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Congress of the United States

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July 29, 2004

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The Honorable Tom Davis
Chairman
Committee on Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

I am writing again to urge the Committee to investigate the Administration's mismanagement of Iraqi funds in the Development Fund for Iraq (DFI), the successor to the United Nations Oil for Food program.

On July 8, 2004, you issued a subpoena related to the United Nations' stewardship of the Oil for Food program. At that time, I encouraged you to subpoena records related to the Bush Administration's subsequent stewardship of Iraqi oil proceeds and other Iraqi funds under U.S. control since the occupation in Iraq began. As the occupying force in Iraq, the United States was required by the U.N. Security Council to collect and spend Iraqi funds "in a transparent manner."¹ My request, which I made in detail in a July 9, 2004, letter, was based in part on serious problems identified by the International Advisory and Monitoring Board (IAMB), the international auditing panel directed by the Security Council to monitor U.S. actions.² These problems included an accounting system that was "open to fraudulent acts," as well as refusals by Administration officials to comply with requests for information about Iraqi funds used to pay Halliburton under sole-source contracts.

Since the IAMB issued its audit, additional information has become available that underscores the need for Committee action. The Coalition Provisional Authority's (CPA) Inspector General released a report yesterday that supports many of the conclusions made by international auditors. This report, which I am attaching, raises significant problems with the

¹ United Nations Security Council Resolution 1483 (May 22, 2003).

² Letter from Rep. Henry A. Waxman, Ranking Minority Member, to Rep. Tom Davis, Chairman, House Government Reform Committee (July 9, 2004) (online at http://www.house.gov/reform/min/pdfs_108_2/pdfs_inves/pdf_admin_iraq_dfi_kpmg_audit_july_9_let.pdf).

Administration's management of Iraqi funds. In particular, the Inspector General criticized actions by the Coalition Provisional Authority's Contracting Activity office.

According to the Inspector General:

The CPA Contracting Activity had not issued standard operating procedures or developed an effective contract review, tracking, and monitoring system. In addition, contract files were missing and incomplete. Further, contracting officers did not always ensure that contract prices were fair and reasonable, contractors were capable of meeting delivery schedules, and payments were made in accordance with contract requirements. This occurred because the CPA Contracting Activity did not provide adequate administrative oversight and technical supervision over the contracting actions completed by procuring contracting officers as required by the [CPA] Memorandum. As a result, the CPA Contracting Activity was not accurately reporting the number of contracts actually awarded by the CPA Contracting Activity. This hindered the CPA Contracting Activity's ability to demonstrate the transparency required of the CPA when it awarded contracts using DFI funds.³

The Inspector General also found that of the contracts it analyzed, "67 percent . . . had incomplete or missing documentation." In one case, for example, the Inspector General was "unable to determine if the goods specified in the contract were ever received, the total amount of payments made to the contractor, or if the contractor fully complied with the requirements of the contract." And the Inspector General concluded that the "spreadsheets used by the CPA Contracting Activity to review, track, and monitor contract actions provided inaccurate and unreliable information and, therefore, were not effective."⁴

These problems should be of particular concern to the Committee. The Inspector General warned that because "contract files were not adequately maintained," they "could not be relied upon to ensure compliance . . . or be used as a source of information for Congressional reporting." According to the Inspector General, "We do not believe that transparency can be achieved when pertinent data is unavailable or inaccurate."⁵

³ Coalition Provisional Authority Inspector General, *Coalition Provisional Authority's Contracting Processes Leading up to and Including Contract Award* (July 27, 2004) (Report Number 04-013).

⁴ *Id.*

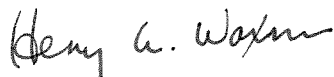
⁵ *Id.*

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On July 12, 2004, you rejected my request for a subpoena as “premature.”⁶ You indicated, however, that you would consider taking other actions, such as requesting the information from the relevant offices. On July 15, 2004, I provided you with two draft letters requesting the pertinent information.⁷ To date, I have received no response.

Investigating the U.N.’s stewardship of the Oil for Food program while ignoring the actions of the Bush Administration conveys to the world the appearance of a double standard. I therefore renew my request that the Committee seek relevant documents about how the Coalition Provisional Authority managed the Development Fund for Iraq.

Sincerely,



Henry A. Waxman
Ranking Minority Member

⁶ Letter from Rep. Tom Davis, Chairman, to Rep. Henry A. Waxman, Ranking Minority Member, House Government Reform Committee (July 12, 2004).

⁷ Letter from Rep. Henry A. Waxman, Ranking Minority Member, to Rep. Tom Davis, Chairman, House Government Reform Committee (July 15, 2004).