Negotiations continued this quarter between the Government of Iraq (GOI) and the U.S. Government (USG) over the possibility of continuing U.S. military bases in Iraq after December 31, 2011. While Prime Minister Nuri al-Maliki stated that the military presence in Iraq might be realistic given Iraq’s weak security environment, other GOI officials have indicated that maintaining a continuing U.S. military presence in the oil-rich south and the Baghdad area is a non-negotiable position. These transitions are being executed against the backdrop of an increasingly violent Iraq. This quarter, Iranian-backed militias, primarily the Mahdi Army, have continued to be active, using more than 20 subsidiary locations visiting more than 20 subsidiary locations to occupy a dominant position in the non-governmental security and legal environments.

The Iraqi economy continues to boom as crude oil prices remained high and both oil and non-oil revenues helped Iraq exceed previous quarterly records. Oil revenues increased 26% to reach $43 billion. Non-oil domestic product growth that the International Monetary Fund (IMF) projected for the fourth quarter of 2011 was revised upward to 6.6% for 2012. The government continued to prioritize infrastructure projects, with the oil sector accounting for the majority of investments. About $11.4 million reviewed. As a result of the

A former U.S. Army major, accused of conspiring with contractors to defraud the U.S. government, pleaded guilty to conspiracy to defraud the U.S. government on March 15, 2012. As part of a settlement agreement, he agreed to pay more than $7 million to the U.S. government and its subcontractors. The Sand Group agreed to pay more than $8 million in the United States as part of a settlement agreement resolving allegations of submitting false claims for payment under DynCorp’s police-training contract with the GOI.

Three other SIGIR audits published this quarter featured:

• Plans for monitoring serious incidents involving private security contractors (PSCs) after the U.S. military withdrew from Iraq remain uncertain.

• About 60% of surveyed U.S. government responsible for monitoring Theatre-wide Internal Security Vouchers (TWSVs) contracts had not received adequate training. In addition, the CORs were not prepared, and the Defense Contract Management Agency is not using adequate documentation necessary for determining whether security contractors comply with the terms of subcontracts. DLA has taken initial steps to address this concern.

• A SIGIR report on Anham billed the U.S. government $80 for this PVC plumbing elbow, 5,574% more than a competitor's offer of $1.41.

Plumbing elbow, 5,574% more than a competitor's offer of $1.41. This audit found that DLA officials played a significant role in placing and paying for Anham contracts. Further, raising questions about whether the CERP has simply become another mechanism for lining the pockets of a corrupt government. The SIGIR audit projects with Iraqi funds instead of U.S. money might be unrealistic given Iraq’s weak security environment.

Starting in June, SIGIR investigators visited more than 20 subsidiary locations visiting more than 20 subsidiary locations to occupy a dominant position in the non-governmental security and legal environments. About 40% of surveyed U.S. government contracting officer’s representatives (CORs) failed to compare vouchers to the government contracting officer’s representa-

SIGIR investigators have worked in succession to Iraq’s capacity of the Iraqi police. About $11.4 million were spent on U.S. military personnel to support the CERP has simply become another mechanism for lining the pockets of a corrupt government. Further, SIGIR investigators have asked for an extension within the GOI.

SIGIR investigators concluded that SIGIR has been investigating since 2006 and that, to date, has resulted in 18 convictions. In one attack, 11 rockets struck the IZ—the highest number for a single day in more than two years. Attacks continued against GOI personnel, with several large explosions targeting Baghdad. Some of senior officials, including judges, governors, and mayors, were assassinated or killed.

Iraq’s Economy

The Iraqi economy continues to boom as crude oil prices remained high and both oil and non-oil revenues helped Iraq exceed previous quarterly records. Oil revenues increased 26% to reach $43 billion. Non-oil domestic product growth that the International Monetary Fund (IMF) projected for the fourth quarter of 2011 was revised upward to 6.6% for 2012. The government continued to prioritize infrastructure projects, with the oil sector accounting for the majority of investments. About $11.4 million reviewed. As a result of the

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SIGIR determined that USF-I’s man-

struction projects using Iraqi funds.

(I-CERP), a program under which the

audit, SIGIR reviewed the Iraq CERP

U.S. development program. In a related

planning and executing CERP proj-

undertaken were not linked to specific

(CERP) funds, concluding that many

reviewed DoD use of FY 2011 Com-

has formally questioned all costs on this

problems identified in this report, SIGIR

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DoS officials played a significant role in

SIGIR investigations have included:

nothing to support contentions that

with the GOI and DoD to account for

fund for Iraq (DFI). A SIGIR audit

and money-laundering scheme

A former U.S. Army master sergeant

faces up to five years in prison.

generators from a U.S. base in Mosul

class pled guilty to conspiring with

and resell them on the black market.

a former U.S. Army sergeant first

pled guilty in related cases for accepting

for an extension within the GOI.

Prime Minister Nuri al-Maliki is open to

plans for a presence in Mosul have been

Kurdish north. DoS also intends to open

USF-I rapidly draws down, the Depart-

withdrawal from Iraq by year’s end. As

continue to prepare for their planned

As of mid-July, approximately 43,800

U.S. Transitions

The DoS Bureau of International Narcot

and manage U.S.-funded security-

train, and assist the Iraqi military

the Chief of Mission and will advise,

OSC-I will fall under the authority of

On October 1, 2011, DoS will assume

SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION
Increased Violence

Nineteen Iraqi civilians and 10 U.S. troops—were killed this quarter as a result of attacks carried out by insurgents, including car bombs, suicide attacks, kidnappings, and mortar attacks. On August 19, attacks near the Abu Ghraib prison in western Iraq killed 27 Iraqis, including 10 prison guards. In another attack, a U.S. soldier was killed and 14 other personnel were wounded this quarter.

SIGIR Audits

SIGIR issued six audit reports this quarter covering $11.4 million reviewed. As a result of the problems identified in these reports, SIGIR has formally questioned all costs on this contract and recommended that the University of Central Florida be debarred from government contracts in Iraq and Afghanistan.

Three other SIGIR audits published this quarter found fault:

- Plans for monitoring serious incidents involving private security contractors (PSCs) after the U.S. military with- drew from Iraq remain uncertain.
- About 60% of surveyed U.S. govern- ment contractors (PSCs) had not received adequate training.
- SIGIR found that the Defense Contract Management Agency (DCMA) did not provide sufficient documentation necessary for deter- mining whether security contracts comply with the terms of tasks orders.
- SIGIR found that the U.S. military had allowed the Defense Contract Management Agency (DCMA) to place on hold approximately $56 billion in Iraq reconstruction contracts.
- SIGIR identified $4.4 million in non-competitive contracts awarded to five Iraqi firms, of which only three out of five were found to be active.
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SIGIR Investigations

SIGIR investigators have worked in Iraq and Afghanistan to reduce millions of dollar fraud contracts with the U.S. military. The Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) has been tasked with investigating the effectiveness of the U.S. military in supporting Afghan security forces. SIGIR investigators have identified instances of potential fraud, waste, and abuse in contracts awarded to Iraqi firms.

SIGIR reported on the following cases:

- A U.S. Army sergeant first class pled guilty to conspiracy to defraud the U.S. government by making false statements on a government form.
- A U.S. Army translator admitted to stealing a laptop computer from a U.S. military base in Mosul.
- A Iraqi contractor pled guilty to conspiracy to defraud the U.S. government.
- A former Iraqi army officer was charged with receiving bribes from a contractor.
- A former Anham employee was accused of fraud.

A Summer of Uncertainty

The Iraqi economy continues to boom as oil prices remained high and food and electricity prices edged past current levels. Oil revenues contributed to an increase in real gross domestic product growth that the International Monetary Fund projects may exceed 12% for 2011 (compared with an estimated 8% in 2010). Minimizing the growth rate in the years to come is challenging because of the ongoing political and economic uncertainty in the country. For example:

- The GDP growth rate was 6.2% in 2010, with forecasts for 2011 in the range of 9% to 10%.
- Inflation remained relatively low, at around 3% in 2010.
- The current account deficit was estimated at $3 billion in 2010.

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