



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 33rd Quarterly Report to the U.S. Congress and the Secretaries of State and Defense.

There were signs of progress in Iraq this quarter, with events in March particularly noteworthy. After a sanguinary start to the year, March saw relatively few mass-casualty attacks. March also set a new post-2003 monthly record for oil exports: 2.32 million barrels per day. At month's end, the Government of Iraq (GOI) successfully hosted a summit of the League of Arab States, with the Iraqi Security Forces (ISF) effectively protecting thousands of foreign guests and keeping violence to a minimum.

In the shadows of this good news, familiar challenges continued. Tensions simmered between the GOI and the Kurdistan Regional Government, especially over oil rights. Fractious political rhetoric rent Prime Minister Nuri al-Maliki's coalition government, with the Prime Minister's Shia-led State of Law coalition at ever-worsening odds with the mostly Sunni al-Iraqiya bloc. Vice President Tariq al-Hashimi, a member of al-Iraqiya, was still the subject of a GOI arrest warrant and remained under the protective hand of Kurdish authorities for most of the quarter. Shortly before this Quarterly Report went to press, a series of bombings across northern Iraq (on April 19) killed more than 30.

SIGIR issued two notable new reports this quarter: our seventh lessons learned study, entitled *Iraq Reconstruction: Lessons Learned from Investigations, 2004–2012*; and our first special report, entitled *Reconstruction Leaders' Perceptions of the Commander's Emergency Response Program in Iraq*. The lessons learned report includes a series of best practices derived from eight years of investigating crimes arising out of the Iraq program. The special report is based on a wide-ranging survey conducted by SIGIR of senior military and civilian reconstruction leaders, which obtained their views on the reconstruction program, focusing on the Commander's Emergency Response Program. These reports are available at www.sigir.mil.

In addition to these reports, SIGIR issued four new audits:

- **Development Fund for Iraq (DFI) Electronic Fund Transfer (EFT) Payments.** This is SIGIR's fifth major review of the DFI; it found that the documents needed to support EFTs authorized by the Coalition Provisional Authority were often missing for transfers made in 2004.
- **DoS Progress in Implementing SIGIR Recommendations Addressing Quick Response Fund (QRF) Management Controls.** This follow-up to an April 2011 audit found that, while DoS claims to have taken action on SIGIR recommendations regarding improved internal controls, it could not document the implementation of those recommendations.
- **Iraq Security Forces Fund (ISFF) Spend Plans for Fiscal Years 2011 and 2012.** This report examined the status of the \$1.5 billion appropriated to the ISFF, finding that the challenges faced by the Department of Defense (DoD) in obligating funds make it likely that some money will be left unobligated when the funds expire on September 30, 2012.
- **U.S. Army Corps of Engineers Contract Terminations.** SIGIR determined that no unliquidated obligations remained on the 55 terminated contracts reviewed in the audit.

On the investigative front, SIGIR and its investigative partners obtained significant results in several cases this quarter, including:

- the sentencing of the wife of a former U.S. Army major to six years in prison for her part in a bribery scheme that also involved her husband
- the charging of three former officers of a U.S. defense contractor, the wife of one of the officers, and four foreign nationals for their alleged roles in a fraud and money-laundering scheme
- the charging of a British subject and his company with allegedly paying almost \$1 million in kickbacks in exchange for receiving more than \$23 million in DoD contracts

To date, SIGIR's work has helped secure 86 indictments, 66 convictions, and the recovery of more than \$175 million in court-ordered monetary penalties. As of mid-April, SIGIR and its partners at the Department of Justice and other U.S. and foreign law-enforcement agencies were working on 110 open cases.

I presently will depart on my 32nd trip to Iraq, where I will discuss SIGIR's ongoing oversight work with senior Embassy officials. I will also confer with GOI leadership on SIGIR's recent and continuing DFI work. I especially look forward to visiting with my staff in Baghdad, as they professionally and productively discharge the final months of their mission (SIGIR's Baghdad Office will close at the end of July).

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stuart Bowen, Jr.", followed by a period. The signature is written in a cursive, flowing style.

Stuart W. Bowen, Jr.