



Congress created SIGIR as a temporary organization 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 late January 2004. This past November, the IG made his tenth trip to Iraq to review progress on the reconstruction effort.

## HIGHLIGHTS: SIGIR January 2006 Quarterly Report and Semiannual Report

### A Year of Transition



Cash confiscated at the time of seizure. Other items included coins, platinum, and gold bars.

2006 will be a year of transition in Iraq reconstruction. To aid in that effort, SIGIR is announcing an audit to review overall transition planning. The audit will answer whether the United States has effectively planned to sustain what it has built in Iraq. SIGIR is concerned about whether there are sufficient resources

to support capacity development for national and local government officials, operations and maintenance, infrastructure security, development of strategic cities, and private sector development.

### SIGIR INVESTIGATIONS LEAD TO FOUR ARRESTS

SIGIR investigations have led to the arrest of four Americans for their roles in a major bribery and kickback scheme involving millions of dollars in rebuilding contracts.

As a result of a SIGIR Hotline tip in the spring of 2004, SIGIR conducted a series of 5 audits addressing controls over cash, contract management, and grant management for the Coalition Provisional Authority (CPA), South-Central Region, in Hilla, Iraq. The pattern of financial misconduct revealed by the audits led to a series of SIGIR investigations.

SIGIR auditors identified

material control weaknesses and subsequently found that U.S. government agents and coalition partners did not properly control and account for Iraqi cash assets.

The auditors found indications of potential fraud and referred these matters to SIGIR investigators. A lengthy series of investigations ensued, and arrests were made during this reporting period. CPA officials and private contractors have been charged in federal court for crimes associated with the Hilla scheme. A significant number of assets have been seized, including vehicles, an airplane, cash, jewelry, watches, real estate, and weapons.

#### KEY THEMES

SIGIR focuses on these key themes in this Quarterly Report to Congress:

- TRANSITION
- RECONSTRUCTION GAP
- SUSTAINABILITY
- COST-TO-COMPLETE ESTIMATES
- FIGHTING CORRUPTION
- INFORMATION SYSTEMS MANAGEMENT

#### TO OBTAIN A FULL REPORT

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## AUDITS

### SEVEN SIGIR AUDITS HIGHLIGHT CURRENT ISSUES

During this reporting period, SIGIR released 7 audits, bringing the total to 40 since inception. Many focused on the sustainability of projects and the ability of the United States to meet reconstruction goals.

- One audit found that managers failed to estimate and report reliable and transparent cost-to-complete information for the IRRF projects that SIGIR reviewed, preventing important project visibility essential for program managers and Congress to make informed decisions during IRRF program execution.
- An audit of the Commander's Emergency Response Fund (CERP) found considerable progress to improve management of the fund, but cautions that managers must better coordinate CERP projects with the Department of State and USAID.
- The reconstruction gap audit looked at the reason for the difference between planned and completed projects. This audit finds that the U.S. government will not complete the number of projects anticipated because funds were reprogrammed for security. Some funds were also redistributed to sustainment activities.

## ASSESSMENT UPDATE

### SIGIR INSPECTIONS IMPROVE PROJECT QUALITY AND PROMOTE SUSTAINABILITY

SIGIR inspectors completed 13 assessments during this reporting period, looking at a cross-section of projects from each of the major sectors.

- SIGIR assessed the construction of four border forts and found that the projects had not been constructed as required under the contract, and they were not yet functional. SIGIR plans to follow up to ensure that repairs are completed and that cost increases are justified.
- SIGIR's assessment of the Qudas electric project, which will help produce electricity for the Iraqi grid, focused on sustainability. The sustainability plans for the project were deficient. Because the Electricity sector is vital for Iraq's economy and its people, SIGIR will continue to inspect electrical projects for sustainability.



Exterior view of border fort

### SIGIR HARNESSES SATELLITE TECHNOLOGY TO REVIEW PROJECTS

The SIGIR Satellite Imagery Group has launched a new aerial project assessment initiative to increase visibility and transparency of reconstruction projects. SIGIR has partnered with two federal agencies that have provided SIGIR with 53 satellite assessments and unclassified imagery products. Although the majority of the projects appear to be on track, three projects were identified as not meeting contract specifications.

## SECTORS

### NEW REPORTING SECTION REVEALS CURRENT PROGRESS IN RECONSTRUCTION

A new section of this Quarterly Report tackles the question, "What is the current progress of U.S. reconstruction programs in Iraq?" by looking at Activities, Outputs, and Outcomes in three sectors — Electricity, Oil and Gas, and Water.

SIGIR analysis finds that although projects completed in the last 18 months have generally delivered expected outputs—more capacity in megawatts, increases in barrels of oil per day, millions of additional treated cubic meters of water per day—these outputs have not enabled Iraq to meet current demand, and in many cases, services have not returned to pre-war levels.

### DANGEROUS WORKING CONDITIONS

The lethal environment for reconstruction in Iraq has claimed 467 contractor lives since March 2003. High costs for contractor security continues to impact reconstruction efforts.

### LESSONS LEARNED

Look for SIGIR's first report on Lessons Learned: Human Capital Management on SIGIR's Web site at <http://www.sigir.mil>. Next, SIGIR continues its Lessons Learned series by evaluating the procurement and contracting processes for Iraq reconstruction.