



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 14th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR). This quarter, I visited Iraq for the 16th time since my appointment three and a half years ago to lead the oversight of the U.S. reconstruction effort in Iraq.

During my trip to Baghdad, I experienced first hand the dangers that affect everyone working in the “Green Zone.” As indicated by open sources, the number of rocket and mortar attacks targeting the Green Zone rose markedly over the past three months, increasing the threat to reconstruction contractors, U.S. government employees, and Iraqis. In June, the UN Secretary-General reported to the Security Council that the rise in attacks on the Green Zone is “a major development.”

This latest Quarterly Report from SIGIR provides reliable data on a range of issues confronting the U.S. reconstruction experience in Iraq, including:

- SIGIR’s first audit in a planned series of focused financial reviews of large Iraq Relief and Reconstruction Fund (IRRF) contractors, which looks at Bechtel’s \$1.33 billion Phase II IRRF contract and finds a number of deficiencies in contract oversight.
- Another SIGIR audit on asset transfer that raises troubling concerns about the process that was designed to govern the transition of U.S. projects to Government of Iraq (GOI) control. This is SIGIR’s fourth look at this issue in two years, and my auditors found that the asset-transfer process is broken: since June 2006, the GOI has not formally accepted a single IRRF project.
- SIGIR’s review of GOI capital budget execution, which reveals that, although much progress has been made this year, the GOI still struggles with this issue, both at the ministerial and provincial levels.
- SIGIR’s update on last October’s Provincial Reconstruction Team (PRT) audit; the program has made much progress in overcoming the staffing, security, and resource challenges that hobbled the PRTs last year.
- SIGIR’s latest report on anticorruption, which finds that, despite some new support for Iraq’s anticorruption institutions, endemic corruption continues to afflict the GOI.
- SIGIR’s latest sustainment inspections, the most notable of which demonstrated that Iraq’s Ministry of Electricity inadequately maintained the U.S.-funded rehabilitation work at the Doura Power Station, a critical power source for Baghdad.

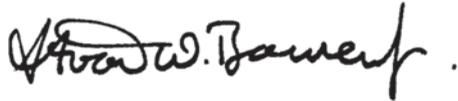
SIGIR investigations made significant progress on a number of fronts this quarter. Two more criminals caught in major bribery conspiracies uncovered by SIGIR were sentenced to prison. And several arrests were made in a significant new bribery case arising from the successful work of a law enforcement task force of which SIGIR is a part.

During the past quarter, SIGIR produced 8 new audit products, 5 on-the-ground project assessments, and made progress on 57 ongoing investigations into allegations of fraud, waste, and abuse. Since our last Quarterly Report was released in April, I have testified before three congressional hearings.

The 8 new audits bring to 94 the total number of audits produced over the past three years, and the 5 new inspections bring the total number of inspections to 95. Of SIGIR's 57 ongoing investigations, 28 are being prosecuted by the Department of Justice. To date, SIGIR's investigative work has produced 13 arrests, 5 convictions, 5 imprisonments, a 25-count indictment of 5 persons, and nearly \$16 million in court-ordered restitution and seizures. A table listing all convictions for fraud related to reconstruction work in Iraq is contained in Section 1 of this Report.

SIGIR remains dedicated to providing the most comprehensive and accurate reporting on the use of taxpayer dollars for Iraq's relief and reconstruction. We are thankful for the support that we continue to receive from the Congress and the Departments of State and Defense.

Submitted July 30, 2007.

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