



Highlights of [GAO-05-346T](#), a testimony before the Permanent Subcommittee on Investigations, Committee on Homeland Security and Governmental Affairs, U.S. Senate.

## Why GAO Did This Study

The Oil for Food program was established by the United Nations and Iraq in 1996 to address concerns about the humanitarian situation after international sanctions were imposed in 1990. The program allowed the Iraqi government to use the proceeds of its oil sales to pay for food, medicine, and infrastructure maintenance.

Allegations of fraud and corruption have plagued the Oil for Food program. As we have testified and others have reported, the former regime gained illicit revenues through smuggling and through illegal surcharges and commissions on Oil for Food contracts. The United Nations' Independent Inquiry Committee was established in April 2004 to investigate allegations of corruption and misconduct within the Oil for Food program and its overall management of the humanitarian program. In January 2005, the Committee publicly released 58 internal audit reports conducted by the United Nations' Office of Internal Oversight Services (OIOS).

GAO (1) provides information on OIOS' background, structure, and resources; (2) highlights the findings of the internal audit reports; and (3) discusses limitations on the audits' coverage.

[www.gao.gov/cgi-bin/getrpt?GAO-05-346T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-346T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Joseph Christoff at (202) 512-8979 or [christoffj@gao.gov](mailto:christoffj@gao.gov).

## UNITED NATIONS

### Oil for Food Program Audits

#### What GAO Found

Before the United Nations established OIOS, the United States and other member states had criticized its lack of internal oversight mechanisms. In 1993, the United States proposed the establishment of an inspector general position within the United Nations and withheld U.S. funds until such an office was established. In 1994, the General Assembly created OIOS and tasked it with conducting audits, investigations, inspections, and evaluations of U.N. programs and funds. OIOS has generally provided audit reports to the head of the U.N. agency or program subject to the audit but also provided certain reports of interest to the General Assembly. However, this limited distribution hampered member states' efforts to oversee important U.N. programs. In December 2004, the General Assembly directed OIOS to publish the titles and summaries of all audit reports and provide member states with access to these reports on request.

The audit reports released in January 2005 found deficiencies in the management of the Oil for Food program and made numerous recommendations. We identified 702 findings in these reports. Most reports focused on U.N. activities in northern Iraq, the operations of the U.N. Compensation Commission, and the implementation of U.N. inspection contracts. In the north, OIOS audits found problems with coordination, planning, procurement, asset management, and cash management. For example, U.N. agencies had purchased diesel generators in an area where diesel fuel was not readily available and constructed a health facility subject to frequent flooding. An audit of U.N.-Habitat found \$1.6 million in excess construction material on hand after most projects were complete. OIOS audits of the U.N. Compensation Commission found poor internal controls and recommended downward adjustments totaling more than \$500 million. The United Nations asserted that OIOS had limited audit authority over the Commission. Finally, OIOS audits of the contractors inspecting Iraq's oil exports and commodity imports found procurement irregularities and limited U.N. oversight.

OIOS' audits and summary reports revealed deficiencies in the management and internal controls of the Oil for Food program. However, OIOS did not examine certain headquarters functions—particularly OIP's oversight of the contracts for central and southern Iraq that accounted for 59 percent or almost \$40 billion in Oil for Food proceeds. The Independent Inquiry Committee noted several factors that limited OIOS' scope and authority. First, OIOS did not believe it had purview over the humanitarian contracts because the sanctions committee approved the contracts. Second, the U.N. Office of the Iraq Program steered OIOS toward programs in the field rather than at headquarters. Third, the Office of the Iraq Program refused to fund an OIOS risk assessment of its program management division. Finally, U.N. management and the Office of the Iraq Program prevented OIOS from reporting its audit results directly to the Security Council.