



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit to the Congress, Secretary Rice, Secretary Gates, and the American people the 16th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR). In November 2007, I traveled to Iraq to continue SIGIR's oversight of the U.S. relief and reconstruction program. This was my 18th visit in the past four years, and I will leave on my 19th trip in mid-February.

2008 will be a "Year of Transfer" in Iraq, bringing with it the continued evolution of the U.S. program. This evolution means that the Government of Iraq (GOI) must assert ever greater responsibility for national security and economic planning, including the full funding and sustainment of ongoing relief and reconstruction efforts. The U.S. role, at this stage, is supportive, aimed chiefly at capacity-building initiatives within the economic, political, and security spheres.

Three issues that could affect the Year of Transfer are: (1) a potential budget windfall from higher oil prices, (2) consequences from pending legal and legislative developments regarding Iraq's governance, and (3) the continuing shift of primary provincial security responsibilities to Iraqi control. Average oil production in Iraq this quarter hit a post-war high of 2.38 million barrels per day, enhancing the likelihood that Iraq's national income in 2008 will significantly exceed expectations.

Section 3 of this Report contains summaries of SIGIR's seven new audit products, two of which continued SIGIR's programmatic review of major Iraq Relief and Reconstruction Fund (IRRF) contracts. One report examined the work of Parsons Delaware, Inc., under its large design-build contract for projects in the buildings, health, and education sectors. The report reveals that Parsons completed only 3 of the 11 task orders issued under the contract. The other contract review examines the reconstruction work of Parsons Infrastructure & Technology Group, Inc., on a project managed by the Air Force Center for Engineering and the Environment, finding that the contract's goals were largely met. A third Parsons audit will be released in the upcoming quarter.

SIGIR inspection teams assessed and reported on six projects this quarter. Four of the six were funded by the Commander's Emergency Response Program (CERP), and two were funded by the Iraq Security Forces Fund (ISFF). The review of the Erbil Police Academy revealed—once again—that an effective quality assurance program by the government is essential to ensuring a project's success. Since the inspections program began in 2005, SIGIR has completed 108 project assessment reports, 96 limited on-site inspections, and 425 aerial assessments.

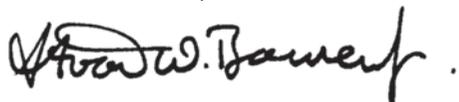
SIGIR's investigators continue to make progress on 56 open investigations, 36 of which have been referred to the Department of Justice. To date, SIGIR cases have produced 14 arrests, 14 indictments, 5 convictions, 5 imprisonments, and \$17.2 million in court-ordered restitutions, forfeitures, and recoveries. Five individuals are scheduled for trial in March 2008, and three more in April.

On the legislative front, the Congress approved the National Defense Authorization Act, providing SIGIR with expanded oversight jurisdiction and an extended life span. Pursuant to this legislation, SIGIR now has jurisdiction over, among other things, all reconstruction moneys appropriated to the ISFF, CERP, and Economic Support Fund. SIGIR, a temporary oversight organization, has long worked under the shadow of

an imminent sunset, which has presented continuing management challenges. This quarter, the Congress acted to ameliorate these challenges, authorizing that SIGIR shall continue until 180 days after less than \$250 million in U.S. funding is left to spend on Iraq reconstruction. This effectively extends SIGIR for several years.

In light of this expanded jurisdiction and tenure, SIGIR is entering a new phase of strategic planning for its oversight mission. The ISFF is the chief focus of new congressional appropriations for Iraq; therefore, SIGIR will continue to expand its review of this large fund. The new legislation also calls for increased coordination and cooperation among the oversight entities reviewing spending in Iraq. I look forward to working with my colleagues to develop audit plans that meet this important congressional mandate.

Submitted January 30, 2008.

A handwritten signature in black ink, appearing to read "Stuart W. Bowen, Jr.", followed by a period. The signature is written in a cursive, somewhat stylized font.

Stuart W. Bowen, Jr.

Special Inspector General for Iraq Reconstruction