



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 29, 2011

LETTER FOR THE U.S. SECRETARY OF STATE

SUBJECT: Department of State Reports It Has Taken Action on Most Open Audit Recommendations but Further Documentation Is Needed (SIGIR 11-023)

The Inspector General Act of 1978¹, as amended, requires the Special Inspector General for Iraq Reconstruction (SIGIR) to identify in its semiannual report each significant recommendation described in previous semiannual reports on which corrective action has not been completed. This report follows up on 45 audit recommendations SIGIR made to the Department of State (DoS) that were unresolved (i.e., open) as of July 8, 2011. The objectives of this report were to determine whether DoS took appropriate action to address these recommendations and whether DoS has a system to track and oversee the status of SIGIR's audit recommendations.

DoS reports that it has acted on most of the open recommendations. In early July 2011, DoS provided SIGIR with a report stating that it had taken action and closed 38 of the 45 recommendations. However, we have closed only 13 recommendations based on information received, and we will continue to work with DoS to obtain sufficient information to allow us to close the other 25 recommendations that DoS said it closed. Seven of the 45 recommendations remain open pending further action by DoS.

SIGIR found that DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. SIGIR supports this process, but we believe additional steps are necessary. DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress and for resolving disagreements and questions about recommendations, as required by Office of Management and Budget Circular A-50.

Background

The Office of Management and Budget (OMB) Circular A-50, *Audit Followup*, provides guidance to agencies for following up on and resolving audit findings and recommendations. Audit follow-up is an integral part of good management and is a shared responsibility of agency management officials and auditors. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of government operations.

Each agency is expected to establish systems that ensure the prompt and proper resolution and implementation of audit recommendations. These systems shall provide for a complete record of action taken on both monetary and non-monetary findings and recommendations. OMB Circular

¹ “Inspector General Act of 1978” (Pub. L. 95-452, § 1, Oct. 12, 1978, 92 Stat. 1101).

A-50 requires agency heads to designate a top management official to oversee audit follow up. The circular further states that the agency's audit follow-up official has responsibility for ensuring that (1) systems of audit follow up, resolution, and corrective action are documented and in place, (2) timely responses are made to all audit reports, (3) disagreements are resolved, (4) corrective actions are actually taken, and (5) reporting requirements are met.

OMB Circular A-50 also states that the proper response and follow-up to an audit report is written comments by agency officials indicating agreement or disagreement on reported findings and recommendations. Comments indicating agreement on final reports shall include planned corrective actions and, where appropriate, dates for achieving actions. Comments indicating disagreement shall explain fully the reasons for disagreement.

The Inspector General Act defines other terms and requirements used in the audit follow-up process. For example, the term "management decision" is defined as "the evaluation by agency management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary." The Act defines the term "final action" as "the completion of all actions that agency management has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report; and in the event that the management concludes no action is necessary, final action occurs when a management decision has been made."

SIGIR defines open recommendations as those that the DoS (1) agreed with in its response to the audit report and provided corrective action plans that need to be confirmed as having been taken, (2) did not indicate that it either agreed or disagreed with in its response, or (3) did not respond to before the final report was issued. Additionally, SIGIR considers the recommendation open if the DoS component under review disagreed with the recommendation, but DoS has not issued a final management decision. According to OMB Circular A-50, it is incumbent on both the DoS Office of the Inspector General and agency management to work together to address open recommendations by tracking and coordinating their resolution. Under the Inspector General Act, SIGIR has the authority to obtain information from DoS on the status of corrective actions. This information must be sufficient and appropriate to provide a reasonable basis for the closure decision.²

Additionally, Public Law 97-255 Federal Managers' Financial Integrity Act of 1982³ and OMB Circular A-123 Revised, *Management's Responsibility for Internal Control*, which implements the Act, are at the center of the existing Federal requirements to improve internal control. The Federal Managers' Financial Integrity Act states that the standards prescribed by the Comptroller General include standards to ensure the prompt resolution of all audit findings. OMB Circular A-123 states that deficiencies identified by an audit should be evaluated and corrected and that a systematic process be in place for addressing deficiencies. The Circular requires agency managers to follow up on audit recommendations to identify and correct problems resulting from inadequate or poorly designed management controls, and to build appropriate controls into new

² *Government Auditing Standards: July 2007 Revision*, GAO-07-731G, July 2007.

³ "Federal Managers' Financial Integrity Act of 1982", Public Law 97-255 (31 U.S.C. § 3512).

programs. It also requires agency managers to report any deficiencies in management controls to the agency official responsible for implementing the Federal Managers' Financial Integrity Act.

DoS Reports It Has Taken Action on Most Open Audit Recommendations but Needs to Provide Additional Documentation

DoS provided SIGIR a report on July 6, 2011, indicating that the Department took action on most of the 45 open recommendations and closed 38 of the recommendations. However, we closed only 13 of these based on DoS' responses and information provided in the report. Of the 13 recommendations closed, DoS implemented only 4. We closed five recommendations, because DoS stated it would not implement them because it either did not have the resources to do so or disagreed with the recommendation; we closed three recommendations because DoS failed to implement them in a timely manner so they became obsolete⁴, and we closed one recommendation after we determined the recommendation was no longer applicable to DoS.

The primary intent of SIGIR's audit recommendations is to prevent fraud, waste, and abuse. Additionally, SIGIR's recommendations are intended to improve DoS' management of its contracts and grants associated with Iraq reconstruction; and the economy, efficiency, and effectiveness of its Iraq reconstruction programs, operations, and activities. A recommendation may address more than one of these goals. Implementation of many of the outstanding recommendations would improve DoS' management of—and controls over—contracts, grants, and other Iraq reconstruction programs and activities, as required by OMB A-123.

Table 1 in Appendix B lists the 32 recommendations that currently remain open either because additional information is required to close them (25) or because DoS reported that an action was pending to address the recommendation (7). Documentation of the actions taken to implement audit recommendations is necessary to provide a reasonable assurance that the intended improvement to DoS' operations is occurring. For example:

- Six recommendations to improve the management and oversight of DoS' \$2.5 billion police training contract with DynCorp International, LLC remain open because DoS has not provided documentation verifying that it has hired additional personnel to oversee the contract or made recommended improvements in its policies and procedures for overseeing the contract.

Twelve recommendations to address weaknesses in the oversight of \$50 million in grants made to the International Republican Institute and another \$50 million in grants to the National Democratic Institute remain open because DoS has not provided information supporting actions it says it has taken to improve its oversight of the grants or to provide these institutes direction to improve their management of these grants.

⁴ In preparation for this audit, SIGIR administratively closed four recommendations that became obsolete because DoS did not implement them in a timely manner.

DoS and SIGIR Have Agreed on An Audit Follow-Up Process, but Some Roles and Responsibilities Are Unclear

We found that DoS has an audit recommendation follow-up process and tracking system for audit reports and recommendations but has not been using this process to track SIGIR reports. According to DoS officials, until recently, the responsible office or bureau and the U.S. Embassy–Baghdad have been tracking and reporting on the status of SIGIR recommendations and relevant corrective actions for their own units. DoS’ audit follow-up responsibility is contained in its *Foreign Affairs Manual*, which identifies the OMB Circular A-50 audit follow-up requirements and describes DoS’ centralized process for tracking audit recommendations, including its Automated Directives System for tracking recommendations.⁵ To ensure compliance with these policies and processes, DoS is now implementing a single point of contact to manage SIGIR audits. DoS officials informed us that this point of contact would be responsible for maintaining an audit follow-up system, to include documenting actions to ensure that DoS’ responses to audit reports are timely. The point of contact will also monitor the implementation of audit recommendations to ensure that corrective action is taken for external audit agencies such as SIGIR.

The Office of Management Control (OMC) within DoS’ Office of the Deputy Chief Financial Officer is assigned these responsibilities. OMC officials informed us that they will begin their audit recommendation follow up once SIGIR issues an audit containing recommendations for agency action. OMC will add that report and its recommendations in its tracking system and will require that the audited DoS component provide periodic status reports to ensure timely and appropriate agency responses. OMC will then provide SIGIR periodic updates on the status of corrective actions taken. In turn, SIGIR will provide OMC closing memoranda in which SIGIR will document the reasons it is closing each recommendation, such as DoS implementation has been completed or DoS management disagrees with SIGIR’s position. Figure 1 illustrates DoS’ agreed-upon process for follow up of future SIGIR audit reports and recommendations.

⁵ Until June 6, 2010, the Under Secretary of State for Management was the designated audit follow-up official for all audits that affected the DoS. Under the current version of the *Foreign Affairs Manual* section pertaining to audit follow up, the Under Secretary’s responsibilities were reduced to following up on recommendations made by DoS’ Office of the Inspector General.

Figure 1—DoS' Audit Follow-up Process for SIGIR Audit Recommendations



Source: SIGIR analysis of DoS audit follow-up process as of 6/6/2011.

In general, SIGIR supports this process, but we believe additional steps are necessary. OMC has not assigned all the responsibilities of an audit follow-up official enumerated in OMB A-50. Under the current guidance, OMC does not have responsibility for resolving disagreements between DoS and SIGIR, and it is unclear whether OMC is required to report on the status of actions taken to resolve audit recommendations to the Congress as required by OMB Circular A-50.

Conclusions

The audit follow-up process established under OMB Circular A-50 is designed to improve the effectiveness and efficiency of government operations. It is unclear whether DoS is taking the action(s) that SIGIR recommended on some of the open audit recommendations, because DoS did not provide sufficient documentation to corroborate each action it reports is underway or completed. Without this information, SIGIR cannot determine whether DoS is taking the actions necessary to improve its management practices and decrease the vulnerability of Iraq reconstruction programs, contract, grants, and other activities to fraud, waste, and abuse.

We commend DoS for adapting its audit follow-up processes and systems to include SIGIR recommendations and for working with SIGIR to resolve audit follow-up issues. Nevertheless,

DoS' audit follow-up processes still do not include an important OMB requirement to include resolution of disagreements over recommendations and reporting requirements. These responsibilities are not only critical to improving internal controls and accountability and reporting this to the Congress but also are necessary in those cases where DoS and SIGIR cannot agree on the resolution of an open recommendation.

Recommendations

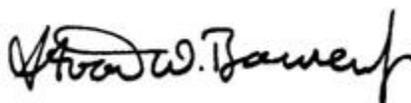
SIGIR recommends that the Secretary of State:

1. Provide SIGIR supporting documentation to verify actions taken on open audit recommendations.
2. Designate an official with the authority to resolve disagreements between DoS and SIGIR on recommendations and with the responsibility to report on the status of open audit recommendations as required under OMB A-50.

Management Comments

DoS did not provide SIGIR with comments on a draft of this report in time to consider in preparing the final report. Any comments received by SIGIR from DoS on this report will be discussed in SIGIR's next semi-annual report to the Congress.

We appreciate the courtesies extended to our staff. For additional information on the report, please contact Glenn Furbish, Assistant Inspector General for Audits, (703) 604-1388/ glenn.furbish@sigir.mil or Jason Venner, Principal Deputy Assistant Inspector General for Audits, (703) 607-1346/ jason.venner@sigir.mil.



Stuart W. Bowen, Jr.
Inspector General

cc: U.S. Ambassador to Iraq

Appendix A—Scope and Methodology

In January 2011, the Special Inspector General for Iraq Reconstruction (SIGIR) announced Project 1103 to review the status of audit recommendations made by SIGIR to the U.S. Department of State. SIGIR's objectives for this report were to determine whether DoS took appropriate action to address these recommendations and whether DoS has a system to track and oversee the status of SIGIR audit recommendations. SIGIR performed this audit under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work from April to July 2011 in Washington, D.C. and in Baghdad, Iraq.

To determine whether DoS took action to address open audit recommendations, SIGIR first reviewed 56 open recommendations. SIGIR administratively closed four recommendations that became obsolete because DoS' did not implement them in a timely manner and another seven because DoS implemented the recommendations. On May 26, 2011 SIGIR provided DoS a list of the 45 remaining open audit recommendations made in 18 audit reports. SIGIR met with officials from U.S. Embassy Baghdad; the Office of the Under Secretary of State for Management; the Bureau of Near Eastern Affairs; the Bureau of International Narcotics and Law Enforcement; the Bureau of Democracy, Human Rights and Labor; the Bureau of Administration; the Office of Acquisition Management; and the Office of the Inspector General. These components provided their written responses on the status of the open recommendations to the Acting Assistant Secretary for Near Eastern Affairs–Iraq, the Under Secretary of State for Management, and the DoS Legal Advisor for their review prior to transmitting them to SIGIR on July 6, 2011. In determining whether DoS' response was sufficient to close recommendations, we evaluated their explanation and considered if there were any mitigating circumstances affecting their ability to implement the recommendations. For example, we considered the impact of changes in the Iraq and U.S. Embassy–Baghdad operational environment, changes in the organizational makeup of U.S. agencies in Iraq, and the availability of documentation to substantiate corrective action on DoS' ability to implement our recommendations.

To determine whether DoS has a system to track and oversee the status of SIGIR audit recommendations, we met with officials from the Office of the Deputy Chief Financial Officer and the Office of Management Control to discuss and review the Department's audit follow-up policies and procedures as enumerated in its Foreign Affairs Manual. We also reviewed its Automated Directive System for tracking audit recommendations. We compared the procedures for audit follow up of DoS Office of the Inspector General audit recommendations with how DoS follows up on SIGIR recommendations and noted the differences.

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

We did not use computer-processed data in this report.

Internal Controls

In conducting the audit, we assessed DoS' policies and procedures for its audit follow-up process. The results of this review are presented in the body of the report.

Prior Coverage

We reviewed the following SIGIR audit reports:

National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited, SIGIR 11-001, 10/13/2010.

Improved Oversight Needed for State Department Grant to the International Republican Institute, SIGIR 10-022, 07/29/2010.

Health Center Sustainment Contract Resulted in Some Repairs, but Iraqi Maintenance Capability Was Not Achieved, SIGIR 10-015, 04/29/2010.

Process for Continuing Invoice Payment for the Development Fund for Iraq Needs Attention, SIGIR 10-014, 4/01/2010.

Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute, SIGIR 10-012, 1/26/2010.

Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program, SIGIR 10-008, 1/07/2010.

Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq, SIGIR 09-021, 6/30/2009.

Provincial Reconstruction Teams: Developing a Cost-Tracking Process Will Enhance Decision-Making, SIGIR 09-020, 4/28/2009.

Opportunities To Improve Processes for Reporting, Investigating, and Remediating Serious Incidents Involving Private Security Contractors in Iraq, SIGIR 09-019, 4/30/2009.

Cost, Outcome, and Oversight of Iraq Oil Reconstruction Contract with Kellogg Brown & Root Services, Inc., SIGIR 09-008, 1/13/2009.

Improvements Needed in Reporting Status of Reconstruction Projects to Chief of Mission, SIGIR 09-007, 10/31/2008.

Opportunities To Enhance U.S. Democracy Building Strategy for Iraq, SIGIR 09-001, 10/31/2008.

Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement, and Transition, SIGIR 08-002, 10/30/2007.

Controls over Unliquidated Obligations in the Iraq Relief and Reconstruction Fund, SIGIR 07-011, 10/23/2007.

Status of U.S. Government Anticorruption Efforts in Iraq, SIGIR 07-007, 7/24/2007.

Status of Ministerial Capacity Development in Iraq, SIGIR 06-045, 1/30/2007.

Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support, SIGIR 06-029, 1/30/2007.

Survey of the Status of Funding for Iraq Programs Allocated to the Department of State's Bureau of International Narcotics and Law Enforcement Affairs as of December 31, 2005, SIGIR 06-018, 7/1/2006.

Appendix B—Status of DoS Corrective Actions or Final Management Decisions on Open Recommendations

Table 1 lists 13 audit reports and the 32 audit recommendations made to DoS that remain open. The audit report is identified by the first five digits of the sequence of numbers listed in the Number column. The fifth digit represents the recommendation in the report that remains open. For example, 06-029-5 refers to the fifth recommendation contained in SIGIR Report 06-029, *Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support*.

Table 1—Open Audit Recommendations as of July 8, 2011

Number	Recommendation
06-029-5	We recommend that the Director, Office of Acquisition Management, on receipt of the DCAA audit report, the contracting officer should take the appropriate action to enforce procedures to ensure the contracting officer and COR comply with duties and responsibilities as identified in the DoS Foreign Affairs Handbook. These procedures should address: <ol style="list-style-type: none"> receiving and retaining technical and financial reports examining invoice with supporting documentation before certification for payment processing “receiving and inspection reports” for equipment maintaining a COR file.
06-045-3	We recommend that the U.S. Ambassador to Iraq and the Commanding General, MNF-I develop a detailed plan, in concert with the Government of Iraq, including clearly defined objectives and outcome-related performance measures, milestones for achieving stated objectives, and future funding requirements, for implementing a unified comprehensive capacity-development program to enable the Iraqi government to provide sustainable security and services to the Iraqi public.
06-045-5	We recommend that the U.S. Ambassador to Iraq and the Commanding General, MNF-I assign clear responsibility for the overall U.S. capacity-development effort to one U.S. government official or organization.
07-007-3	We recommend that the U.S. Ambassador to Iraq establish a joint executive steering group (JESG), chaired by the anticorruption program manager, with oversight of all U.S. government anticorruption programs to ensure that all initiatives are working toward a common goal in the most efficient and effective manner.
07-011-2	We recommend that USAID and DoS develop written procedures requiring finance offices to document their reviews of unliquidated obligations and the reasons for retaining an obligation, including identifying a continuing need.
09-001-2	SIGIR recommends that the Secretary of State direct that the roles and responsibilities of DoS and USAID in implementing the Democracy Building Strategy be clarified, and state how U.S. goals and objectives will be integrated with the goals and objectives of GOI and international organizations.
09-007-1	SIGIR recommends that the U.S. Ambassador to Iraq take the following actions: Establish and publish policy and guidance to uniformly report reconstruction project status to the U.S. Ambassador to Iraq. The policy and guidance should consider stratifying and prioritizing projects to be reported to the U.S. Ambassador. Furthermore, the policy and guidance should establish a means of identifying key

Number	Recommendation
	elements of a project—such as cost, schedule, and performance—to objectively provide the status of a project.
09-007-2	SIGIR recommends that the U.S. Ambassador to Iraq take the following actions: Direct the Coordinator for Economic Transition in Iraq to establish a process based on the new policy guidance to ensure that all reconstruction projects, regardless of funding source or agency management, are accurately and adequately reported to the U.S. Ambassador. If a project is delayed or terminated, the Coordinator should also consider the associated impact on quality of life and diplomatic relationships. Any project deviating from established criteria should trigger required notification to the Ambassador.
09-019-2	SIGIR recommends that the Commanding General, MNF-I, and the U.S. Ambassador to Iraq require ACOD and RSO to jointly establish a standard definition of serious incidents and incorporate that definition in guidance for their PSCs.
09-019-5	SIGIR recommends that the Commanding General, MNF-I, and the U.S. Ambassador to Iraq require ACOD to track all serious incidents, include data on all incidents in its analyses, perform more extensive analyses of serious incidents, and develop lessons learned from those analyses.
09-019-6	SIGIR recommends that the Commanding General, MNF-I, and the U.S. Ambassador to Iraq task supporting organizations, such as the Defense Contract Management Agency, to identify all PSC subcontractors that support DoD and DoS contracts.
09-019-7	SIGIR recommends that the Commanding General, MNF-I, and the U.S. Ambassador to Iraq task contract audit organizations to periodically review the prime contractors' oversight of subcontractor PSC compliance with incident reporting requirements.
09-021-1	<p>We recommend that the Contracting Officer, Bureau of Administration, Office of Logistics Management in coordination with the Bureau of Diplomatic Security, ensure that before the end of WPPS II contract S-A/LM/AQMPD-05-D-1098 task orders 6 and 10 in May 2009, that the appropriate contracting officer's representatives and/or property administrators take the following actions:</p> <ul style="list-style-type: none"> • Provide Blackwater with the acquisition costs for all government-furnished property and ensure that such costs are properly recorded and reported in Blackwater's inventory lists. • Resolve the status of 14 items that could not be accounted for and the two radios that the Office of the Inspector General could not find on Blackwater's inventory lists and take all actions as appropriate, including ensuring that Blackwater's inventory lists are modified as necessary. • Confirm the accuracy of Blackwater's inventory lists by reconciling them with the inventory lists from the Regional Security Office and the Bureau of Information Resource Management at Embassy Baghdad, and make any required adjustments. • Review the inventory lists once the specified actions have been completed to ensure that the proper corrections have been made.
09-021-2	We recommend that the Contracting Officer, Bureau of Administration, Office of Logistics Management in coordination with the Bureau of Diplomatic Security designate a full-time contracting officer's representative/property administrator on-site in Iraq to oversee all government furnished and contractor-acquired property held by contractors under WPPS II contract S-A/LM/AQMPD-05-D-1098 task orders in Iraq and any such future contracts and task orders and ensure that property administrator training is provided to the property administrator prior to arrival in Iraq. A high priority should be given to properly identifying and accounting for all government owned property.

Number	Recommendation
10-008-1	SIGIR recommends that the Deputy Secretary of State for Management and Resources direct an immediate examination of the Afghanistan, Iraq, Jordan Support Division's personnel and operations to determine if the Division is structured, staffed and managed to effectively and efficiently oversee the contracts under its responsibility. The results of this examination should be provided to the authorization and appropriations committees of the Congress.
10-008-2	SIGIR recommends that the Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, direct the Chief, Afghanistan, Iraq, Jordan Support Division to develop detailed guidance for the ICORs that specify their responsibilities and ways they can fulfill those responsibilities.
10-008-3	SIGIR recommends that the Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, direct the Chief, Afghanistan, Iraq, Jordan Support Division to assign specific responsibilities to each ICOR and have each provide reports on actions taken to fulfill assigned responsibilities.
10-008-4	SIGIR recommends that the Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, direct the Chief, Afghanistan, Iraq, Jordan Support Division to determine how many ICORs are needed to accomplish assigned responsibilities, and request positions to fill those needs.
10-008-5	SIGIR recommends that the Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, direct the Chief, Afghanistan, Iraq, Jordan Support Division to determine how many additional personnel are needed to review and validate historical invoices within the next two years and request positions to fill those needs.
10-012-1	To improve DRL oversight of grants, we recommend the Secretary of State direct the Bureau of Democracy, Human Rights and Labor review and document the reasonableness of grantee budget costs for activities not directly associated with executing grant objectives, to include security and other indirect costs and the costs versus the benefits of awarding grants with significant non-direct program costs.
10-012-2	To improve DRL oversight of grants, we recommend the Secretary of State direct the Bureau of Democracy, Human Rights and Labor request that current grantees and require that future grantees report quarterly on grant expenditures on major cost categories.
10-012-3	To improve DRL oversight of grants, we recommend the Secretary of State direct the Bureau of Democracy, Human Rights, and Labor assess the appropriateness of establishing a program manager position in Iraq versus maintaining democracy advisors as DRL representatives in Iraq.
10-012-4	Because DRL's grant management and oversight practices leave the Bureau vulnerable to fraud and waste, SIGIR recommends that the Deputy Secretary of State for Management and Resources direct an examination of DRL's personnel and operations to determine whether the Bureau of DRL is structured and staffed in both headquarters and overseas to effectively and efficiently oversee the grants under its responsibility.
10-015-1	SIGIR recommends that the U.S. Ambassador to Iraq direct that the overall strategies and plans for continuing engagement with GOI on health care issues include a focus on gaining the maximum benefit from the U.S. investment in the PHCs and the information gathered under the SBH contract.
10-022-1	SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to assess the adequacy of the number of Grants Officers assigned to manage DRL grants in Iraq.

Number	Recommendation
10-022-2	SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to require the Grants Officers to conduct in depth assessments of the IRI cost charges accounting allocation methods highlighted in this report. The assessments should determine the level of questionable costs and whether funds should be recovered.
10-022-3	SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to require the Grants Officers to instruct IRI to follow OMB guidelines on reasonableness, allocability, and allowability of costs and non-competitive contracts.
10-022-4	SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to require the Grants Officers to instruct IRI to incorporate in its next A-133 audit a comprehensive audit of indirect costs and a compliance audit for at least one major DRL grant.
10-022-5	SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to require that Grants Officer Representatives are trained on OMB Circulars A-110, A-122 and A-133 as well as DoS grant policy directives to ensure they are fully aware of their responsibilities and limitations.
10-022-6	SIGIR recommends the U.S. Secretary of State direct offices as she determines appropriate to require the Grants Officer Representatives to enforce the grant requirements that IRI provide measurable indicators of their success in meeting grant goals and objectives.
11-001-1	We are recommending that the U.S. Secretary of State direct offices as she determines appropriate to take the following actions: Require the Grants Officers to instruct NDI to incorporate in its next A-133 audit a comprehensive audit of indirect costs and a compliance audit for at least one major DRL grant. Given the similar problems we found in IRI and NDI grants, we also recommend that Grants Officers consider requiring these more comprehensive A-133 audits for all DRL grants.
11-001-2	We are recommending that the U.S. Secretary of State direct offices as she determines appropriate to require the Grants Officer Representatives to enforce the grant requirements that NDI provide measurable indicators of their success in meeting grant goals and objectives.

Source: Recommendations to DoS from SIGIR reports issued from 2006 through January 2011.

Appendix C—Acronyms

Acronym	Description
DoS	Department of State
OMB	Office of Management and Budget
OMC	Office of Management Control
SIGIR	Special Inspector General for Iraq Reconstruction

Appendix D—Audit Team Members

This report was prepared and the review conducted under the direction of Glenn Furbish, 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:

Allan J. Jones

Robert Whiteley

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

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