



Statement of Stuart W. Bowen Jr.
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Before the
United States House of Representatives
Committee on the Judiciary
Subcommittee on Crime, Terrorism, and Homeland Security
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"War Profiteering and Other Contractor Crimes Committed Overseas"
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Chairman Scott, Ranking Member Forbes, and members of the Subcommittee, thank you for this opportunity to address you today on the role of the Office of the Special Inspector General for Iraq Reconstruction on oversight and investigations into Iraq reconstruction.

To ensure accurate context, permit me to outline several points essential to understanding the challenges of investigating and prosecuting fraud in Iraq.

First, corruption *within* the Iraqi government, indeed within the fabric of Iraqi society, is a serious problem that inhibits progress on many fronts in Iraq. This is widely recognized by the Government of Iraq and the international community. In our quarterly reports, SIGIR has called Iraq's endemic corruption problem a "second insurgency."

I returned last month from my 16th trip to Iraq and, during my visit, I met with the Commissioner of Public Integrity, who heads the institution created by the CPA to increase accountability for public corruption in Iraq -- and the President of the Board of Supreme Audit, the analogue to the Government Accountability Office, which has existed in Iraq for many decades. The Iraqi anti-corruption authorities again emphasized to me the widespread nature of the problem of corruption, which stretches across the government, afflicting virtually every ministry. And they outlined for me the difficulties they face in implementing their respective anti-corruption mandates.

The CPI Commissioner told me that he currently has 2,000 cases involving \$5 billion in alleged corruption. And the President of the Board of Supreme Audit has hundreds of audits ongoing. In virtually every case, he is uncovering a lack of accountability. Let me emphasize that the CPI and the BSA oversee *Iraqi* money -- not U.S. money -- that is missing or has been stolen from *Iraqi* programs.

During my visit, I was informed about political interference with the work of Iraqi investigators and prosecutors. For example, I learned that Ministers and former Ministers are exempt from prosecution unless the assent of the Prime Minister is obtained; and each Minister is entitled, under an Iraqi criminal code provision, to immunize selectively ministry employees from being held accountable for corruption.

Iraq must make progress on rule of law enforcement, in general, and corruption, in particular; political interference with fighting corruption remains a problem, undermining the effectiveness of the developing rule of law system and consequently eroding the Iraqi people's confidence in their government.

Iraq is a sovereign state. The role of the United States thus is to *encourage* the development of an efficient Iraqi justice system. We do this for its own sake and for the sake of maintaining and building upon the efforts made, at great cost in blood and treasure, by Americans and Iraqis since the liberation of Iraq.

SIGIR's specific role in this process has been to review the effectiveness of United States efforts to improve the rule of law system and to build up the corruption-fighting capacity of the Iraqi government.

On July 28, 2006, SIGIR released a survey on this subject and found that American efforts were funded at a very modest level, given the scope of the problem, receiving about \$65 million (about three-tenths of one percent of our total reconstruction spending). My auditors found that American efforts have not been sufficiently coordinated and focused and that more adequate leadership and organization was needed. The U.S. Embassy has responded to some of these concerns since the review was released. SIGIR will soon release another review on the issue, updating our previous report.

SIGIR has a continuing investigative responsibility to detect and investigate malfeasance in American relief and reconstruction programs in Iraq. As part of this effort, we have developed good working-level and leadership-level relationships with the CPI and the BSA. We coordinate with these Iraqi agencies whenever we come across evidence of potential wrongdoing by Iraqis. SIGIR, of course, concentrates its law enforcement efforts on American targets and works with the Department of Justice in their effective prosecution.

My *second* point is that *the incidence of corruption within the U.S. reconstruction program -- judging from those cases that we have uncovered thus far -- appears to constitute a relatively small*

component of the overall American financial contribution to Iraq's reconstruction. Based on the work of our 18 career investigators on SIGIR staff, I believe that losses to American taxpayers from fraud within reconstruction programs will likely amount to a relatively small percentage of the overall investment in Iraq, totaling in the tens of millions (rather than hundreds of millions or billions, as is sometimes imagined). However, the fact that the fraud we have detected is relatively small (to date) does not diminish the aggressiveness with which SIGIR pursues allegations of fraud in Iraq. We have found egregious incidents of fraud. And in partnership with the Department of Justice, SIGIR has produced clear results in prosecutions and convictions.

For example, in January, two individuals were sentenced to prison as a result of SIGIR investigations. In early February, indictments were announced of five more individuals, resulting from SIGIR investigations. To date, SIGIR has opened over 300 cases, and we have over 70 ongoing investigations. Thirty-two of those cases are under prosecution at the Department of Justice.

We believe that the publicity our enforcement actions have received has helped to deter misconduct in the U.S reconstruction program. And we also believe that enforcement will be an increasingly important part of SIGIR's mission over the next 18 months. Moreover, in the course of this year, we expect to produce concrete investigative results as significant current cases come to fruition.

SIGIR remains committed to a robust, deterrent presence in Iraq as long as our temporary organization exists. Today, I have five investigators on the ground in Iraq investigating fraud. Although there are other law enforcement agencies fighting fraud in Iraq, SIGIR has maintained over the past three years the largest contingent of fraud investigators in Iraq. My investigators travel the country under dangerous conditions, pursuing leads, interviewing witnesses, and piecing together evidence on a wide variety of cases. Their work also takes them to other countries in the region. Of note, SIGIR is currently reducing its overall personnel "footprint" in Baghdad to conjunction with the reduction in spending of appropriated dollars on Iraq reconstruction.

One of the most important aspects of our investigative efforts is the development of task-force relationships with other agencies involved in oversight in Iraq, including my colleagues from the Office of Inspector General of the Department of Defense and the Defense Criminal Investigative Service, as well as the Federal Bureau of Investigation. SIGIR has 16 investigators in Arlington, and we are participating in the new Joint Operations Center located at the FBI to coordinate and enhance fraud investigations in Iraq.

SIGIR's first task force was the Special Investigative Task Force for Iraq Reconstruction (SPITFIRE), and it combined the efforts of the Internal Revenue Service, the Department of Homeland Security, Immigrations and Customs enforcement office, the FBI and the Department of State Office of Inspector General. That task force was able to effectively pursue the Bloom-Stein conspiracy that my auditors uncovered in Hillah, Iraq -- a very egregious kickback and bribery scheme involving over \$10 million in reconstruction funds that Philip Bloom, the contractor, and Robert Stein, the Coalition Provisional Authority comptroller for that region, engineered for their own criminal ends. SPITFIRE continues its work today; and we continue to pursue a number of leads that arose from the Bloom-Stein case.

The other major task-force initiative that SIGIR has initiated with the FBI is the International Contract Corruption Task Force (ICCTF). ICCTF prompted the creation of the Joint Operations Center mentioned above, which is producing the effective collection and coordination of investigative leads and source development. Although I am not at liberty to discuss details of these cases, I am very pleased with the very significant progress the JOC investigators have made, the news of which I expect to be forthcoming later this year.

Along with SIGIR, the ICCTF includes the U.S. Army's Criminal Investigative Division's Major Procurement Fraud Unit, the Defense Criminal Investigative Service, the FBI, and the inspectors general of the Department of State and the Agency for International Development.

SIGIR is also part of the DOJ National Procurement Fraud Task Force. We continue to work closely with DOJ in the investigation and prosecution of our cases.

Finally, to coordinate efforts in oversight in Iraq, I formed the Iraq Inspector General's Council (IIGC) three years ago, which brings together every agency with oversight authority in Iraq for a meeting every quarter. The IIGC exists to deconflict and coordinate the member agencies' oversight efforts in Iraq.

SIGIR is not limiting its efforts just to addressing contractor misconduct through the criminal justice system. We also refer cases to the U.S. government's administrative debarment and suspension processes. To date, the competent oversight authorities have, through established rules that preserve due process, suspended 17 companies and individuals, debarred ten more, and have another 9 pending debarments.

To date, SIGIR has produced 13 quarterly reports, 86 audit reports, and 90 inspection reports. Our auditors and inspectors regularly refer investigative leads to our investigators some of which have developed into very significant cases. The Bloom-Stein case is just one example.

SIGIR's three lessons-learned reports produced to date have provided recommendations on policies designed to improve economy, efficiency and effectiveness for the Iraq program and for future reconstruction and stabilization operations. The reports have prompted the introduction of reform measures in the Congress that will improve contracting processes. SIGIR is at work on a lessons-learned capping report, which will be produced at the end of this year. It is my hope that our lessons learned reports will prompt reforms that will improve the capacity of law enforcement to deter crime.

Mr. Chairman, with respect to H.R. 400, Representative Abercrombie's bill entitled the "War Profiteering Prevention Act of 2007, our position is essentially what it was when we were asked to reflect on its counterpart at a Senate hearing this past March. SIGIR remains a strong proponent of legislation that would strengthen efforts to punish fraud or abuse in contracting programs in Iraq or elsewhere. We look forward to working with the Department of Justice to enforce H.R. 400, should it become law. That having been said, I must add that, as we have developed criminal cases in Iraq, we have not become aware of instances where the Justice Department was unable to prosecute, under existing law, on the facts we developed in our investigations.

One of our responsibilities in Iraq is to encourage efficiency in the reconstruction effort. In that role, we have prompted management to seek the widest possible participation by business enterprises (especially Iraqi firms) in reconstruction. The security risks in Iraq are self-evident, and thus the risks to any business enterprise operating in such an environment are mammoth. International companies likely will not get into the business of reconstruction in Iraq without incentives that render the risk-taking worthwhile. This reality should figure in the development of legislation that affects contracting in Iraq or similarly insecure environments.

Whether H.R. 400 becomes law, SIGIR will continue to aggressively pursue investigations, provide robust oversight through audits and inspections, and will press for more efforts to improve contract administration, quality assurance, and quality control. It is my hope that our continuing efforts will help promote an aim we all share – a reconstruction program that is administered and executed honestly, and is as well-managed and efficient as possible under very challenging circumstances.

Mr. Chairman, members of the Committee, thank you for your time and attention to these important matters, and I look forward to answering your questions.