

Bush-Cheney Coverup of Iraqi Funds Rip-Off Exposed

by Jeffrey Steinberg

On Oct. 14, the International Advisory and Monitoring Board for Iraq (IAMB), the United Nations auditing agency established to monitor the finances of the Bush Administration's Iraq occupation regime, issued its final report, revealing a widespread pattern of coverup, mismanagement, and possible disappearance of billions of dollars in Iraqi money.

At the heart of the scandal is a six-month-long coverup by the Bush-Cheney-Rumsfeld Pentagon of at least \$1.5 billion in no-bid contracts that went to Halliburton, drawing not on U.S.A.-provided reconstruction funds, but on Iraqi money, principally oil revenues, and funds left over in the Oil-for-Food Program when the U.S. invasion and occupation occurred. Back on April 5, 2004, Jean Pierre Halbwachs, the chairman of the IAMB, had written to Ambassador Paul Bremer III, the head of the Coalition Provisional Authority, complaining about the CPA's decision to grant three no-bid contracts to Halliburton, amounting to a total of \$1.5 billion, and the CPA's failure to provide any documentation on them. "The IAMB has been given to understand," Halbwachs wrote, "that an audit or a number of audits relating to these contracts have been performed. It will be appreciated if these audits could be shared with the IAMB."

Representative Waxman Intervenes

On Oct. 5, Rep. Henry Waxman (D-Calif.), the ranking Democrat on the House Government Reform Committee, issued a statement at the opening of subcommittee hearings on alleged corruption in the Oil-for-Food Program, citing the Bush-Cheney Administration's failure, up to that moment, to provide the documentation on the no-bid Halliburton contracts, and other colossal failures in the management of the occupation. Waxman demanded that the Oil-for-Food probe be broadened, to include the period from the May 2003 fall of Baghdad, to the June 30, 2004 turnover of power to an Iraqi interim government—the period when the United States controlled Iraq's oil proceeds, through the CPA. "My complaint," he said in his written statement, "is that our scope is too narrow. If we are going to look at how Iraq's oil proceeds have been managed, we have an obligation to examine not only the actions of the UN, but our own actions. In fact, I would argue that our first priority should be to investigate our own conduct."

He further complained, "Yet Congress has not held a sin-

gle hearing to examine the evidence of corruption, overpricing, and lack of transparency in the successor to the Oil-for-Food Program—the Development Fund for Iraq—which was run by the Bush Administration when the United States exercised sovereignty over Iraq."

Turning specifically to the \$1.5 billion that Halliburton received from the Development Fund for Iraq (DFI), in the form of no-bid contracts, Waxman reported: "For six months, the Bush Administration has been withholding documents from international auditors charged by the Security Council to oversee the Administration's actions. . . . The auditors have made seven distinct requests for this information, including a letter from the Controller of the United Nations directly to Ambassador Bremer. But the Administration has repeatedly refused to provide the documents and continues to do so today." At those hearings, a large number of Democrats turned out, and forced subcommittee chairman Christopher Shays (R-Conn.) to agree to expand the investigation to include the CPA period, and to co-sign, with Representative Waxman, a subpoena to the New York Federal Reserve Bank and a letter to Secretary of Defense Donald Rumsfeld, demanding a full accounting of the DFI funds. Under the UN resolutions, all DFI funds were deposited at the New York Fed.

Several days later, on the eve of the IAMB's release of its final audit, the Pentagon, after six months of stonewalling, agreed—under clear pressure from the Shays-Waxman letter and subpoena—to provide the documentation on the Halliburton no-bid contracts and other disputed documentation. An IAMB press release dated Oct. 14, 2004, noted that "The U.S. government provided IAMB with information on audits of sole-sourced contracts by the Defense Contract Audit Agency," and agreed to commission a special audit of all the sole-source contacts paid for out of DFI funds. As of Sept. 8, 2004, the IAMB was still bitterly complaining that no audit data had been provided, "despite repeated requests."

The IAMB was established by the United Nations Security Council on May 22, 2003, under Security Council Resolution 1483, which created the monitoring agency to oversee the U.S.-led Coalition Provisional Authority's administration of the Development Fund for Iraq, which replaced the formerly UN-administered Oil-for-Food Program. Ironically, Resolution 1483, which was endorsed by the Bush-Cheney Administration, also "Calls upon all concerned to comply

fully with their obligations under international law including in particular the Geneva Conventions of 1949 and the Hague Regulations of 1907.”

Security Council Resolution 1483 mandated that the CPA administer the DFI “in a transparent manner,” and that all the funds be allocated “for the benefit of the Iraqi people.” By late 2003, a total of \$20.6 billion had been transferred to the DFI account from previous Oil-for-Food Program deposits, repatriated Iraqi funds, and non-U.S. reconstruction contributions from foreign donors.

From the outset, the CPA violated both the spirit and the letter of UN Resolution 1483. Although the Resolution called for the CPA to hire a certified public accounting firm to track all the revenues and expenditures of the DFI, Ambassador Bremer instead hired a consulting firm, North Star Consultants, Inc., to do the work. North Star’s contract was for \$1.4 million, yet the firm provided only one employee, armed with a standard accounting software program—to administer a \$30 billion-plus program.

A July 2004 audit by the Government Accountability Office (GAO), the investigative arm of the U.S. Congress, found that CPA’s accounting practices were not much better, when it came to funds allocated by the U.S. Congress. Of \$32 billion in operating funds for the U.S. occupation, \$15.5 billion were placed in a catch-all category, “miscellaneous,” so that there was no way to determine how the funds were spent. Also, \$3.8 billion in military personnel funds were placed in the same “miscellaneous” category, out of \$15.6 billion allocated. This fiasco was not missed by Representative Waxman. Right after the release of the Oct. 14 IAMB audit, the Minority Staff of the House Committee on Government Reform issued a concise, four-page fact sheet, which summarized the IAMB’s final findings. The document, “International Auditors Find Serious Problems With Bush Administration’s Management of Iraqi Funds,” itemized hundreds of millions of dollars in DFI funds that were not adequately accounted for. According to the Minority Staff Report: “The audit report. . . finds serious problems with the Administration’s management of Iraqi funds. These problems involved hundreds of millions of dollars, numerous sole source contracts, missing and nonexistent contract files, and continuing investigations into major irregularities.”

Indeed, excerpts from the IAMB audit, included in the House Minority fact sheet, revealed:

- “We found 37 cases where contracting files could not be located (\$185,039,313).”
- “We found one case where we were unable to obtain evidence of a tendering process (contract value of \$95,560,000).”
- “We found 52 cases where goods-received notes or other supporting documentation were not on file (\$97,979,888).”
- “We found one case where a Contracting Officer Representative signed receiving reports for work carried out with-

out verification of the services (security services throughout Iraq) actually provided (\$5,894,568).”

The IAMB audit also dealt separately with the CPA’s Commander’s Emergency Response Program, which gave local occupation military commanders authorization to fund local reconstruction projects:

- “We found 42 cases where there were no contracts on file for projects in excess of \$100,000 (\$13,682,067).”
- “We found 54 cases where we were unable to obtain either a purchase invoice or a payment voucher for a disbursement. Additionally, we found one case for which we were unable to obtain any supporting documentation for the disbursement (\$7,190,944).”
- “We found a number of cases where weapons were paid for under a weapons buy-back program (\$1,400,000). The use of DFI funds for weapons buy-back programs was specifically prohibited by CERP rules and regulations.”

The CPA was also responsible for providing DFI funds to Iraqi government ministries, and here, too, the IAMB audit found serious problems: “The MOF [Ministry of Finance] maintained two sets of accounting records, manual records for transactions post-hostilities and computerized records representing the continuation of the official records. The audit finds numerous problems with expenditures to the Iraqi ministries.” Among the missing documentation was any status on \$1.4 billion, provided to the Kurdish Regional Government. The auditors were provided with no data on disbursements, and no proof that the funds remained in the Kurdish Bank account, into which it had been transferred.

The first IAMB audit, which was publicly released on July 15, 2004, revealed other egregious problems in accounting and management, which raised questions about the black market smuggling of Iraqi oil, under the American occupation. The accounting firm KPMG had been contracted by the CPA, with IAMB approval, to conduct two audits—one covering the period from the start of the U.S. occupation through December 2003; and one covering 2004, up to the June 30 handover of power to the Iraqi interim government and the termination of the CPA. The first audit made the alarming revelation that: “Weaknesses in controls over oil extraction, including the absence of metering, resulted in KPMG qualifying its audit opinion of the DFI’s statement of cash receipts and payments. The CPA believes that unknown quantities of petroleum and petroleum products were illegally exported from Iraq (smuggling), especially in the early months post-hostilities, by-passing the authorized processes of marketing, sales and cash collection.”

According to the two IAMB audits, “official” Iraqi oil revenues from overseas sales during the period of the U.S. occupation were well in excess of \$10 billion—a pittance, compared to Iraq’s oil revenues in the pre-war period, but still a substantial amount of money. Halliburton’s \$1.5 billion no-bid contract was the single largest contract authorized from the DFI funds.