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Congress of the United States

House of Representatives

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MEMORANDUM

October 4, 2007

To: Members of the Committee on Oversight and Government Reform

Fr: Majority Staff, Committee on Oversight and Government Reform

Re: Additional Information on Iraqi Corruption and U.S. Efforts

Today the Committee is holding a hearing on "Assessing the State of Iraqi Corruption." The hearing will focus on two primary issues: (1) the extent of corruption within the Iraqi government and (2) the effectiveness of U.S. efforts to assist the Iraqis in combating corruption.

In preparation for the hearing, the Committee staff conducted transcribed interviews with eight current and former U.S. Embassy officials with responsibility for anticorruption efforts in Iraq. This memorandum summarizes what these officials told the Committee.

SUMMARY

According to President Bush, combating corruption in Iraq is a cornerstone of U.S. policy. In 2005, President Bush stated: "Corruption is a problem at both the national and local levels of the Iraqi government. We will not tolerate fraud — so our embassy in Baghdad is helping to demand transparency and accountability for the money being invested in reconstruction. ... [T]he Iraqi people expect money to be spent openly and honestly — and so do the American people." He reiterated this commitment in 2006, stating: "We'll help Iraqi leaders combat corruption ... so Iraqis can build a transparent, accountable government."

The State Department has created two entities to lead the U.S. anti-corruption efforts in Iraq: an Office on Accountability and Transparency (OAT), which acts as the primary liaison to Iraq's Commission on Public Integrity and other anti-corruption bodies, and an Anticorruption Working Group, which is supposed to coordinate U.S. anticorruption efforts. The Embassy

officials that the Committee interviewed worked for or supervised OAT or participated in the work of the Anticorruption Working Group.

The officials the Committee interviewed describe a multitude of problems that have impeded the anticorruption efforts of both OAT and the Anticorruption Working Group. These include the absence of a coordinated anticorruption strategy, vacancies and high turnover in key positions, poor attendance at meetings, and lack of regular work product. The internal dissention is so severe that OAT is no longer participating in the meetings of the Anticorruption Working Group, a situation that the Executive Secretary of the Working Group calls “very disturbing.”

Excerpts from the interviews illustrate the dysfunction and disarray that appear to be frustrating U.S. anticorruption efforts:

- When Judge Arthur Brennan, the former Director of OAT, was asked if he was “aware of any coordinated US strategy to fight corruption in Iraq,” he responded: “No.”
- James Santelle, who supervises the activities of OAT as the Rule of Law Coordinator for the Embassy, told the Committee: “you have got a system where the coordination is lacking.”
- Michael Richards, the Executive Secretary of the Anticorruption Working Group, described the meetings of the working group as follows: “to be completely embarrassingly honest with you, a lot of these meetings don’t have a lot of people in them, so there’s not a lot of conversation going on.” When he was asked whether the Anticorruption Working Group prepares work products such as regular memos or reports, he stated: “I would like to be able to say that we’ve done quite a bit in this area, but unfortunately, we have not.”

The Committee staff asked the State Department officials their views about the extent of corruption in Iraq and its impact on the U.S. mission in Iraq. The State Department instructed these officials not to answer these questions. The position of the State Department is that any discussion about corruption in Iraq — including even “[b]road statements/assessments that judge or characterize the quality of Iraqi governance” — must occur in a classified setting and be withheld from the public.

I. BACKGROUND

President Bush has stated that anticorruption efforts are a key component of U.S. policy in Iraq. In December 2005, the President said:

Corruption is a problem at both the national and local levels of the Iraqi government. We will not tolerate fraud — so our embassy in Baghdad is helping to demand transparency and accountability for the money being invested in reconstruction. We’ve helped the Iraqi people establish institutions like a Commission on Public Integrity and a stronger

Supreme Board of Audit to improve oversight of the rebuilding process. Listen, the Iraqi people expect money to be spent openly and honestly — and so do the American people.¹

In January 2006, the President said:

America and our coalition partners will stand with the Iraqi people during this period of transition. We will continue helping Iraqis build an impartial system of justice, so they can replace the rule of fear with the rule of law. We'll help Iraqi leaders combat corruption by strengthening Iraq's Commission on Public Integrity — so Iraqis can build a transparent, accountable government. And we will help Iraq's new leaders earn the confidence of their citizens, by helping them build effective government ministries.²

The critical task of promoting integrity in the Iraqi ministries has been assigned to the Department of State, which has established two primary entities to lead U.S. anticorruption efforts. One of these entities is the Office of Accountability and Transparency (OAT), which was established in December 2006 to provide full-time guidance to the three primary anticorruption institutions in Iraq: the Iraqi Commission on Public Integrity, the Iraqi Board of Supreme Audit, and Iraqi Inspectors General. OAT was created in response to a July 2006 report of the Special Inspector General for Iraq Reconstruction, which stated: "Currently, there is no single office that has the authority or responsibility for oversight and to ensure all anticorruption efforts are focused on a common goal or that efforts are being performed in the most efficient manner."³ Organizationally, OAT is under the supervision of the Rule of Law Coordinator in the U.S. Embassy in Iraq.

The other primary anticorruption entity is the Anticorruption Working Group, an interagency task force that is supposed to coordinate U.S. efforts. Members of the Anticorruption Working Group include, or have included, all of the following State Department offices with anticorruption responsibilities: Economic Affairs, Political Affairs, Political-Military Affairs, Public Affairs, Foreign Commercial Service, Rule of Law, Iraq Transition Assistance Office, USAID, and Bureau of International Narcotics and Law Enforcement Affairs. The Anticorruption Working Group also includes members from other agencies, including the Department of Justice Attaché, Department of Treasury Attaché, Multi-National Force-Iraq Offices of Inspector General and Strategic Effects, and Multi-National Security Transition Command-Iraq. The British government and nongovernmental organizations have also participated in Anticorruption Working Group meetings.

¹ President George W. Bush, *President Discusses War on Terror and Rebuilding Iraq* (Dec. 7, 2005).

² President George W. Bush, *President Addresses Veterans of Foreign Wars on the War on Terror* (Jan. 10, 2006).

³ Special Inspector General for Iraq Reconstruction, *Joint Survey of the U.S. Embassy-Iraq's Anticorruption Program* (Report No. SIGIR-06-021) (July 28, 2006).

To assess the extent of corruption in Iraq and the effectiveness of the U.S. response, the Committee staff conducted transcribed interviews with eight Embassy officials involved in OAT or the Anticorruption Working Group. These eight officials are:

- Ambassador Charles Ries, Economics Minister and Coordinator for Economic Transition in Iraq
- Michael Richards, Labor Attaché, Economics Affairs Section, and Executive Secretary of the Anticorruption Working Group
- James Santelle, Rule of Law Coordinator
- Scott Winne, former Acting Rule of Law Coordinator
- Judge Arthur Brennan, former Director, Office of Accountability and Transparency
- Vincent Foulk, Senior Consultant, Office of Accountability and Transparency
- Christopher Griffith, Senior Advisor, Office of Accountability and Transparency
- James Mattil, Chief of Staff, Office of Accountability and Transparency

This memorandum summarizes key points that emerged from the interviews with these officials.

II. LACK OF COORDINATION

Judge Arthur Brennan, who served as the director of the Office of Accountability and Transparency for part of 2007, was asked whether there was an overall U.S. strategy for combating Iraqi corruption:

Q: During the time you were there, were you aware of any coordinated US strategy to fight corruption in Iraq?

A. No.⁴

Judge Brennan also said: “I think Ambassador Crocker was serious about going forward on this, but I don’t think everybody is serious about it, and if they are serious, then somebody else should have been doing their job.”⁵

⁴ House Committee on Oversight and Government Reform, Interview of Arthur Brennan, 11 (Sept. 24, 2007).

⁵ *Id.* at 46.

James Santelle, the Rule of Law Coordinator, supervises the activities of OAT. He said that a lack of coordination was caused by multiple bureaucratic “stove-pipes”:

[W]e did over time develop what are called stove-piped institutions. And many of them are on that [Embassy organization] chart, and they all were legitimately put in place to address this problem as it was perceived and to identify this need to develop some training here and develop some outreach here and do all these good, important things. And all of a sudden we wake up one morning and we realize we have got all these institutions and maybe there is some overlap and there is not coordination. And through nobody’s intentional, purposeful, you know, malfeasance, misfeasance, nonfeasance, as I have said before, you have got a system where the coordination is lacking. And at some point you step up and you say we need now to coordinate that.⁶

III. TURNOVER AND STAFFING PROBLEMS

Since OAT was established last year, it has had at least three directors, and perhaps more. State Department official Boots Poliquin was acting director from January to June.⁷ In June, Judge Brennan became the permanent director of OAT, but he was forced to leave for unrelated family reasons in July.⁸ On September 17, 2007, the Committee staff were informed that Suneeta Sahgal took over as acting director in August. Until her appointment, she had served as a paralegal who performed primarily administrative tasks.⁹

On October 3, 2007, Committee staff were informed that funding for Ms. Sahgal’s position has now been eliminated.¹⁰

The Anticorruption Working Group has also lacked leadership over the past year. The coordinator of the working group left in December 2006 and was not replaced until June 2007.¹¹ Michael Richards, the Executive Secretary of the Working Group, told Committee staff that the Anticorruption Working Group did not meet in the interim.¹²

⁶ House Committee on Oversight and Government Reform, Interview of James Santelle, 121-22 (Sept. 26, 2007).

⁷ *Id.* at 18; Office of the Special Inspector General for Iraq Reconstruction, *Status of U.S. Government Anticorruption Efforts in Iraq* (Report No. SIGIR-07-007) (July 24, 2007).

⁸ House Committee on Oversight and Government Reform, Interview of Arthur Brennan, 56 (Sept. 24, 2007).

⁹ House Committee on Oversight and Government Reform, Interview of James Santelle, 20 (Sept. 26, 2007).

¹⁰ House Committee on Oversight and Government Reform, Interview of Scott Winne (Oct. 3, 2007).

¹¹ House Committee on Oversight and Government Reform, Interview of Michael Richards, 18 (Oct. 2, 2007).

¹² *Id.*

Inadequate staffing has also hampered the activities of the Rule of Law Coordinator, which oversees OAT. Mr. Santelle, the Rule of Law Coordinator, told the Committee:

I wrote a memo back in February 1 saying, in order to do this accurately and effectively, I need 14 people. I need a budget person, I need a personnel person, I need a manager, I need people in all these different units to do this well. I don't have that. Next week I lose my deputy. 2 weeks after that I lose my next attorney. And I've just got no staff. That's too far. I have very few staff to manage this overall operation.¹³

IV. LACK OF ATTENDANCE AND WORK PRODUCT

According to Mr. Richards, meetings of the Anticorruption Working Group are poorly attended. He told the Committee:

[A] lot of what we talked about is how difficult it is to get things accomplished. ... But you know, to be completely embarrassingly honest with you, a lot of these meetings don't have a lot of people in them, so there's not a lot of conversation going on.¹⁴

Mr. Richards also told the Committee that the Working Group produces little in the way of work product:

Q: In terms of the work products of the Anticorruption Working Group, do you prepare regular memos, regular reports, regular documents? Do you have a regular work product that you provide to your superiors?

A: I would like to be able to say that we've done quite a bit in this area, but unfortunately, we have not.¹⁵

Earlier this year, Mr. Santelle directed that OAT should cease participating in working group meetings:

Q: We've heard that OAT no longer is participating in [the Anti-Corruption Working Group]. And I believe it was at your direction.

A: Mm-hmm.

¹³ House Committee on Oversight and Government Reform, Interview of James Santelle, 103 (Sept. 26, 2007).

¹⁴ House Committee on Oversight and Government Reform, Interview of Michael Richards, 48 (Oct. 2, 2007).

¹⁵ *Id.* at 14.

Q: Can you tell us a little bit about that direction?

A: Sure. Sure. One of the things that I have been concerned about actually is the extent to which there is true coordination at the Anti-Corruption Working Group effort. I think that there is a real role to play at a working group level that truly combines the practical work of OAT with the economic work that the Econ Section and others do. ... [M]y concern in recent months has been purely practical. And that is like many institutions at the Embassy and other areas, I think that the Anti-Corruption Working group — and this is my view. It may not be the view of many other people — but I think it has lost some of that direction and focus that produced this document [the strategic plan from 2006]. And so it is my assessment that in recent weeks that particular working group, which again has a role to play, does need to be redefined so that the group that produced that strategy, for example, many months ago is reinvigorated. ... In the midst of a great many responsibilities that I've asked OAT to undertake and a great deal of just time pressure there, that is correct, in recent weeks we have not participated actively in the working group.¹⁶

Mr. Richards told the Committee staff that Mr. Santelle's decision is "very disturbing."¹⁷

According to Ambassador Charles Ries, the State Department's Economics Minister, the effect of Mr. Santelle's decision has been to reorganize the Anticorruption Working Group:

As a result of those conversations [with Mr. Santelle,] the [Deputy Chief of Mission] has asked to take a look at the structure — who chairs it, how it works, how often it meets — and we're in the process of taking a look at that, and hopefully, we can improve its utility to all.¹⁸

V. EXTENT OF CORRUPTION IN IRAQ

The Committee's efforts to ask the officials questions about the extent of corruption in Iraq were frustrated by the State Department's insistence that all questioning about corruption in Iraq would have to occur in a classified setting and could not be discussed publicly.

The State Department sent the Committee a copy of the instructions it gave to its employees, which included broad "redlines" that they could not cross. According to these instructions, the officials could not discuss:

¹⁶ House Committee on Oversight and Government Reform, Interview of James Santelle, 78-79 (Sept. 26, 2007).

¹⁷ House Committee on Oversight and Government Reform, Interview of Michael Richards, 50 (Oct. 2, 2007).

¹⁸ House Committee on Oversight and Government Reform, Interview of Charles Ries, 19-20 (Oct. 2, 2007).

Broad statements/assessments which judge or characterize the quality of Iraqi governance or the ability/determination of the Iraqi government to deal with corruption, including allegations that investigations were thwarted/stifled for political reasons;

Statements/allegations concerning actions by specific individuals, such as the Prime Minister or other GOI officials, or regarding investigations of such officials.¹⁹

The interview with Vincent Foulk, a senior consultant in OAT, illustrates the unusual breadth of these restrictions. The Committee staff asked Mr. Foulk whether “Prime Minister Maliki or his associates obstructed any anticorruption investigations in Iraq to protect his political allies.” Mr. Foulk responded: “I cannot answer that over an open forum.”²⁰

The Committee staff asked: “do you believe that the Government of Iraq currently has the political will or the capability to root out corruption within its government?” Mr. Foulk responded: “That would require that I violate the guidelines given to me by the State Department.”²¹

Mr. Foulk also would not answer: “what effect does corruption play on the ability of the Iraqi Government ... to suppress the armed insurgency?”²² “what effect does corruption have on the progress the Iraqi Government has made or is able to make toward political reconciliation?”²³ or “[d]o you agree that there is a large-scale corruption problem pervading the Government of Iraq?”²⁴

At one point, the Committee staff read Mr. Foulk a public statement Secretary of State Condoleezza Rice made in October 2006 praising Iraqi Prime Minister Maliki’s efforts in “rooting out potential corruption” in the Interior Ministry and asked, “Do you agree with the Secretary’s broad characterizations of the Interior Ministry?” Mr. Foulk answered: “I cannot discuss this in an open forum.”²⁵

¹⁹ E-Mail from Joel E. Starr, Deputy Assistant Secretary of State for Legislative Affairs, to Staff, House Committee on Oversight and Government Reform (Sept. 24, 2007).

²⁰ House Committee on Oversight and Government Reform, Interview of Vincent Foulk, 27 (Sept. 25, 2007).

²¹ *Id.* at 34.

²² *Id.*

²³ *Id.* at 35.

²⁴ *Id.* at 54.

²⁵ *Id.* at 32.

In addition to preventing officials from answering questions about corruption in Iraq, the State Department retroactively classified two reports written by OAT about corruption in Iraq. These reports were initially marked “sensitive but unclassified,”²⁶ and they were widely distributed within the government.²⁷ But after the Committee requested these reports, the State Department asked Scott Winne, the Acting Rule of Law Coordinator, to do a classification review. Mr. Winne classified the documents as “confidential.”²⁸ Mr. Winne later told the Committee staff that he had never done a classification review before.²⁹

²⁶ House Committee on Oversight and Government Reform, Interview of Christopher Griffith, 16 (Sept. 25, 2007).

²⁷ House Committee on Oversight and Government Reform, Interview of Vincent Foulk, 14 (Sept. 25, 2007). (“The reports — the December report was given to — first to Ambassador Saloom and his chief of staff. Then 5 days later they were given to the Anticorruption Working Group. The July report was given only to — at least from my office, only to the Rule of Law Coordinator.”).

²⁸ House Committee on Oversight and Government Reform, Interview of Scott Winne (Oct. 3, 2007).

²⁹ *Id.*