

STATEMENT OF WORK

SPECIAL AUDIT OF NON-COMPETITIVELY AWARDED CONTRACTS FUNDED FROM THE DEVELOPMENT FUND FOR IRAQ

1. BACKGROUND

United Nations Security Council Resolution 1483 (“UNSCR 1483”), dated May 22, 2003, noted the establishment of the Development Fund for Iraq (the “DFI”). UNSCR 1483 noted further that the Coalition Provisional Authority (the “CPA”), in consultation with the Iraqi interim administration, to direct disbursements from the DFI and underlines, in paragraph 14, that the DFI shall be used in a transparent manner to meet the humanitarian needs of the Iraqi people, for the economic reconstruction and repair of Iraq’s infrastructure, for the continued disarmament of Iraq, for the costs of Iraqi civilian administration, and for other purposes benefiting the people of Iraq. The CPA ceased to exist on June 28, 2004 when the former CPA Administrator passed governing authority to the Interim Iraqi Government.

This Statement of Work provides the parameters for a special audit of non-competitively awarded contracts funded from the DFI. As provided in paragraph 12 of UNSCR 1483, the International Advisory and Monitoring Board (the “IAMB”) requested that the Department of Defense (the “DoD”) contract with an internationally-recognized accounting firm (the “Auditor”) to audit non-competitively awarded contracts awarded by the former CPA and funded by the DFI to determine whether or not disbursements of DFI funds under such contracts were consistent with the transparency provision in paragraph 14 of UNSCR 1483 and whether or not there is sufficient documentation to support the non-competitive awards. In accordance with paragraphs 3A and 3E of the IAMB Terms of Reference (TOR) (www.iamb.info), the Auditor is subject to approval by the IAMB, and special audits are to be conducted in accordance with International Standards on Auditing (ISA). The selection process for the Auditor and the terms of reference for the objectives, scope and approach of the special audit work shall be established by the IAMB, after consultation with the DoD.

2. PROJECT OBJECTIVE

Noting the use of non-competitively awarded contracts using DFI funds, the IAMB has requested that the Auditor perform a special audit (i) to identify non-competitively awarded contracts that used DFI funds, (ii) to summarize the findings of audits of such contracts that have already been conducted by various US government audit agencies, and (iii) if any non-competitively awarded contracts have not been the subject of audit, to perform audit procedures, as set forth in Section 3(iv) below, of such contracts consistent with this statement of work.

3. PROJECT SCOPE

The Auditor will perform procedures, as delineated herein, related to non-competitively awarded contracts that used DFI funds. The engagement must be performed and the report

written in accordance with ISA and applicable International Organization of Supreme Audit Institutions (INTOSAI) Standards on Government Auditing (“Audit Standards”).

The Auditor will:

- (i) Identify and provide documentation concerning all contracts awarded by the former CPA that were 1) awarded without competition, including modifications, task orders, or delivery orders that added new work to the original contract or that substantially changed the original deliverable; 2) funded from the DFI during the period from the inception of the DFI through June 28, 2004 (including amounts committed from the DFI prior to June 28, 2004 but for which payments were made after that date); and 3) valued at \$5 million or more.
- (ii) Separate the identified contracts into two categories: Contracts that have been audited and those that have not.
- (iii) For the contracts that have been audited, review the audit reports and summarize the scope, procedures, and key findings.
- (iv) For the contracts that have not been audited and for the contracts that have been audited but where the following information is not reported under (iii) above, prepare a report that provides:
 - a. A summary of the former CPA’s procedures governing the award of contracts without competition.
 - b. A summary of information concerning individual contracts awarded without competition including: the 1) name of the contractor; 2) goods and services to be provided; 3) contract amount; 4) contract terms; and 5) justification for the non-competitive award.
 - c. For each non-competitively awarded contract, an assessment whether:
 - i. The contract was entered into and the disbursements were made consistent with the transparency provision of paragraph 14 of UNSCR 1483.
 - ii. The contract was executed in accordance with the contractual provisions.¹
 - iii. DFI funds were used for the purposes for which they were disbursed.
 - iv. There was adequate documentation to support the award of such contract.

¹ If the Auditor will be relying on third-party assessments or documents to determine that the contracts were executed in accordance with contractual provisions, then the Auditor should assess whether there were adequate controls in place to ensure such execution and that these controls were properly applied.

- (v) Ensure that the report prepared pursuant to paragraph (iv) above does not contain information that is not releasable under U.S. law to third parties (e.g., the IAMB). The Auditor will consult with the contracting officer's representative (the "COR"), and other DoD organizations as necessary, in drafting the report to ensure that the report does not contain information that is not releasable to third parties. All such information will be provided to the COR on behalf of DoD in a separate document.

4 DELIVERABLES

The Auditor will prepare a report, in English and Arabic, covering each of the areas under Section 3 hereto and will submit such report to the COR. The report shall be provided both in paper and electronic formats.