENERAL, MULTI-NATIONAL FORCE-IRAQ
COMMANDING GENERAL, MULTI-NATIONAL Corps-Iraq
U.S. AMBASSADOR TO IRAQ
COORDINATOR, OFFICE of Provincial affairs

SUBJECT: Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects (SIGIR-08-006)

We are providing this audit report for your information and use. We performed the audit in accordance with our statutory duties under Public Law 108-106, as amended. The law requires that we produce independent and objective audits of—as well as leadership, coordination, and recommendations on—policies designed to promote economy, efficiency, and effectiveness in the administration of programs and operations and to prevent and detect waste, fraud, and abuse. This review was conducted as SIGIR project 7019.

We considered comments from the Multi-National Corps-Iraq when preparing the final report. The comments are addressed in the report, where applicable, and a copy is included in the Management Comments section of this report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Walt Keays (walt.keays@iraq.centcom.mil / 914-822-2796); or Glenn Furbish at glenn.furbish@sigir.mil /703-428-1058.

Stuart W. Bowen, Jr.
Inspector General

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Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects

SIGIR-08-006 **January 25, 2008**

Executive Summary

Introduction

In May 2003, the Coalition Provisional Authority (CPA) formalized the Commander's Emergency Response Program (CERP) in Iraq, authorizing U.S. field commanders to use available funds to respond to urgent humanitarian, relief, and reconstruction requirements within a commander's area of responsibility by executing programs that immediately assist indigenous populations and achieve "focused effects." CERP guidance directs commanders to focus funds on projects that improve water and sanitation, electricity, and civic cleanup and that employ the most Iraqis over an extended period of time. Selection of a project is expected to be based on how quickly they can be executed, how many Iraqis would be employed, how many would benefit, and the "visibility" of the project.

Initial funding for CERP came from seized Iraqi assets and the Development Fund for Iraq.[1] By late 2003 the United States began to appropriate U.S. dollars to CERP and by the end of fiscal year 2007, Congress has appropriated over $2.3 billion for the CERP program in Iraq.

The Multi-National Corps-Iraq is the overall program coordinator for CERP. MNC-I publishes *Money as a Weapon System* (MAAWS), a policies and procedures manual that directs program execution and establishes the goals for CERP funding.

This SIGIR report contrasts funding devoted to small-scale projects typically associated with the CERP program with funding devoted to more expensive, large-scale CERP projects; it also provides observations regarding the applicability of selected management issues identified in prior SIGIR reviews, and lessons learned noted in this review that could be important to managing such projects.

Results in Brief

Improved management controls over CERP projects, particularly those that are costly, will help ensure each project's long-term benefit and viability, as well as the effective investment of U.S. funds. Since the inception of CERP in Iraq in 2003, more than 18,000 projects have been

[1] The Development Fund for Iraq (DFI) was established May 2003 by the UNSC Resolution 1483 as a means to channel revenue from Iraqi oil sales, unencumbered Oil for Food deposits, and repatriated Iraqi assets to the relief and reconstruction efforts for Iraq.

initiated and more than 14,000 have been completed. According to CERP guidelines, the program's undertakings should primarily be small-scale, urgent humanitarian relief and reconstruction projects for the benefit of the Iraqi people—and to some extent that has been the case. For example, since Fiscal Year 2004 CERP projects estimated to cost[2] $25,000 or less have represented over 44 percent of total CERP projects in Iraq—but just four percent of total dollars obligated for the program. Conversely, since Fiscal Year 2004, CERP projects estimated to cost $500,000 or more have represented less than three percent of all CERP projects, but nearly 37 percent of total dollars obligated. Projects in the water sector have been the predominant large-scale CERP projects receiving about $567 million, more than 28 percent of all CERP obligated funds; electricity projects and transportation projects have also been heavily funded.

In several prior reports on CERP program management, SIGIR has identified management weaknesses including 1) coordination of program activities, 2) maintenance of project folders, and 3) planning for the transition of completed projects to the Iraqi government. The third of those issues includes both the physical handover of completed projects and planning for their long-term maintenance and sustainment. We are including the issues in this report because of their importance to the long-term success of large-scale projects.

SIGIR has previously reported that the Iraqi government is not yet fully prepared to take over the near- or long-term management and funding of many U.S. funded infrastructure projects and that additional efforts are needed to ensure their viability. Although MNC-I officials told us that they have increased their emphasis on transition and sustainment issues, SIGIR is concerned that the MAAWS guidance still contains little specific direction on unit responsibilities in these areas. These issues take on greater importance for Iraq reconstruction projects because most funding from the principal source of reconstruction funding, the Iraq Relief and Reconstruction Fund, has been obligated—now leaving CERP as a significant source.

During the course of our review, CERP program officials told us of important lessons they have learned that, if adequately documented, could benefit future program managers. The lessons learned were particularly focused on giving greater emphasis to transfer and sustainment issues. However, at present MNC-I has no formal process for collecting and documenting these lessons.

Recommendations

We recommend that the Commanding General, Multi-National Corps-Iraq, direct that these actions be taken:

1. Reinforce the importance of documenting project files, especially for large-scale, projects that are considered high cost, technologically complex, and maintenance intensive activities.

2. Include more specific guidance in the MAAWS to address both transition and sustainment of CERP projects above an established value particularly those projects that

[2] SIGIR uses funding obligations in this report to provide the basis for depicting trends in project and program costs involving both ongoing and completed projects. SIGIR refers to these obligated amounts as estimated project costs.

are considered high cost, technologically complex, and maintenance intensive activities as noted above.

3. Develop an appropriate process for developing and disseminating lessons learned from the CERP program to assist future program officials as unit rotations occur to reduce learning curves and facilitate continuity in program management.

Management Comments

We received written comments on a draft of this report from MNC-I. The MNC-I Chief of Staff concurred with all recommendations and has identified corrective actions that have been initiated or planned. According to the comments, they have implemented a records recovery/reconstruction policy to remedy missing project files. MNC-I agreed that while lessons learned were captured and disseminated in various medium, a more formal process would be helpful. They agreed to explore more formal option to include the Center for Army Lessons Learned (CALL). The comments received were fully responsive and are included in the Management Comments section of this report.

Introduction

Background

In May 2003, the Coalition Provisional Authority (CPA) formalized the Commander's Emergency Response Program (CERP) in Iraq, authorizing U.S. field commanders to use available funds to respond to urgent humanitarian, relief, and reconstruction requirements within the commander's area of responsibility by executing programs that immediately assist indigenous populations and achieve "focused effects." Initial funding for CERP came from seized Iraqi assets and the Development Fund for Iraq. By late 2003 the United States began to appropriate U.S. dollars to the CERP and since 2003, Congress has appropriated over $2.3 billion for the program in Iraq.

The Multi-National Corps-Iraq (MNC-I) headquartered in Baghdad, Iraq, provides the overall program coordination for the CERP in Iraq.[3] MNC-I currently consists of seven Major Subordinate Commands (MSCs) headquartered throughout Iraq--including its newest location, Multi-National Division-Center (MND-C), established in April 2007. The MSCs propose, initiate, and execute both reconstruction and non-construction projects in their areas of responsibility. In fiscal year 2007, the individual MSC areas of responsibilities were managed by the Coalition forces listed below:

- Multi-National Division-Baghdad – U.S. Army forces
- Multi-National Division-Center South – Coalition forces (Poland)
- Multi-National Division-Center – U.S. Army forces
- Multi-National Division-North – U.S. Army forces
- Multi-National Division-Northeast – Coalition forces (Republic of Korea)
- Multi-National Division-Southeast – Coalition forces (British and Australian)
- Multi-National Force-West – U.S. Marine Corps forces

Each of the MSCs is a division or force level command group further divided into brigades. The Brigade Combat Teams (BCTs) are located throughout the MSC area of responsibility and are responsible for much of the day-to-day management of CERP projects. MNC-I publishes *Money as a Weapon System* (MAAWS), a policies and procedures manual that directs program execution and establishes the goals for CERP funding. CERP guidelines authorize a variety of projects but direct commanders to focus funds on projects that improve water and sanitation, electricity, and civic cleanup and that employ the most Iraqis over an extended period of time. Also, purchasing officers are encouraged to use local Iraqi firms to conduct CERP projects. Table 1 depicts the range of authorized CERP projects.

[3] MNC-I is a subordinate command of the Multi-National Force-Iraq (MNF-I). MNF-I provides guidance, establishes priorities, and identifies focus areas for subordinate units in support of the strategic objectives of its Campaign Plan.

Table 1—Range Of CERP Projects Authorized In Iraq

1. Water and sanitation – projects to repair or reconstruct water or sewer infrastructure, including water wells.	**11. Irrigation** – projects to repair or reconstruct irrigation systems.
2. Food production and distribution – projects to increase food production or distribution processes.	**12. Civic cleanup activities** – projects to remove trash, cleanup the community, or beautify the surroundings.
3. Agriculture – projects to increase agricultural production or cooperative agricultural programs.	**13. Civic support vehicles** – projects to purchase or lease vehicles to support civic and community activities.
4. Electricity – projects to repair or reconstruct electrical power or distribution infrastructure, including generators.	**14. Repair of civic and cultural facilities** – projects to repair or restore civic or cultural buildings or facilities.
5. Healthcare – projects to repair or reconstruct hospitals or clinics or to provide urgent healthcare services, immunizations, medicine, medical supplies, or equipment.	**15. Repair of damage** that results from U.S., Coalition, or supporting military operations and is not compensable under the Foreign Claims Act (repair of homes and businesses).
6. Education – projects to repair or reconstruct schools, purchase school supplies or equipment.	**16. Condolence payments** to individual civilians for death, injury, or property damage resulting from U.S. Coalition, or supporting military operations.
7. Telecommunications – projects to repair or reconstruct telecommunications systems or infrastructure.	**17. Payment to individuals upon release from detention**
8. Economic, financial, and management improvements – projects to improve economic or financial security.	**18. Protective measures** – such as fencing, lights, barrier materials, berming over pipelines, guard towers, temporary civilian-contractor guards, etc. to enhance the durability and survivability of critical infrastructure sites (e.g., oil pipelines and electrical lines.)
9. Transportation – projects to repair or reconstruct transportation systems, roads, bridges, or transportation infrastructure.	**19. Other urgent humanitarian or reconstruction projects** – projects to repair collateral battle damage not otherwise compensable because of combat exclusions or condolence payments.
10. Rule of law and governance – projects to repair or reconstruct such government buildings as administration offices, courthouses, or prisons.	**20. Micro-Grants** – to provide assistance to disadvantaged small business and entrepreneurs.

Source: CERP program guidance

In addition to MNC-I's role in executing CERP projects, the U.S. Army Corps of Engineers Gulf Regional Division (GRD), headquartered in Baghdad, provides planning, engineering, contracting, and project management expertise and services to MNF-I and other U.S. agencies. GRD executes larger reconstruction projects for MNC-I and/or the MSCs. GRD has three regional offices strategically located throughout Iraq—in the North (GRN), Central-Baghdad (GRC), and South (GRS). In addition, the Joint Contracting Command-Iraq/Afghanistan (JCC-

I/A) supports a small number of CERP projects for MNC-I and/or the MSCs in Iraq. JCC-I/A, headquartered in Baghdad, provides operational contracting support to MNF-I for the efficient acquisition of vital supplies, services, and construction.

Further, the Multi-National Security Transition Command-Iraq (MNSTC-I), also a subordinate MNF-I command and headquartered in Baghdad, has proposed, initiated, and executed both reconstruction and non-construction CERP projects. MNSTC-I organizes, equips, and mentors the Iraqi Security Forces. MNSTC-I must adhere to MNC-Is standard operating procedures and guidance specified in the MAAWS regarding CERP funds and project execution. Since Fiscal Year (FY) 2004, MNSTC-I has managed over 150 CERP projects with a combined obligation of over $24.9 million (approximately 1.3% of the program's total obligations).

Initially, funding for CERP came from seized Iraqi assets and the Development Fund for Iraq (DFI). In November 2003, the Congress passed the first appropriation for CERP as part of Public Law (P.L). 108-106, the "Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004." Section 1110 of P.L. 108-106 appropriated $180 million for CERP in Iraq and to fund a similar program in Afghanistan; of the total, $140 million was allocated to Iraq.

Table 2 identifies each of the public laws that have established the appropriation level and authorization for CERP in each fiscal year. The appropriation level is generally a combination of an annual and supplemental appropriation, usually only available for obligation until the end of the affected fiscal year. FY2006 was an exception: the supplemental appropriation, P.L. 109-234, allowed for the obligation of these funds until December 31, 2007. This allowed unobligated portions of the supplemental to be used in FY2007 and the first quarter of FY2008.

Table 2—CERP Funds Provided For Fiscal Years 2004-2007 (dollars in millions)

		Appropriations, Allocations, Obligations, Disbursements					
Fiscal Year Funds	Public Laws Establishing Final Appropriation	Funds Obligation Period End Date	Total Appropriated (both Iraq & Afghanistan)	CERP Iraq Allocation	Total Obligated	Total Disbursed	As of date
FY04	P.L. 108-106	30-Sep-2004	$180.0	$140.0	$140.0	$46.4	2-Oct-04
FY05	P.L. 108-287 P.L. 108-375 P.L. 108-447 P.L. 109-13	30-Sep-2005	$854.0	$718.0	$718.0	$333.2	2-Oct-05
FY06	P.L. 109-148 P.L. 109-163 P.L. 109-234	30-Sep-2006 31-Dec-2007	$923.0	$509.5	$509.5	$177.0	2-Oct-06
FY06*	P.L. 109-234	31-Dec-2007	$198.0	$198.0	$173.1	$87.6	20-Sep-07
FY07	P.L. 109-289 P.L. 110-28	30-Sep-2007	$956.4	$750.4	$690.7	$332.7	20-Sep-07
Total All Years			**$3,111.4**	**$2,315.9**	**$2,231.3**	**$976.9**	

Source: SIGIR analysis of Funding Data Provided by U.S. Army Central (ARCENT)

*__Note:__ In FY06, P.L. 109-234 set the obligation period end date at December 31, 2007 which allowed for the carry over of $198 million in FY06 supplemental funding for use in FY07 or first quarter FY08.

As noted in table 2, from fiscal years 2004-2007, over $2.3 billion in appropriations has been allocated to the CERP program in Iraq.

SIGIR has issued four reports[4] on the management controls and accountability of CERP funds[5] since the program's inception in 2003. All four reports stated that generally, for projects reviewed, CERP appropriated funds were properly used for intended purposes; however, controls over CERP processes required improvements to ensure accountability of the projects. Our April 2007 report identified a lack of formal coordination of CERP projects with other reconstruction programs that limited the effectiveness of CERP projects. Facility sustainment is another issue

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[4] *Management of the Commander's Emergency Response Program for Fiscal Year 2004* (SIGIR-05-014, October 13, 2005); *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025, January 23, 2006); *Management of the Iraqi Interim Government Fund* (SIGIR-06-031, October 27, 2006); and *Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006* (SIGIR-07-006, April 26, 2007).

[5] The CERP family of funds consists of the Commander's Emergency Response Program, the Commander's Humanitarian Relief and Reconstruction Program, and the Interim Iraqi Government Fund.

addressed in prior SIGIR reports; but as noted in our October 18, 2007 report on the Provincial Reconstruction Team Program, it remains an issue still in need of management attention.[6]

Objectives

This report contrasts funding devoted to small-scale projects typically associated with the CERP program with funding devoted to more expensive, large-scale CERP projects. It also provides observations regarding the continued applicability of selected management issues identified in prior SIGIR reviews, and lessons learned noted in this review, that could be important to managing large CERP projects.

For a discussion of the audit scope and methodology, see Appendix A. For a listing of CERP related public laws, see Appendix B. For definitions of acronyms used, see Appendix C. For a list of the audit team members, see Appendix D.

[6] *Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq* (SIGIR-07-015, October 18, 2007).

High Percentage of CERP Funding Devoted to a Relatively Small Percentage of Projects

Since the inception of CERP in Iraq in 2003, over 18,000 projects have been initiated and over 14,000 completed. CERP has often been viewed as intended primarily for small-scale, urgent, humanitarian relief and reconstruction projects for the benefit of the Iraqi people and that is accurate in terms of numbers of projects. However, a large portion of CERP funding has been devoted to projects with estimated costs of $500,000 or more. These high-cost projects include a mix of reconstruction and non-construction projects. While the average cost of all CERP projects has increased over time, those involving reconstruction are the most expensive.

Since FY 2004 over 44 percent of CERP projects in Iraq have been relatively small in scale–with an estimated cost of $25,000 or less. Conversely, the number of projects estimated to cost $500,000 or more have represented a small percent of total CERP projects but, in most years have accounted for a large percentage of total CERP obligations.[7] In FY 2004, CERP projects with funding obligations at or above $500,000 represented less than one percent of all CERP projects that year, and eight percent of all funding obligations, but those percentages increased considerably in subsequent years. Table 3 shows the impact of these high-cost projects on the overall CERP program over time.

Table 3—Obligations Associated With Large Dollar-Value CERP Projects From Fiscal Years 2004-2007

Fiscal Years	Total CERP Projects	Percent of Total CERP Projects With Obligations At Or Above $500,000	Percent of Total Obligations for Projects with Obligations at or above $500,000
2004	771	<1	8
2005	7,423	2.5	26.9
2006	3,886	3.8	48.1
2007	6,301	2.8	40.1
Total	**18,381**	**2.8**	**36.8**

Source: SIGIR analysis of Iraq Reconstruction Management System (IRMS) data from MNC-I

Table 3 shows that overall, the number of CERP projects with obligations of $500,000 or more comprised less than three percent of all CERP projects between fiscal years 2004-2007, but nearly 37 percent of total CERP obligations.

[7] SIGIR uses funding obligations in this report to provide the basis for depicting trends in project and program costs involving both ongoing and completed projects. SIGIR refers to these obligated amounts as estimated project costs.

Over 79 percent of all CERP projects with obligations of $500,000 or more between fiscal years 2004-2007 were for reconstruction projects. Those in the water sector have been the predominate large-scale CERP projects, receiving about $567 million dollars; electricity projects and transportation projects have also been heavily funded. Table 4 depicts the diversity of overall reconstruction and non-construction projects.

Table 4—Examples of reconstruction and non-construction projects costing $500,000 or more

Reconstruction Projects	Non-construction Projects
Electrical Distribution in Muhalla	Purchase of Fallujah Telecom Equipment
Rehabilitation of Two Biap Domestic Terminals	Trash Trucks for North Babil
Al Arbar School	Garbage Collection Through Mosul Neighborhoods
Basrah Airport Terminal Fire System	Purchase of Ambulances for Diyala
Paving New Rural Road From Showairej to Tak Harb	Date Palm Planting (Abu Kaseeb)
Fallujah Solar Street Lights	Generators for Ramadi General Hospital
Nasiriyah Sewerage Project	Support of December Election
Mahavil City Water Treatment Plant Project	Al Anbar Canal Clearing and Irrigation Restoration
Al Bitar Cardiac Hospital	Purchase of Seed and Fertilizer
Jumharya Public Healthcare Center	Agricultural Restoration and Irrigation Canals Project

Source: SIGIR analysis of IRMS data from MNC-I

Finally, we determined that the average funding obligation for all CERP projects over the life of the program in Iraq through September 2007 has been approximately $109,000, but that average costs for FY 2007 were approximately $119,000. At the same time, the average obligation for reconstruction projects alone over the life of the CERP program in Iraq has been approximately $155,000, but for FY 2007 were nearly $173,000. Thus, both categories of projects show some growth in costs over time.

Large Project Management Issues

SIGIR's prior CERP reviews identified a number of management control issues involving CERP projects that can be especially important to managing large, high-cost CERP projects, and this review reinforced the need for management attention to those issues.[8] Two key issues we previously identified were incomplete project folders; and inadequate attention to planning for transferring completed reconstruction projects to the Iraqi people, including emphasis on long-term maintenance and sustainment of the projects. Program officials who responded to a survey questionnaire used in this review cited some continuing weaknesses in these areas, including limited program guidance on transition planning.

We reported in our April 2007 review of the CERP program for 2006 that we had consistently found that Coalition forces did not fully comply with the published guidance for maintaining the documentation required to ensure accountability and oversight of CERP projects. We noted during this review that CERP program guidance had been revised in November 2006 and included as a section in the MAAWS and provided more specific guidance regarding listing the required documentation for completed CERP files. This guidance was again revised in June 2007 and is the current version.

While the revised guidance is an improvement, cognizant program officials pointed to a continued absence of any required oversight regarding implementation of the guidance; the officials said they do not routinely check the files for adherence to the guidance. Project record documentation and retention continues to be of concern even to program officials.

Program officials also cited some major factors affecting file maintenance: the periodic changeover of military personnel (especially at the contract officer level) as unit rotations occur; the relatively short time for transitioning from one unit to the next; and lack knowledge of CERP program requirements among transition teams and incoming units. Officials noted that when new units arrive, they are expected to pick up where others left off, including managing numerous project files, conducting on-site surveys, writing status reports, and processing project file documentation, with little or no prior knowledge or experience.

While the above were cited as problems leading to inadequate CERP project file maintenance, we believe they also highlight the importance of maintaining up-to-date project files in order to reduce the learning curve for incoming personnel and improve ongoing project management. We plan further work to assess compliance with requirements for project file documentation.

[8] *Management of the Commander's Emergency Response Program for Fiscal Year 2004* (SIGIR-05-014, October 13, 2005); *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025, January 23, 2006; *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025, January 23, 2006); *Management of the Iraqi Interim Government Fund* (SIGIR-06-031, October 27, 2006); and *Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006* (SIGIR-07-006, April 26, 2007).

Issues and Lessons Learned Concerning Planning for Project Transfers and Long-term Sustainment

SIGIR also received a number of lessons learned from program officials that are especially applicable to managing large-scale projects and ensuring effective transfer of completed projects to the Iraqi people.

A number of our prior reports have highlighted the need for improved planning related to the transition of completed projects to the Iraqi people and provision for their long-term maintenance and sustainment. Historically, there has been minimal MNC-I guidance regarding the transfer and sustainment of CERP projects to the Government of Iraq (GoI). More recently, a June 2007 update to the MAAWS guidance, under project identification, states that coordination with local officials is critical to ensure that the project meets a perceived need by the population, is appropriate to the culture, and will be maintained in the future. It recognizes that Coalition forces have built numerous projects that did not meet the projects' intended purpose due to lack of coordination with local officials. Further, it recommends discussing operations, maintenance, and staffing before any project begins. While this language is an important addition to the guidance, it does not specifically require resolution of transfer and sustainment issues prior to project initiation and funding.

During this review, information provided by MNC-I officials indicates that although increased emphasis has been given to transition and sustainment issues, further opportunities for improvement remain. Some MSCs indicated that they have, on their own initiative, initiated local policies and procedures to address the transition and sustainment issues, while others have not. Likewise, MNC-I noted that emphasis on planning for the transfer and sustainment of completed projects varies from project to project and among the major subordinate commands responsible for executing the program.

At the same time, a number of CERP program officials cited important lessons learned that, if adequately documented for retention purposes, could benefit personnel taking their place as unit rotations occur. These lessons learned could also provide greater emphasis on transfer and long-term sustainment issues. For example, lessons learned information provided to us included:

- It is important to ensure any sustainment issues are addressed at the time a project is being conceptualized so that the customer can understand the operating and sustainment costs to assist in selecting and prioritizing projects.
- A GRN official noted that funding for sustainment costs often depends upon the knowledge level and political skill of the people in the chain of leadership who request funds for the projects in their area of responsibility. Conversely, a GRS official indicated that experience has varied by project and by the element of Iraqi government involved in the decision making process.
- A GRN official noted that transition of CERP projects to the GoI have been successful when local GoI ministries have been involved throughout the lifecycle of the project. Also, it was noted that when GoI engineers are involved in a project throughout

execution, they are more aware of the quality of construction and more willing to accept the final product. The GRS has given the Iraqis the opportunity to observe how it transparently performs all aspects of contracting and competition to obtain the best value.

- Another GRN official noted that transition to the GoI has been difficult when the GoI ministries do not appreciate the contractor that was awarded the project. He noted that as a stated lessons learned, the GRN works to include the ministries in developing bidders' lists so that GoI officials feel they are involved in the award process. Although the GoI may still dislike the contractor selected, involving the GoI ministries allows them to better understand how the processes works and tends to make them more accepting of the results.
- A GRN official also noted that in some cases, the GoI ministries have tried to be too involved in the projects and have directed the contractors to do work outside of the contract scope. To avoid this situation, a good practice is to invite all parties to the pre-construction conference and ensure that everyone knows their roles and responsibilities. The GRN thus identifies, at the pre-construction conference, the representatives who are allowed to make contract modifications and the process that must be adhered to should contract changes be required.
- Another GRS official recommended as a best practice, ensuring that the agency understands the local culture and the labor skills available in the project area to sustain them. Consequently, they noted that it is not advisable to build a complex system if the user does not have the training or parts available to sustain them
- Another official noted the great benefits of providing Iraqis with vocational training in building maintenance and repair; mechanical systems and operations; and teaching the Iraqis about logistics trail associated with preventive maintenance and ordering process. Such training is essential to ensure continued sustainment of completed projects and to prevent rapid deterioration due to a lack of preventive maintenance techniques.
- A GRN official indicated that it is essential to include, as staff members, sustainment consultants who can work with end users of the projects for a defined period of time. This official suggested that these consultants be assigned to provincial reconstruction teams with the sole mission of supplying training in operations and facilities maintenance.

Collectively, these represent some important lessons learned which, if effectively made available to incoming CERP program officials, as unit rotations occur, could minimize the learning curve for new personnel and enhance the management of ongoing as well as new CERP projects. However, at the present time, MNC-I does not have a process for capturing and disseminating CERP program management lessons learned.

Conclusions and Recommendations

While the CERP program guidance emphasizes small-scale, urgent humanitarian relief and reconstruction projects, the program devotes a major portion of its funding to larger-scale, more expensive projects, many estimated to cost over $500,000 in value. Although SIGIR has completed a number of reviews of the CERP program in recent years, it continues to find management weaknesses related to maintaining project files; and, despite some improvements, continuing challenges in planning for the transition of completed projects to the Iraqi people and in fostering long-term sustainment of completed facilities. Long-term sustainment may be affected by the limited amount of emphasis given to the transition issue in program guidance. The importance of such guidance and emphasis is heightened by the number of large-scale, relatively costly projects being implemented under the CERP program. Also, CERP program officials have identified a number of important lessons learned that, if documented and made available to all project personnel as unit rotations occur, could help ease the learning curve for incoming personnel and promote improved management practices for continuing and new CERP projects.

SIGIR recognizes the management challenges faced by CERP program managers. This is particularly the case in a situation where program officials are periodically replaced by less experienced personnel as unit rotations occur. This condition places a greater importance on clear and comprehensive program guidance to help achieve program management continuity, effectiveness and efficiency. SIGIR believes improved program transition guidance will help to resolve the longstanding management issues we have identified.

Recommendations

We recommend that the Commanding General, Multi-National Corps-Iraq, direct that these actions be taken:

1. Reinforce the importance of documenting project files, especially for large-scale, projects that are considered high cost, technologically complex, and maintenance intensive activities.

2. Include more specific guidance in the MAAWS to address both transition and sustainment of CERP projects above an established value particularly those projects that are considered high cost, technologically complex, and maintenance intensive activities as noted above.

3. Develop an appropriate process for developing and disseminating lessons learned from the CERP program to assist future program officials as unit rotations occur to reduce learning curves and facilitate continuity in program management.

Management Comments

We received written comments on a draft of this report from MNC-I. The MNC-I Chief of Staff concurred with all recommendations and has identified corrective actions that have been initiated or planned. According to the comments, they have implemented a records recovery/reconstruction policy to remedy missing project files. MNC-I agreed that while lessons learned were captured and disseminated in various medium, a more formal process would be helpful. They agreed to explore a more formal option to include the Center for Army Lessons Learned (CALL).

Appendix A—Scope and Methodology

The Special Inspector General for Iraq Reconstruction (SIGIR) initiated this audit in June 2007, (Project No. 7019) as a broad examination projects in Iraq undertaken by the Commander's Emergency Response Program (CERP). While we focused on high-cost projects, we also contrasted the magnitude of those projects with lower-cost projects. The objectives of this report were therefore to (1) contrast funding devoted to small-scale projects typically associated with the CERP program with funding devoted to more expensive, large-scale CERP projects; and (2) provide observations regarding the applicability of selected issues from prior SIGIR reviews, as well as lessons learned identified in this current review that can help in managing large CERP projects.

In gathering much of the data for this review we relied on the results of a structured questionnaire to solicit information from MNC-I and the MSCs. We submitted a similar questionnaire to solicit information from the U.S. Corps of Engineers-Gulf Region Division Headquarters (GRD), and its three regional offices: Gulf Region-North (GRN); Baghdad, or Central (GRC); and South (GRS). Collectively, we refer to the three regional offices and the headquarters division as one under the GRD. We compared the responses received to our questionnaire to the findings identified in our prior reviews as a basis for assessing whether similar problems were continuing to be experienced.

To supplement the questionnaire, we also solicited and reviewed available documentation related to CERP standard operation procedures, the MNC-Is MAAWS manual, and fragmentary orders governing the CERP program from CJTF-7, MNF-I, and MNC-I. We also requested and reviewed available documentation on sustainment and transition of completed CERP projects to the Government of Iraq.

To identify program management control issues we consulted prior SIGIR reports on CERP programs and solicited information from current program managers regarding the continued applicability of those issues. We also built upon other recent SIGIR work in this area. To augment that, we drew upon the knowledge and experience of CERP program officials within MNC-I and subordinate MSCs to identify what they viewed as key lessons learned that could help future program officials manage CERP projects.

Regarding the issues of transitioning completed CERP projects to the Iraqi government and providing for long-term maintenance and sustainment of transferred facilities, we inquired about the existence of specific MNC-I or local MSC guidance related to the transfer of projects to the GoI; how were large CERP projects transferred to the GoI; and to what extent has the GoI or local governments been willing to accept large CERP reconstruction projects. Regarding sustainment, we focused on whether the commanders considered sustainment costs, and at what point in the selection process this had occurred. For large CERP reconstruction projects, we questioned how much value was placed on sustainment, and the extent to which local governments or the GoI consulted with in terms of their ability to provide continued sustainment once the project was turned over to their control. Just as important, we asked of the MSCs whether their experience indicated willingness on the part of the local governments and/or the GoI to assume the sustainment costs of large CERP projects.

We conducted this audit from June 2007 through November 2007, in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data

We utilized data from the Army accounting system, the Standard Financial System (STANFINS); and the Iraq Reconstruction Management System (IRMS) to reconcile project data with financial data for all the funds provided by CERP. We therefore considered the data sufficient for purposes of this review.

Prior Coverage

The Office of the Special Inspector General for Iraq Reconstruction (SIGIR) issued the following related audit reports, accessible on its website at http://www.sigir.mil:

- *Management of the Commander's Emergency Response Program for Fiscal Year 2004* (SIGIR-05-014, October 13, 2005)
- *Management of the Commander's Emergency Response Program for Fiscal Year 2005* (SIGIR-05-025, January 23, 2006)
- *Management of Iraq Relief and Reconstruction Fund Program: The Evolution of the Iraq Reconstruction Management System* (SIGIR-06-001, April 24, 2006)
- *Review of Data Entry and General Controls in the Collecting and Reporting of the Iraq Relief and Reconstruction Fund* (SIGIR-06-003, April 28, 2006)
- *Management of the Iraqi Interim Government Fund* (SIGIR-06-31, October 27, 2006)
- *Management of the Commander's Emergency Response Program in Iraq for Fiscal Year 2006* (SIGIR-07-006, April 26, 2007)

U.S. Army Audit Agency

The U.S. Army Audit Agency conducted a series of audits—including the following—on the funds allocated to the Commander's Emergency Response Program and Quick Response Fund (QRF):

- *Commander's Emergency Response Program and Quick Response Fund* (Report A-2005-0173-ALE, May 2, 2005)
- *Follow-Up of Commander's Emergency Response Fund and Quick Response Fund* (Report A-2005-0332-ALE, September 30, 2005)
- *Follow-Up II of Commander's Emergency Response Program and Quick Response Fund* (Report A-2006-0090 ALE, March 31, 2006)

U.S. Government Accountability Office

We identified two U.S. Government Accountability Office audits that include parts of the Commander's Emergency Response Program:

- *MILITARY OPERATIONS - The Department of Defense's Use of Solatia and Condolence Payments in Iraq and Afghanistan* (GAO Report 07-699, May 2007)
- *REBUILDING IRAQ - Status of Funding and Reconstruction Efforts* (GAO Report 05-876, July 2005)

Appendix B—CERP Related Public Laws

Since its inception, in 2003, a number of public laws related to CERP have been enacted. Most of these have either authorized the program or appropriated funding for it, and have consistently described the program as having been created "for the purpose of enabling military commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the Iraqi and Afghan people." Listed below are some of the laws that have addressed CERP.

CERP Related Public Laws

Fiscal Year Funds	Date	Public Law	Name	Remarks	End of Obligation Period Date
FY04	6-Nov-2003	P.L. 108-106, Title I, Sec 1110	Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004.	Sets NTE at $180 million (Total CERP)	30-Sep-2004
FY05	5-Aug-2004	P.L. 108-287, Title IX, Sec. 9007	Department of Defense Appropriations Act, 2005.	Sets NTE at $300 million (Total CERP)	30-Sep-2005
FY05	28-Oct-2004	P.L. 108-375,Title XII, Subtitle A, Sec. 1201	Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005.	Authorizes NTE $300 million for FY2005	N/A
FY05	8-Dec-2004	P.L. 108-447, Div J, Title I, Sec. 102	Consolidated Appropriations Act, 2005	Increased NTE by $200 million to $500 million (Total CERP)	30-Sep-2005
FY05	11-May-2005	P.L. 109-13, Title I, Sec. 1006	Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005	Increased NTE by $354 million to $854 million (Total CERP)	30-Sep-2005
FY06	30-Dec-2005	P.L. 109-148, Title IX, Sec. 9007	Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006.	Sets NTE at $500 million (Total CERP)	30-Sep-2006
FY06	6-Jan-2006	P.L. 109-163, Title XII, Subtitle A, Sec. 1202	National Defense Authorization Act for Fiscal Year 2006.	Authorizes NTE $500 million for BOTH FY2006 & FY2007	N/A
FY06	15-Jun-2006	P.L. 109-234, Title I, Chp. 2, Sec. 1207	Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006	Additional NTE $423 million added (Total CERP)	31-Dec-2007
FY07	29-Sep-2006	P.L. 109-289, Title IX, 4 Sec. 9006	Department of Defense Appropriations Act, 2007	Sets NTE at $500 million (Total CERP)	30-Sep-2007
FY07	25-May-2007	P.L. 110-28, Title I, Chp. 3, Sec. 1307	U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	Additional NTE $454 million added (Total CERP)	30-Sep-2007

Source: SIGIR

Appendix C—Acronyms

BCT	Brigade Combat Team
CERP	Commander’s Emergency Response Program
DFI	Development Fund for Iraq
DoD	Department of Defense
GoI	Government of Iraq
GRC	Gulf Region Central-Baghdad
GRD	U.S. Army Corps of Engineers Gulf Region Division
GRN	Gulf Region North
GRS	Gulf Region South
IRMO	Iraq Reconstruction Management Office
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
MAAWS	Money as a Weapon System
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MSC	Major Subordinate Command
SIGIR	Special Inspector General for Iraq Reconstruction
STANFINS	Standard Financial System

Appendix D—Audit Team Members

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

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

Michael A. Bianco

Ronald J. Bonfilio

Frank W. Gulla

Barry W. Holman

Walt R. Keays

Management Comments
Multi-National Corps - Iraq

HEADQUARTERS
MULTI-NATIONAL CORPS - IRAQ
BAGHDAD, IRAQ
APO AE 09342

REPLY TO
ATTENTION OF

FICI-RM

13 JAN 2008

MEMORANDUM FOR Special Inspector General for Iraq Reconstruction, 400 Army Navy Drive, Arlington, VA 22202

SUBJECT: Response to SIGIR Draft Audit Report on Large Scale Commander's Emergency Response Program Projects in Iraq

1. References:

   a. Money As a Weapon System (MAAWS), MNC-I SOP dated 1 June 2007.

   b. SIGIR Draft Audit Report, Commander's Emergency Response Program in Iraq Funds Many Large Scale dated 3 January 2008.

2. The Multi-National Corps-Iraq (MNC-I) staff has reviewed the draft report on the Commander's Emergency Response Program (CERP). We greatly appreciate SIGIR's effort to improve the efficiency and effectiveness of the program. This is a shared goal of the command.

3. The importance of CERP to the Commander, his mission, the theater Campaign Plan and the immense benefit to Iraqi people makes it an invaluable resource for furthering military and political objectives. MNC-I would like to say thank you to the SIGIR auditors for their professionalism and opportunity to provide perspective on the results of this audit. Enclosed is a response that will assist you in finalizing your report.

4. MNC-I continues to make progress on CERP project coordination, management, transition and sustainment. As always, we appreciate SIGIR's assistance in this endeavor.

5. The point of contact for this memorandum is Colonel Printz, MNC-I C8 at DSN 318-822-3277.

FOR THE COMMANDER:

Encl

JOSEPH ANDERSON
Brigadier General, USA
Chief of Staff

SIGIR DRAFT AUDIT REPORT - DATED JANUARY 3 2008, REPORT NUMBER SIGIR-08-006

Commanders Emergency Response Program in Iraq - Large Scale Projects
SIGIR 08-006, Draft Audit Report January 3, 2008

MNC-I COMMENTS TO FINDINGS AND RECOMMENDATIONS:

Recommendation 1: Reinforce the importance of documenting project files, especially for large scale projects. The report recommends we enforce the CERP requirement that major subordinate commands submit completed CERP project files on a quarterly basis. We concur with this recommendation. Currently the MNC-I C8 SOP, Money As A Weapon System (MAAWS) has dedicated 21 pages (C7-C27) to CERP project responsibilities, execution and management. We have addressed, through the MNC-I CoS policy memorandums and MNC-I FRAGOs, the record retention policy and process for completed CERP project files. Pages C-15-1 through C-15-3 of the MAAWS contains specific instructions on CERP project closing and records retention procedures. Additionally, we have implemented a records recovery/reconstruction policy to remedy missing project files. These documents are available for inspection and will be incorporated into the next revision of MAAWS. SIGIR's findings appear to be a reiteration of previous findings from an audit conducted nearly one year ago. We have made significant improvement since then and will continue to work at maintaining a solid audit trail and good records accountability.

Recommendation 2: The SIGIR recommended we "include more specific guidance in the MAAWS to address both transition and Sustainment of CERP projects". The report went on to note that "although MNC-I officials told us they have increased their emphasis on transition and Sustainment issues, SIGIR is concerned that the MAAWS guidance still contains little specific direction on unit responsibilities in these areas". We concur with the recommendation and are continually refining our efforts to maximize the coordination between all of the parties involved with the reconstruction effort in Iraq. Beginning on page C4 of the MAAWS, MNC-I's policy mandating CERP project coordination is described. Battle space commanders (MND/Fs) and PRTs work CERP projects through the PRDCs, Provincial Governors and various interagency forums to coordinate projects and reconstruction efforts. It is our goal to ensure that CERP projects are coordinated with other agencies projects to include GOI funded initiatives in order to achieve the maximum effect from all reconstruction efforts. The MAAWS is only one of many policy tools in theater. At the subordinate level, MND policy memorandum and SOPs, FRAGOs, reconstruction boards and at the higher level, governmental and interagency forums all provide direction and needed coordination between reconstruction efforts, transition and sustainment. Iraqis are involved in the planning, development, execution and turnover which helps foster a sense of Iraqi ownership. Iraqi involvement in the projects early on goes a long way towards successful transition. For larger projects, after completion, there is a formal ceremony transferring the project to Provincial/GOI control. A formal, highly visible transfer helps Iraqis understand that Sustainment is there responsibility. Further, the MNF CG, COM and PRTs are emphasizing help for GOI in executing their annual budget especially in the area of capital investments. Improvements in

Ministerial budgeting and execution will undoubtedly result in greater infrastructure sustainment.

Recommendation 3: The SIGIR recommended that we institute a process for developing and disseminating lessons learned form the CERP program to assist future program officials as unit rotations occur to reduce learning curves and facilitate continuity in program management. MNC-I concurs and while lessons learned are captured and disseminated in various mediums, (AARs, TOAs, FRAGOs, re-writes of SOPs and policy memeorandum, even SIGIR audits), a more formal and deliberate process would be helpful. MNC-I will explore the possibility of using existing lessons learned reporting systems in operational channels as well as using CALL (Center for Army Lessons Learned)

Final Comment: While the draft report correct notes that a relatively small percent of projects (3%) accounts for nearly 37% of the CERP funding, it is also true that 88% of the 6600 CERP projects funded in FY07 cost $200K or less. The overwhelming majority of projects constitute small scale urgent humanitarian and reconstruction projects that benefit the Iraqi people. These projects are concentrated in water, sanitation, electricity and education.

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
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