



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

This 24th Quarterly Report from the Special Inspector General for Iraq Reconstruction analyzes the latest events in Iraq as the U.S. relief and reconstruction effort continues to transform itself into a more regularized foreign assistance mission. Within the context of this transformation, two events of historic importance will occur over the next seven months, which will fundamentally affect the U.S. program:

- In March, Iraq will conduct its first parliamentary elections since 2005, pitting Prime Minister al-Maliki's coalition against a broad array of contenders and marking the first time Iraq's fledgling democracy has had an incumbent government face the voters' judgment at the ballot box.
- By the end of August, 60,000 U.S. combat forces will withdraw from Iraq, reducing the U.S. troop levels to about 50,000 soldiers. Before these remaining troops leave at the end of 2011, they will continue training and advising the Iraqi Security Forces.

The most notable event from the past quarter—and perhaps the most notable economic event in modern Iraqi history—was the December 11–12, 2009, round of bidding for new oil service contracts. The Ministry of Oil accepted bids on seven oil fields in Iraq, including one from a Russo-Norwegian consortium for the largest field and one from Royal Dutch Shell and Malaysia's national oil company for the second-largest field. The bidding process appeared to be transparent and fair, and its results hold great promise for Iraq's economic future. But, to succeed, the winning bidders must overcome Iraq's aging infrastructure, rampant corruption, and fragile security.

In November 2009, I visited Iraq for the 25th time and met with several high-ranking GOI officials, including the Chief Justice of Iraq's Higher Judicial Council, the Minister of Justice, the Minister of Finance, the President of the Board of Supreme Audit, and the Commissioner of Integrity. Some common themes emerged from these diverse meetings: the endemic presence of public corruption, the challenge of conducting free and fair elections followed by a rapid and peaceful transition, and the need to diversify Iraq's economy. I also met with U.S. military and civilian leaders, including General Raymond Odierno and Ambassador Christopher Hill. The themes on the U.S. side are transition, transformation, and withdrawal. In mid-February, I will travel again to Iraq to consult with U.S. and GOI leadership and to support SIGIR's continuing oversight efforts.

This quarter, SIGIR published five audits and five inspections, including what was certainly one of SIGIR's most significant audits to date: the follow-up review of the Department of State's oversight of DynCorp International's contract for police training. This audit identified more than \$2.5 billion in taxpayer funds that are vulnerable to waste and fraud because of weak contract oversight. SIGIR's finding is particularly salient given that management of the police training program will be transitioned to the Department of State in 2011. I am also pleased to report that the SIGIR Audits Directorate passed its mandated peer review this quarter with the highest grade possible.

SIGIR's auditors continue to cooperate closely with SIGIR's investigators in our ongoing forensic audit initiative. This congressionally mandated program is reviewing every available transaction in the expenditure of all U.S. reconstruction funds. To date, SIGIR has analyzed more than 73,000 transactions and flagged, for further review, questionable transactions worth more than \$340 million. Work performed by SIGIR's forensic auditors has led to the opening of 27 criminal investigations.

Finally, on February 5, 2010, SIGIR will publish its fifth Lessons Learned report: *Applying Iraq's Hard Lessons to the Reform of Stabilization and Reconstruction Operations*. The report will suggest an innovative solution to the U.S. government's management of stability and reconstruction operations (SROs), recommending the creation of a single agency responsible for planning and conducting them—the United States Office for Contingency Operations.

I remain grateful to the Departments of State and Defense for their continuing support of SIGIR's significant in-country presence in Iraq. And I commend our contingent of 35 SIGIR auditors, inspectors, and investigators working in Iraq for their commitment and bravery in carrying out what has been the toughest oversight mission in U.S. history.

Respectfully submitted this 30th Day of January 2010,

A handwritten signature in black ink, appearing to read "Stuart Bowen, Jr.", followed by a period.

Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction