



SIGIR QUARTERLY REPORT

JUL
2010

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

FROM TRANSITION TO TRANSFORMATION?

On June 14, 2010, Iraq's new Council of Representatives (CoR) convened for the first time—99 days after the March 7 parliamentary elections. In a session lasting less than 30 minutes, 325 deputies took the oath of office and then adjourned. The CoR was scheduled to meet next in late July and attempt to fill the key positions of Speaker of the CoR and President of the Republic.

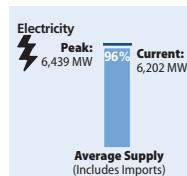
The closely contested nature of the March elections left uncertain the future composition of the Government of Iraq (GOI). None of the political blocs won the 163 seats needed to form a government; negotiations to construct a ruling coalition continue. Former Prime Minister Ayad Allawi's al-Iraqiya alliance won the most seats (91) on a nationalist platform that attracted Shia and Sunni supporters but was not sufficient to form a government. On June 10, the second and third place finishers—Prime Minister Nouri al-Maliki's State of Law Coalition (89 seats) and the Iraqi National Alliance (70 seats) announced their intent to ally, but they have yet to agree on who should be prime minister. Consequently, four months after the vote and on the eve of the CoR's second meeting, Iraq's post-election trajectory remains uncertain.

Once the new government is formed, the prime minister and new cabinet will turn to address a substantial legislative docket. Among the myriad contentious issues to be considered are the need to pass the long-postponed package of hydrocarbon laws, the future of Iraq's anticorruption institutions, the dynamics of the Kurdistan Region's relationship with Baghdad, and amendments to the Iraqi Constitution.



CoR members take the oath of office at the first session of Parliament. (GOI photo)

Minister of Electricity Resigns

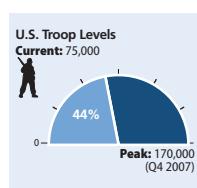


In late June, as temperatures soared above 120 degrees Fahrenheit, Iraqis took to the streets in several southern cities to protest power shortages that have limited many households to under four hours of electricity per day. While the electricity supply is currently running near its post-war high, outages and shortages remain common occurrences. Demonstrations turned violent in Basrah, when Iraqi Security Forces (ISF) opened fire on the crowd on June 19, killing two protestors.

Two days later, Iraq's Minister of Electricity resigned, and the Minister of Oil stepped in to lead both ministries. The move may be a harbinger of reforms to come; a spokesman announced that the GOI was discussing combining the Ministries of Electricity and Oil into a new Ministry of Energy.

Political Uncertainty Threatens Sustainability of Security Gains

This quarter, several large-scale attacks underscored the tenuous security situation in Iraq. In mid-June, unknown gunmen attacked the Central Bank of Iraq, killing approximately 20. This assault was followed one week later by the explosion of two car bombs outside the Trade Bank of Iraq. In early July, approximately 70 Shia pilgrims were killed in a series of bombings in Baghdad. And members of the largely Sunni Sons of Iraq (SOI) were the target of multiple attacks this quarter, including a suicide bombing on July 18 that killed 40 members waiting in line to receive their long-delayed salaries.



U.S. Troop Withdrawal Continues on Schedule

On August 31, 2010, the U.S. Forces-Iraq (USF-I) plans to have just under 50,000 U.S. soldiers remaining in Iraq—down 25,000 from mid-July's level and more than two-thirds less than the post-invasion high of about 170,000 reached during the height of the “surge” in 2007. This remaining stabilization force will focus on advising, training, and equipping the ISF and supporting U.S. Provincial Reconstruction Teams. Current plans call for U.S. troop strength to decline gradually over the next 17 months, with all U.S. troops scheduled to depart Iraq by December 31, 2011.

New Leaders, New Organizations

On June 25, the President nominated Ambassador James Jeffrey to be the next Chief of Mission in Baghdad. Five days later, the Senate confirmed Lieutenant General Lloyd Austin as the next Commanding General of USF-I. Their partnership with the new Iraqi government will be central in the next phase of the evolving relationship between the United States and Iraq.

This quarter also saw the creation of two new organizations that will play a crucial role in the ongoing reconstruction effort. In May, the President signed an executive order establishing the Iraq Strategic Partnership Office. This DoS office will assume the duties of the now-defunct Iraq Transition Assistance Office. In June, the responsibilities of the former Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) transitioned to the newly established CENTCOM Contracting Command, which will oversee contracts throughout CENTCOM's area of responsibility.

SIGIR Investigations

Since 2004, work conducted by SIGIR's Investigations Directorate has resulted in the conviction of 31 U.S. citizens and 3 foreign military personnel, and the levying of more than \$70.7 million in monetary penalties. This quarter, SIGIR continued to investigate 112 open cases, often collaborating with U.S., Iraqi, third-country, and international law enforcement agencies. Notable achievements this quarter include:

- A former DoS employee was arrested and indicted for his alleged role in a \$147,000 wire-fraud scheme involving the conversion of U.S. government-owned housing and office space for personal use.
- A U.S. Army captain was sentenced to 30 months in prison following his guilty pleas to two federal charges involving the theft of Commander's Emergency Response Program (CERP) funds.
- Another U.S. Army captain was charged with receiving bribes for awarding CERP contracts.
- A U.S. Marine Corps major surrendered on charges that he illegally deposited more than \$440,000 into U.S. bank accounts following a 2005 tour in Iraq as a CERP purchasing officer.

SIGIR Audits

SIGIR published five audits this quarter, including one finding that weaknesses in Department of Defense (DoD) financial and management controls leave it unable to account for 96% of the \$9.1 billion in Development Fund for Iraq (DFI) monies



Motorcycle and automobile seized from DoD contract employee who pled guilty to cash smuggling and other charges.

that it received for reconstruction-related activities in Iraq. SIGIR determined that this situation was largely the result of DoD failing to coordinate with the Department of the Treasury and not designating a single DoD office as the executive agent responsible for managing DFI funds.

SIGIR also audited DoS's management of a \$50 million grant to the International Republican Institute (IRI) for democracy-building activities in Iraq, finding that inadequate DoS oversight and weak IRI compliance with the grant's requirements combined to leave the U.S. government with insufficient information regarding what was achieved—other than the holding of 271 training sessions for about 5,000 Iraqis over two years. SIGIR is currently planning a follow-up audit that will examine the reasonableness of IRI's claimed security costs and the extent to which IRI documented its success in achieving its objectives.

Other audits this quarter:

- examined the \$4.55 billion in Economic Support Fund (ESF) monies allocated to the U.S. Agency for International Development (USAID) and the U.S. Army Corps of Engineers (USACE), finding that most ESF funds have been obligated and liquidated
- reviewed the records-management policies of DoD, DoS, and USAID as they pertain to Iraq reconstruction programs, concluding that improvements are needed to reduce vulnerabilities to waste and theft
- reported on recent progress made by SIGIR's forensic audit initiative, which has reviewed 108,000 transactions valued at \$35.8 billion and uncovered information leading to the opening of 49 criminal investigations

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