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Statement of Rep. Henry A. Waxman

House Committee on Energy and Commerce Subcommittee on Oversight and Investigations

May 16, 2005

The United Nations Oil for Food Program: Saddam Hussein's Allocations to Undermine Sanctions and the United Nations Security Council

Mr. Chairman, thank you for calling today's hearing. I support the Committee's investigation and believe Congress should determine the full extent of Saddam Hussein's efforts to divert humanitarian Oil for Food funds that were intended for the benefit of the Iraqi people.

Although I support the Committee's goal, I do have a concern with its approach. Today's hearing is the 13th congressional hearing about the Oil for Food program. Tomorrow's hearing by Senator Coleman will be the 14th. My concern is that while Congress is actively investigating the Oil for Food program, we are ignoring our nation's own actions on the Development Fund for Iraq (DFI), the successor to the Oil for Food Program run by the Bush Administration. The Administration has failed to properly manage and account for billions of dollars in Iraqi funds, and the Committee is doing nothing to investigate this.

I would like to show you two charts. The first shows the findings of our own auditors and investigators looking into the DFI.

- First, in January, the Special Inspector General for Iraqi Reconstruction concluded that the Bush Administration failed to properly account for \$8.8 billion of Iraqi oil proceeds in the DFI. The IG concluded that the Administration "did not implement adequate managerial controls," "did not implement adequate financial controls," and "did not adequately control DFI contracting actions."
- Second, two weeks ago, the Inspector General found that the Administration failed to account for \$96.6 million in cash from Iraqi funds that were supposed to go to local reconstruction projects. The IG found that, instead of helping the Iraqi people, U.S.

officials tried to launder these funds. The IG referred these officials for criminal prosecution.

- Third, the Defense Contract Audit Agency concluded that Halliburton has overcharged by at least \$212 million under its oil contract in Iraq. The Bush Administration awarded Halliburton's no-bid, monopoly oil contract in secret, and then funded it with Iraqi oil proceeds from the DFI.

My other chart shows findings by U.S. government officials and other independent auditors who have concluded that the Administration has not complied with United Nations Security Council Resolution 1483, which requires the Administration to use Iraqi funds in a "transparent" manner for the benefit of the Iraqi people.

- On January 30, 2005, the Special Inspector General for Iraq Reconstruction concluded that the Administration "violated the Resolution 1483 requirement to use DFI funds in a transparent manner."
- On April 29, 2005, the International Advisory and Monitoring Board, which is charged with monitoring the Administration's compliance under the resolution, concluded that "use of DFI resources that is not for the benefit of the Iraqi people is in conflict with U.N. Security Council Resolution 1483."
- Members can also review a series of official Pentagon audits that the Administration submitted to the United Nations after blacking out more than 460 references to overcharges to the DFI.

Mr. Chairman, Congress should investigate allegations about the Oil for Food program, but we should also investigate our own Administration's failure to properly account for Iraqi funds. Our commitment in both cases is the same: to ensure that the Iraqi people, who have been oppressed for decades, receive the full benefit of their nation's own funds.