



Congress created SIGIR to provide independent oversight of the Iraq Relief and Reconstruction Fund by:

- promoting economy, efficiency, and effectiveness in the administration of programs and operations
- preventing and detecting waste, fraud, and abuse in such programs and operations
- keeping the Secretary of State, Secretary of Defense, Congress and the American taxpayers informed about problems and deficiencies relating to administration of programs and operations and about recommendations for corrective action

Inspector General Stuart W. Bowen, Jr., was appointed in January 2004. This past February, the IG made his eleventh trip to Iraq to review progress on the reconstruction effort.

HIGHLIGHTS: April 2006 Quarterly Report

As U.S. relief and reconstruction in Iraq enters the second quarter of this Year of Transition, the program is ensuring project execution, contract close-out, and program transition. Sustaining reconstruction in Iraq at this critical juncture requires the U.S. to coordinate closely with the new Iraqi government and international donors to sustain the substantial investment in Iraq's infrastructure. SIGIR has identified five critical issues, the resolution of which will help secure a successful reconstruction transition in Iraq.

IMPROVE INFRASTRUCTURE SECURITY

Attacks on Iraq's oil and gas infrastructure have impeded efforts to improve production in this key sector. A SIGIR audit of "Task Force Shield" reviews an earlier unsuccessful Coalition Provisional Authority effort to address this key issue. Today, the U.S. Ambassador to Iraq has given top priority to this important topic, and the Department of Defense has dispatched a team of experts to Iraq to assess the protection of oil and gas facilities.

CLOSE THE RECONSTRUCTION GAP

Given the difficulties that accompany operating in Iraq, an overall project shortfall—dubbed the Reconstruction Gap—developed as reconstruction priorities changed. Delays driven by security problems, administrative issues, and poorly managed cost-to-complete schedules contributed to the gap. Ambassador Khalilzad's new initiative to transfer more project decision-making to Iraqis at the local governorate level should help remediate the effects of the reconstruction gap.



Rebuilding Intensifies in Iraq

ENERGIZE THE OIL AND GAS SECTOR

Despite U.S. allocations of \$1.7 billion to this sector, oil and gas production has yet to return to pre-war levels. Several factors continue to limit progress on oil and gas production levels: the deteriorated infrastructure, uncertainties regarding the legal framework governing Iraq's petroleum industry, corruption, and insurgent attacks and sabotage. The United States and other donors should develop strategies with the new Iraqi government that will stimulate investment in this sector and help boost production levels.

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Although the story of Iraq reconstruction has been punctuated by shortfalls and deficiencies, the infrastructure overview provided in Section 2 of this Quarterly Report presents a picture of significant progress achieved through a substantial U.S. investment of **time, talent, and tax dollars** in Iraq's relief and reconstruction.

ATTACK CORRUPTION

Foreign investment in Iraq is not likely to increase appreciably until Iraqi corruption is brought under control. With the creation of a new Iraqi government well underway, Iraq, the United States, and donor nations should increase funding for Iraq's core anticorruption institutions: the Commission on Public Integrity, the Board of Supreme Audit, and the 29 inspectors general assigned to Iraqi ministries.

INCREASE DONOR ACTIVITY

As IRRF funds draw down, the next phase of Iraq's reconstruction will require a broader international effort, with the role of non-U.S. donor nations and international institutions becoming increasingly important. U.S. reconstruction officials should continue to engage directly and intensively with their international counterparts—the World Bank, in particular—to help ensure that donors implement pledges and develop, in close coordination with the Iraqis, the next phase of reconstruction.

Expanding Sector Progress Reports

In addition to updating its reviews of the electricity, oil and gas, and water sectors, SIGIR also introduces new reports on these sectors: security and justice; health care; transportation and communications; and democracy, education, and private sector development. Although the story of Iraq reconstruction has been punctuated by shortfalls and deficiencies, the infrastructure overview provided in Section 2 of this Quarterly Report presents a picture of significant progress achieved through a substantial U.S. investment of time, talent, and tax dollars in Iraq's relief and reconstruction.

Audits & Inspections

SIGIR issued 29 audits and inspections this quarter that provide 58 new recommendations for program improvements. Two audits take an in-depth look at the primary health center contract and a CPA infrastructure security program called "Task Force Shield." They provide overviews of divergent programs that faced significant adversity and failed to achieve their goals.

The 13 inspections completed this quarter continue SIGIR's mission to provide on-site assessments of projects in every sector across Iraq. SIGIR also inspected 55 additional projects through its rapid-review program, using local hires to visit sites that SIGIR inspectors cannot reach. Overall, SIGIR inspectors found that, where management and quality assurance programs were active in the on-site construction process, the quality of work usually met or exceeded contract standards.

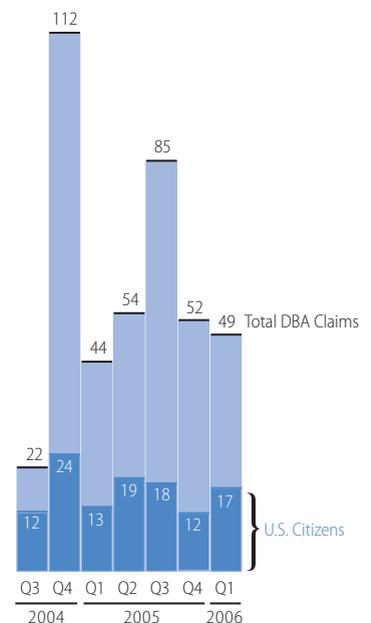
Investigations: Guilty Pleas in \$8.6 Million Bid-Rigging Scheme

SIGIR has 72 open investigations into alleged fraud and corruption, and continues to pursue investigative leads in Iraq and throughout the Middle East, Europe, and the United States.

Contractor Philip Bloom and CPA regional comptroller Robert Stein pleaded guilty this quarter to participating in a scheme to defraud the CPA of over \$8.6 million. Bloom faces up to 40 years in prison and a fine of \$750,000. Under the terms of his plea agreement, Bloom must pay \$3.6 million in restitution. Stein admitted stealing \$2 million and taking bribes to award contracts to Bloom. He faces up to 30 years in prison.

In March, SIGIR investigators conducted a successful sting operation, which resulted in the arrest of a contractor who offered a bribe to a SIGIR undercover agent.

**Civilian Deaths:
U.S. Citizen and Contractor Claims**



Numbers reported in previous quarters have been updated to reflect DoS and DoL reports