



MANAGEMENT OF U.S. RECONSTRUCTION TRANSITION

Under the terms of the current U.S.-Iraq Security Agreement, all U.S. military forces are scheduled to depart Iraq by December 31, 2011. This quarter, continued withdrawal of U.S. troops proceeded apace, with the last U.S. combat brigade rolling out in August, signaling the end of Operation Iraqi Freedom and the beginning of Operation New Dawn. Concurrent with U.S. military reductions, the Department of State (DoS) is continuing to expand its presence. Over the next year, DoS will open several key hubs across Iraq and will assume responsibility from the Department of Defense (DoD) for police training. Overseeing these changes are General Lloyd Austin, who took command of U.S. Forces-Iraq (USF-I) this quarter, and the new U.S. Ambassador to Iraq, James Jeffrey.

Transforming the DoS Mission

By September 2011, the 15 DoS-led Provincial Reconstruction Teams (PRTs) and one Regional Reconstruction Team currently operating in Iraq will disband. These closures, along with the departure of more U.S. troops and some 80,000 associated DoD contractors, will result in a much-reduced U.S. presence. Under current plans, PRTs will be replaced by consulates in Basrah and Erbil and by Embassy Branch Offices in Mosul and Kirkuk. Staffing these posts will require an 80% increase in the number of U.S. civilian personnel under the authority of the Chief of Mission—from about 7,500 to more than 13,500 by January 1, 2012. To support the expanded civilian footprint,

DoD will allow DoS to use its LOGCAP and Defense Logistics Agency contracting mechanisms for food, fuel, transportation, and other life-support needs.

Supporting the Iraqi Security Forces

In October 2011, DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) is scheduled to take over advising Iraq's police from USF-I. INL's new training program will focus on management techniques and advanced police skills to strengthen the more than 400,000 Iraqi police currently responsible for internal security.

DoD and DoS are also preparing to open an Office of Security Cooperation-Iraq to manage military assistance to the Iraqi Security Forces (ISF), including administering Foreign Military Sales cases.

Government-formation Negotiations Remain Stalled

More than seven months have passed since Iraq conducted parliamentary elections, and the major blocs remain unable to agree on the composition of a new government. This quarter, Prime Minister Nouri al-Maliki appeared to make progress toward winning the support of the 163 (out of 325) members of the Council of Representatives necessary to secure a second term. Shia cleric Muqtada al-Sadr (whose supporters control 39 seats) announced in early October that he was dropping his long-held opposition to another term for al-Maliki, who won 89 seats. However, the incumbent Prime Minister still needs additional allies to form a government and, as of mid-October, both he and his main rival and winner of the largest number of seats, former Prime Minister Ayad Allawi, have been unable to garner the needed votes.

When seated, the new government will face a series of challenges, including:

- combating the remnants of the insurgency and foreign terrorism
- mediating Arab-Kurd tensions, especially concerning the contested city of Kirkuk
- integrating former Sunni insurgents into the government
- conducting Iraq's first true national census in a generation
- increasing the electricity supply to keep up with skyrocketing demand
- rebuilding the dilapidated oil infrastructure
- fostering an investment environment that is attractive to foreign firms
- completing and sustaining U.S.-funded reconstruction projects
- mitigating public corruption



August 16, 2010: Stryker vehicles depart as part of the 4th Brigade Combat Team, 2nd Infantry Division's exit from Iraq. (USF-I photo)

SIGIR Audits

This quarter, SIGIR issued five audits and one nonaudit product. In one report, SIGIR reviewed the DoD's management of the \$7.3 billion (to date) police training program, finding that despite having trained more than 400,000 Iraqi police, the capabilities of these forces are unknown because no assessments of their abilities were made. The police training audit also found weaknesses in DoD's planning, communications, and coordination among organizations actually performing the training, and in oversight of contractors. SIGIR recommends that DoD work with DoS and the Ministry of Interior to assess the capabilities of the Iraqi police and provide the results of this review to INL. The audit's findings should also inform ongoing police training efforts in Afghanistan. The core lessons of program planning, oversight, and assessment remain applicable beyond the bounds of the Iraq mission.

SIGIR's other audits reviewed:

- **DoS management of a \$50 million grant to the National Democratic Institute (NDI) for democracy-building activities in Iraq.** SIGIR found that security costs charged to the grant were generally reasonable. However, SIGIR also concluded that NDI does not have a systematic approach with clearly defined metrics to measure the impact of all of its work in meeting grant goals and objectives.
- **DoD management and oversight of seized Iraqi funds.** SIGIR determined that although the Department of the Army created controls and monthly reports to account for these funds, it had no plans or procedures in place to guide disposition of the remaining \$47.4 million.
- **DoD's efforts to train and equip the Iraqi Special Operations Force (ISOF).** SIGIR found that the U.S. Special Operations Forces used established processes in training and equipping more than 4,100 ISOF soldiers. At least \$237 million from the Iraq Security Forces Fund was used to equip and sustain the ISOF. An unknown amount from the Iraq Relief and Reconstruction Fund was used for procuring new equipment to support the entire ISF.
- **SIGIR's forensic audit initiative.** In the course of this quarter's forensic-audit activities, SIGIR identified 54 potential duplicative payments made by DoS, totaling approximately \$18 million, and opened four new criminal investigations.

Since 2004, SIGIR has published 177 audit reports with 16 more projects ongoing.

SIGIR Investigations

To date, SIGIR's investigative work has resulted in 50 indictments, 41 convictions, 31 arrests, and more than \$71.2 million in court-ordered fines, forfeitures, and other monetary penalties. This quarter's investigative activities included:

- A U.S. Embassy official in Iraq was charged with theft of public funds.
- A U.S. Army captain was sentenced to 15 months in prison for receiving kickbacks for awarding contracts in Iraq.
- A U.S. Marine Corps major pled guilty to illegally depositing more than \$440,000 in U.S. bank accounts.
- A former senior employee with a U.S. military contractor was charged and pled guilty to a bribery scheme and agreed to forfeit \$360,000 to the U.S. government.
- A former employee of a U.S.-based construction company pled guilty to an Iraq reconstruction kickback conspiracy involving more than \$800,000.

On October 19, 2010, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognized SIGIR's Investigations Directorate for the second consecutive year, presenting it with CIGIE's *Award for Excellence*.

SIGIR Evaluations

This quarter, SIGIR published its first evaluation report, assessing the impact of two U.S.-funded water projects on the U.S. strategic goals in Iraq. The two projects—one in Erbil in the Kurdistan Region and the other in the southern, predominantly Shia province of Thi-Qar—were funded by the Coalition Provisional Authority. Together costing nearly half a billion dollars, these water treatment plants (WTPs) were two of the largest U.S.-funded reconstruction projects in Iraq. Based on data from recent focus groups and polls of the local populations, Thi-Qar residents hold an overwhelmingly negative view of the Nassiriya WTP project, the GOI, and the U.S. government. In contrast, most Erbil residents hold a positive view of the Ifraz WTP project, the KRG, and the U.S. government.

Regarding U.S. relief and reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations
- advice and recommendations on policies to promote economy, efficiency, and effectiveness
- prevention, detection, and deterrence of fraud, waste, and abuse
- information and analysis to the Congress, the Secretary of State, the Secretary of Defense, and the American people

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SIGIR OVERSIGHT REPORTS ON U.S. ELECTRICITY-RELATED PROGRAMS AND PROJECTS

REPORT NUMBER AND SUBJECT	DATE	RESULTS	VALUE (\$ MILLIONS)	LOCATION
Audit 05-024: Mansuria Electrical Reconstruction Project	1/2006	Project cancelled due to competing needs, but turbines provided to other facilities.	62.70	Baghdad
PA-05-029: Restore Qudas Gas Turbine Units	1/2006	Restoration of turbines hampered by lack of Iraqi fuel, spare parts, and maintenance.	11.40	Baghdad
PA-05-005: Al-Hakamia Substation	3/2006	No construction deficiencies, but inoperable until transmission and distribution lines connected.	5.90	Basrah
PA-05-006: Hamdan Substation	3/2006	No construction deficiencies, but inoperable until transmission and distribution lines connected.	5.00	Basrah
PA-05-007: Al-Kaffat Substation	3/2006	No construction deficiencies, but inoperable until transmission and distribution lines connected.	5.90	Basrah
PA-05-008: Al-Seraji Substation	3/2006	No construction deficiencies, but inoperable until transmission and distribution lines connected.	5.70	Basrah
PA-05-009: Shatt Al-Arab Substation	3/2006	No construction deficiencies; inoperable until transmission and distribution lines connected.	5.30	Basrah
PA-06-037: Erbil City Transformers	4/2006	Construction in progress; no deficiencies observed.	3.40	Erbil
PA-06-073: Bab Eshtar Substation 11-kV Feeder Cable	10/2006	Construction in progress; no deficiencies observed.	1.20	Ninewa
PA-06-082 to 086: Basrah Electrical Substation Sustainment	1/2007	All substations operational; incoming transmission and outgoing distribution lines connected.	28.30	Basrah
Audit 06-039: USAID/Bechtel Property Management Controls	1/2007	Sufficient property disposition controls in place.	2,270.00	Not Specified
PA-07-097: Baghdad International Airport Power System	4/2007	Lack of Iraqi maintenance or use; 10 of 17 generators provided inoperable.	11.80	Baghdad
PA-07-103: Doura Power Station	7/2007	Rehabilitation in progress for two turbine generators damaged by poor Iraqi operation.	172.10	Baghdad
Audit 07-009: Bechtel's Phase II Contract	7/2007	Much accomplished; success of individual projects mixed.	1,330.00	Nationwide
PA-07-101 & 104: Qudas Power Plant	10/2007	Turbine generators restored; expansion of capacity underway.	238.00	Baghdad
PA-07-105: Mosul Dam	10/2007	Lacked required design drawings; inadequate construction; adequate quality management program and quality-control plan not in place; indications of possible fraud referred to SIGIR Investigations.	27.00	Ninewa
Audit 08-011: Electricity-sector Reconstruction Contract with Perini Corp.	4/2008	Original plans descope because of high costs; remaining work done well.	123.00	Southern Iraq
PA-08-127: Nassiriya 33-kV Power Line	7/2008	Construction in progress; design incomplete; no deficiencies observed.	1.50	Thi-Qar
PA-08-153: Ramadi 132-kV Substation	1/2009	Construction in progress; design incomplete; no deficiencies observed.	28.70	Anbar
Audit 09-025: Commander's Emergency Response Program—Muhalla 312 Electrical Distribution Project	7/2009	Successful electrical distribution CERP project in Sadr City.	11.80	Baghdad
Audit 10-007: Contracts with Wamar International	1/2010	Successful inspection and repair of 6 turbine generators though costs increased.	60.40	Baghdad
PA-09-191: Al-Qaim 33/11-kV Electrical Mobile Substation	4/2010	Units appeared operational; Anbar governor refused to allow use.	6.50	Anbar



Generators at Baghdad International Airport



Al-Qaim mobile substations



Mosul Dam



Doura power plant



Ramadi substation



Qudas power plant



Al-Seraji substation