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Statement of Rep. Henry A. Waxman Democratic Policy Committee Hearing

February 14, 2005

Over the past several months, we've heard a lot about the Oil-for-Food scandal. Several Congressional committees have launched investigations and held hearings. While I believe it is appropriate to investigate these allegations, I also think we should be investigating our own Administration's conduct.

The United States controlled Iraq's oil proceeds from May 2003 until June 2004. Yet Congress has not held a single hearing to examine the evidence of mismanagement, overpricing, and lack of transparency in the successor to the Oil-for-Food program: the Development Fund for Iraq. The DFI was run by the Bush Administration through the Coalition Provisional Authority. Under U.S. control, it received over \$20 billion in Iraqi funds and spent over \$14 billion.

While Congress has been ignoring the DFI, a series of reports by both U.S. and international auditors have raised serious red flags about the Administration's stewardship of the Iraqi funds.

Two weeks ago, the Special Inspector General for Iraq Reconstruction reported that the CPA disbursed \$8.8 billion in cash to Iraqi ministries without adequate oversight. The Inspector General found that "proper cash accountability was not maintained [and] physical security was inadequate." The funds were turned over to the ministries "without assurance the monies were properly used or accounted for."

In one case, CPA transferred funds for 8,206 Iraqi guards on the payroll even though only 602 guards could actually be found. The IG concluded, "there was no assurance that funds were not provided for ghost employees."

In fact, the IG determined that the CPA's stewardship of the Iraqi funds was so poor that it did not meet the basic requirements of the U.N. Security Council Resolution that established the DFI.

An earlier IG report detected “several physical safeguard violations,” including a vault key kept in an unsecured backpack. In another instance, a disbursement officer left a room with the safe open.

Similarly, international auditors found that CPA had “inadequate accounting systems,” “inadequate record keeping,” and “inadequate controls” over Iraqi oil proceeds. They also reported that CPA’s entire accounting system consisted of just one contractor maintaining excel spreadsheets. That’s one person for \$20 billion.

We also know that \$1.5 billion in DFI funds were used to pay Halliburton’s inflated fuel prices. CusterBattles, whose schemes we’ll hear about today, was also paid with DFI funds.

One of today’s witnesses, Frank Willis, was a former senior official with the CPA. He will provide a first-hand perspective on the \$8.8 billion in cash from the DFI that was transferred to Iraqi ministries without adequate controls.

My staff had an opportunity to speak with Mr. Willis before he came to DC to testify. He told us that Iraq was like the “wild west,” awash in brand-new \$100 bills. He also explained that CPA’s cash transfers to Iraqi ministries “for the most part were done on faith” because CPA couldn’t confirm that the employees being paid actually worked at the ministries and couldn’t track the funds. I look forward to his testimony here today.

Accountability and transparency are long overdue. I hope this hearing is just the beginning of Congressional oversight of the Administration’s inept stewardship of Iraqi funds.