



## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 30th Quarterly Report to the United States Congress and the Secretaries of State and Defense.

The theme of this report, “A Summer of Uncertainty,” alludes to the question of whether the United States will maintain a military presence in Iraq beyond year’s end. Negotiations continue on this issue, with the nearly 44,000 remaining U.S. troops still scheduled to leave by December 31. Whatever the decision, the outcome will significantly affect the ongoing U.S. reconstruction program, which is in the throes of a series of program transitions from the Department of Defense (DoD) to the Department of State (DoS).

Among those transitions, DoS reported progress this quarter toward assuming full responsibility for the continued U.S. support of Iraq’s police forces. The Bureau of International Narcotics and Law Enforcement Affairs (INL) will manage this effort through the new Police Development Program (PDP). Executing the PDP will be challenging, involving fewer than 200 advisors based at 3 sites and supporting Iraqi police in 10 provinces. SIGIR’s efforts to audit the PDP were stymied this quarter because DoS either did not respond to repeated requests for information or provided data that was late and of limited usefulness. (SIGIR encountered similar obstacles in a separate audit of private security contractors in Iraq.)

Iraq remains an extraordinarily dangerous place to work. It is less safe, in my judgment, than 12 months ago. Buttressing this conclusion is the fact that June was the deadliest month for U.S. troops in more than two years. Shia militias—possibly armed and trained by Iran—were responsible for some of the lethal attacks. They may have also been behind this quarter’s increase in indirect fire on the International Zone. Diyala province, lying just northeast of Baghdad, also continues to be very unstable. This Quarterly Report’s “Focus on Diyala” provides an in-depth review of the province, its people, and the effects of U.S. reconstruction efforts there.

On the corruption front, Iraq’s Council of Representatives repealed Article 136(b) of the Iraqi Criminal Procedure Code. This provision permitted Iraqi ministers to block investigations of their subordinates. Its repeal represents an important step toward implementing an effective rule-of-law system, but much remains to be done in this regard, including securing judges from attacks and stopping the assassinations of police officials.

SIGIR published six audits this quarter, including a review of the U.S. government’s oversight of Anham, LLC, and its subcontracting procedures. The audit found weak oversight in multiple areas that left the government vulnerable to improper overcharges. Notably, SIGIR’s limited cost review of Anham questioned almost 40% of the costs reviewed. Particularly egregious examples of overbilling included an Anham subcontractor that charged the U.S. government:

- \$900 for a control switch valued at \$7.05 (a 12,666% difference)
- \$80 for a small segment of drain pipe valued at \$1.41 (a 5,574% difference)
- \$75 for a different piece of plumbing equipment also valued at \$1.41 (a 5,219% difference)
- \$3,000 for a circuit breaker valued at \$94.47 (a 3,076% difference)
- \$4,500 for another kind of circuit breaker valued at \$183.30 (a 2,355% difference)

As a result, SIGIR has formally questioned all of the contract's costs and recommended reviews of billing practices in all of Anham's U.S. government contracts in Iraq and Afghanistan, which total about \$3.9 billion.

SIGIR's other audits this quarter found that:

- USF-I's management of the Iraq Commander's Emergency Response Program, which spent Iraqi funds through CERP processes, led to U.S. funds unnecessarily being used for projects.
- USF-I use of FY 2011 U.S. Commander's Emergency Response Program funds for capacity-development programs does not appear linked to DoD's counterinsurgency mission.
- The future of the reporting system for serious incidents involving private security companies is uncertain.
- Many of the U.S. government contracting officer's representatives responsible for monitoring security contracts whom SIGIR interviewed often received inadequate training, and there was insufficient information in the files to determine whether their oversight was sufficient.
- DoS had taken sufficient remedial measures to close 13 of 45 SIGIR outstanding recommendations.

SIGIR's investigative work this quarter led to 8 indictments, bringing the total number of individuals indicted to date to 64—54 of whom have been convicted. Other investigative accomplishments included:

- a settlement agreement between the U.S. government and DynCorp International and one of its subcontractors under which DynCorp and its subcontractor must pay more than \$8 million to resolve allegations that they submitted false claims for reimbursement under DynCorp's police-training contract
- two guilty pleas by former U.S. Army majors in related bribery cases
- the unsealing of an 11-count indictment against a U.S. Army sergeant first class and a former U.S. Army master sergeant for their alleged roles in a bribery and money-laundering scheme
- a guilty plea by a former U.S. Army sergeant first class for conspiring to steal generators from a U.S. base in Mosul and sell them on the Iraqi black market
- the arrest of a former U.S. Army sergeant for receiving more than \$12,000 in stolen cash that was intended for an Iraqi contractor

SIGIR continues to maintain a robust oversight presence in Iraq. Our 15 personnel stationed at the Embassy consistently generate a high volume of quality work under extremely onerous conditions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stuart Bowen, Jr.", with a period at the end.

Stuart W. Bowen, Jr.