



## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to provide SIGIR's 19th Quarterly Report to the Congress and the Secretaries of Defense and State. The issuance of this report coincides with the fourth anniversary of the Congress' creation of SIGIR to oversee the use of U.S. reconstruction funds in Iraq. SIGIR, the follow-on agency to the Coalition Provisional Authority's Inspector General, possesses a broad mandate to report on over \$50 billion in taxpayer dollars. The success of the SIGIR model spawned the creation of two more special IGs this year—the Special Inspector General for Afghanistan Reconstruction (SIGAR) and, very recently, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). SIGIR provides administrative support to SIGAR.

The theme of this Quarterly Report, “A Nascent Normalcy: The Evolution of U.S. Assistance to a Sovereign Iraq,” reflects the recognition of a fundamental shift in the U.S. relief and reconstruction effort this year, which SIGIR dubbed in January “The Year of Transfer.” The most salient features of that fundamental shift include:

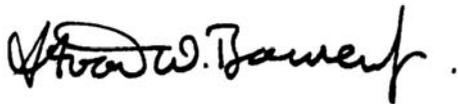
- the rising primacy of Iraq's capital budget as the chief funding source for further reconstruction, resulting in an appropriate decrease in U.S. assistance
- the strengthening of Iraq's security forces, evident in the recent transfer of security responsibilities in Anbar and Babylon to Iraqi control
- the incremental improvement in essential services across Iraq, highlighted by this quarter's record electricity output
- the increased velocity of economic activity prompted by Iraq's oil revenue windfall, which may soon be tempered by recent rapid declines in world oil prices
- the progress of the Maliki government on specific legislative items, most notably the passage of the Provincial Election Law

SIGIR's oversight teams produced seven audit reports and three inspection assessments this quarter, including:

- a congressionally mandated review identifying 310 contractors that have provided security services in Iraq, costing U.S. taxpayers about \$6 billion (with most of that money going to 77 of the contractors)
- an audit requested by Ambassador Ryan Crocker that reviewed U.S. Embassy procedures for reporting progress on reconstruction projects to the Chief of Mission, finding systemic weaknesses that the Embassy is acting quickly to ameliorate
- a focused financial review of two large USAID capacity-building contracts, finding significant shortcomings in invoice review, outcome reporting, and agency contract oversight
- an audit of IRRF contract terminations, which found very few adverse actions taken against contractors terminated for default
- an inspection of the Falluja Waste Water Treatment System, finding that the project will cost three times original estimates, will be completed over three years late, and will serve just over a third of the number of homes originally contemplated

This quarter, I traveled to Iraq for the 20th time since my appointment in 2004. During visits to Falluja and around Baghdad, I observed noticeable improvements in the security situation. Significantly, Haifa Street, once one of the most dangerous places in Baghdad, was bustling with commerce in mid-August. But, as MNF-I Commanding General Ray Odierno recently observed, the security situation remains fragile. I soon will travel again to Iraq to support SIGIR's 35 auditors, inspectors, and investigators who are working across the country on a wide spectrum of critical oversight issues.

Finally, on October 19, I was pleased to accept, on behalf of SIGIR, three awards from the President's Council on Integrity and Efficiency: one honored the loss last spring of SIGIR auditor Paul Converse (who was killed in a Green Zone rocket attack); one recognized the exemplary work accomplished by SIGIR's entire Audits Directorate; and one lauded the outstanding report on the Mosul Dam produced by SIGIR's Inspections Directorate. I remain proud of the dedicated SIGIR team, in both Baghdad and Arlington, which continues to carry out our complex mission with an enduring commitment to the highest standards of professionalism, productivity, and perseverance.

A handwritten signature in black ink, reading "Stuart W. Bowen, Jr." with a period at the end. The signature is written in a cursive, flowing style.

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