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ONE HUNDRED TENTH CONGRESS

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Statement of Rep. Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
Hearing on the Impact of CPA Decision-Making on Iraq Reconstruction
February 6, 2007

Today's hearing launches this Committee's efforts to identify and eliminate fraud, waste, and abuse in federal spending. We will hold three more hearings this week and we will continue our work for the next two years.

This effort isn't about policy differences, it isn't about partisanship, and it isn't about denigrating government. I believe strongly that government can be an extraordinary force for good in our nation. But our Committee has an important responsibility to make government as effective and efficient as possible.

Our effort is aimed at making sure taxpayer dollars aren't wasted, either through incompetence or deceit. To do this job right, everything must be on the table and subject to potential scrutiny. And we will need the help of anyone who has specific knowledge of fraud, waste, and abuse in government programs.

The Committee's website will now have a fraud, waste, and abuse tip line to make it easier for our constituents to get us the information we need. The website is www.oversight.house.gov. We will pursue all credible allegations that are shared with us.

Today's hearing provides us with 12 billion reasons to be concerned about fraud, waste, and abuse.

In a thirteen month period, from May 2003 to June 2004, the Federal Reserve Bank in New York sent nearly $12 billion in cash — mainly in $100 bills — from the United States to Iraq.

To do that, the Federal Reserve had to pack 281 million individual bills — including more than 107 million $100 bills — onto wooden pallets to be shipped to Iraq. The cash weighed more than 363 tons and was loaded onto C-130 cargo planes to be flown into Baghdad.

The numbers are so large that it doesn't seem possible that they're true. Who in their right mind would send 363 tons of cash into a war zone? But that's exactly what our government did.

Stuart Bowen, the Special Inspector General for Iraq Reconstruction, analyzed this cash transfer and concluded that when the money arrived in Iraq, the Coalition Provisional Authority — which was run by our government — had not established "sufficient managerial, financial, and contractual controls to ensure" that the cash was used in "a transparent manner." Even worse, Mr. Bowen concluded that the Coalition Provisional Authority handed over the money to the Iraqi ministries "without assurance the monies were properly used or accounted for."

I am releasing a memorandum this morning that describes this mind-boggling situation in more detail. And I am pleased that Mr. Bowen and Ambassador Paul Bremer, who led the Coalition Provisional Authority, are with us today to shed more light on what happened to the $12 billion.

I know Ambassador Bremer has indicated in the past that it's unrealistic to expect the government to keep close track of money sent into a war zone. And I know the Inspector General believes that the opposite is true and that strong standards are especially important if our government is sending billions of dollars of cash into a chaotic and violent environment. My concern is that without strong standards, we have no way of knowing whether the cash shipped into the Green Zone ended up in enemy hands.

Our goal is to assess the Coalition Provisional Authority's actions — not by some arbitrary international guidelines imposed by outsiders, but by the Authority's own standards, written in its own regulations. If the Coalition Provisional Authority didn't follow its own directives, we want to know why not. And we owe it to the American people to do everything we can to find out where the $12 billion went.

We also need to ask questions today about who was hired by the Administration to manage the $12 billion in cash sent to Iraq and carry out the other responsibilities of the Coalition Provisional Authority. There were extraordinarily disturbing reports last fall that the CPA was filled with inexperienced and unqualified political cronies. This hearing will give us a chance to probe those allegations and find out what role incompetence and political cronyism played in the debacle that Iraq has become.

Finally, before I turn to Mr. Davis for his opening statement, I would like to say a word about the empty witness chair.

Our original goal for this hearing was to be retrospective and prospective — looking both backward and forward.

On January 10, the President announced his new strategy for Iraq. This included an escalation of 21,000 troops. But it also included a request for another $1.2 billion in taxpayer funds for Iraq reconstruction.

The next day, Secretary of State Condoleezza Rice held a press conference and announced with fanfare that the Administration's new point person for Iraq reconstruction is Ambassador Tim Carney.

This is what she said about his new role:

> He will coordinate all relevant elements of the Embassy, USAID Mission, and IRMO to bring about a smooth transition from U.S. Government and other external assistance to full Iraqi self-reliance. He will also work closely with MNF-I to ensure Iraq's economic transition plans complement the joint security strategy.

When the President asks for another billion dollars in taxpayer funds to be spent in Iraq, Congress has a right — and an obligation — to talk to the official in charge. After all the money we've seen wasted, we wanted to know Ambassador Carney's plans and find out what he has learned from past mistakes.

So I invited Ambassador Carney to testify today. When my staff talked to Ambassador Carney directly, he was cooperative and said he was willing to come.

But the State Department refused. Their first excuse was that he had not yet filled out his paperwork. Even though Secretary Rice publicly announced his critical new position, he apparently could not talk to Congress because he hadn't been officially hired.

Next, the State Department said Ambassador Carney could not come because he did not yet know what he would do in Iraq. This seemed odd, especially since Secretary Rice had already announced that he was her new point person on Iraq reconstruction.

Then, just last week, we were informed that the Department suddenly decided that Ambassador Carney needed to be in Baghdad — right away. So even though he wasn't officially hired and, according to the State Department, had no idea what he would do, he was put on a plane to Baghdad this past Friday.

The State Department has now told us they might make Ambassador Carney available to Congress in six months. After all the billions wasted in Iraq, six months just isn't good enough. We will have an empty chair for Ambassador Carney today, but I can assure the Secretary of State that that chair won't be empty for long.