



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 25th Quarterly Report to the Congress and the Secretaries of State and Defense. As this report reveals, SIGIR continues to carry out a robust oversight mission in Iraq, comprehensively reporting on the more than \$50 billion under our jurisdiction. On the investigative front, we opened up numerous new cases this quarter arising from our interagency financial forensic investigative initiative; on the audit front, we produced a series of new reviews indicating continuing challenges remain within the Iraq program; and on the inspections front, we produced the last set of on-site project reports that SIGIR will issue.

I especially want to commend all of the SIGIR personnel who have contributed to the success of our Inspections Directorate. Their superior body of work comprises a unique IG undertaking, which combined auditors and engineers into inspection teams that traveled all over Iraq to produce comprehensive site reports on the financial and engineering aspects of every conceivable type of construction project. I strongly commend my Assistant Inspector General for Inspections, Brian Flynn, who has been with SIGIR almost since its inception six years ago, for his fearless leadership on the ground in Iraq and his outstanding commitment to producing the very highest quality work under extraordinarily challenging circumstances. Brian and his team visited more than 200 sites, frequently traveling to dangerous areas to report on how taxpayer dollars were being used. Their reports led to concrete improvements in the program that resulted in better construction practices and money saved. The Inspections Directorate's professionalism, productivity, and perseverance—the hallmark SIGIR values—earned the respect of all with whom they worked. I am and will always be sincerely proud of their commitment to our mission and of their collective accomplishments.

This quarter, SIGIR published 12 audit and inspection reports. Two of the audits uncovered a combined \$23 million worth of U.S.-funded projects or material either being wasted or in imminent danger of being wasted. The reviews examined U.S. efforts aimed at:

- **Rehabilitating the Baghdad International Airport (BIAP).** The U.S. military has spent about \$35 million in Commander's Emergency Response Program funds to develop a commercial economic zone at BIAP in the hopes of making BIAP a hub for international investors. SIGIR auditors assessed 46 separate projects on or near BIAP, finding that about \$16.1 million spent on 24 projects has largely led to unsuccessful outcomes.
- **Installing \$10 million worth of electricity equipment in western Iraq.** In 2007, the United States awarded a \$10 million contract for the installation of six electrical substations in Anbar province. The United States terminated the contract in late 2008 for default after \$6.5 million was expended. Late last year, SIGIR inspected the Iraqi facility housing the equipment that had actually been delivered prior to the termination of the contract, identifying four mobile substations that had been sitting idle in an outdoor warehouse for at least seven months.
- **Assessing a \$16.5 million contract to improve Primary Healthcare Centers (PHCs).** This report evaluates a \$16.5 million contract with Stanley Baker Hill (SBH) to identify and repair PHCs, assess the conditions of PHCs, conduct an operations and maintenance program for one year, and improve the Ministry of Health's capability to operate and maintain these facilities. SIGIR found mixed outcomes. SBH assessed the outcome of 109 PHC projects and corrected construction and equipment deficiencies at 17.
- **Improving the ability of Iraq's Special Operations Forces (SOF) to manage information.** SIGIR reviewed two contracts totaling \$19.3 million to provide the Iraqi SOF with a counterterrorism network and intelligence database, discovering \$1 million of equipment is either not being used or is missing. In addition, SIGIR determined that relatively few of the sites planned to be included in the network were actually connected to it.

- **Building a \$5.6 million slaughterhouse.** This \$5.6 million project for the construction of a slaughterhouse in Basrah suffers from a lack of planning. The results to date have not been consistent with contractual requirements, and the facility lacks reliable electricity, water, and waste-management facilities.

SIGIR's investigators were very active this quarter, obtaining 5 convictions and 6 indictments. The combined efforts of SIGIR's investigators and forensic auditors led to SIGIR opening 13 new criminal investigations, bringing the total number of cases generated by the forensic audit program to 45 cases.

In two productive hearings on Capitol Hill this quarter, I presented SIGIR's fifth Lessons Learned report, *Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations*, to the House Committee on Foreign Affairs and to the Commission on Wartime Contracting in Iraq and Afghanistan. This new report addresses the hardest lesson from Iraq: that the United States does not have a coherent approach to planning and executing stabilization and reconstruction operations (SROs). The report proposes the creation of the U.S. Office for Contingency Operations (USOCO), which, if created, would be charged with planning and managing SROs and would be accountable for their results. Former Ambassador to Iraq Ryan Crocker and former National Security Advisor Brent Scowcroft support the USOCO idea, observing that the time is ripe to reform how the United States manages SROs.

In May, I will travel to Iraq for the 27th time to meet with senior U.S. and GOI personnel and discuss the ongoing reconstruction effort. I continue to be very proud of the many SIGIR personnel who are now in Baghdad carrying out our critical oversight mission.

Respectfully submitted this 30th Day of April 2010,



Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction