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US officials misplace \$11.4bn

Reuters, AFP
February 01, 2005

WASHINGTON: The post-invasion US governing authority in Iraq lost track of \$US8.8billion (\$11.4billion) it transferred to government ministries in a black hole of fraud, kickbacks and misappropriation, according to an official US audit released yesterday.

The report of the US Special Inspector-General for Iraq Reconstruction was scathing in its criticism of how the Coalition Provisional Authority handled Iraqi money until it handed power to the interim Government last June.

"The CPA provided less-than-adequate controls for \$US8.8 billion in DFI (Development Fund for Iraq) funds provided to Iraqi ministries through the national budget process," the report said.

"We believe the CPA management of Iraq's national budget process and oversight of Iraqi funds was burdened by severe inefficiencies and poor management."

DFI is made up of proceeds from Iraqi oil sales, frozen assets from foreign governments and surplus from the UN oil-for-food program.

The report said the CPA, headed by Paul Bremer, failed to ensure funds were not used to pay "ghost" employees and cited one example in which officials authorised payment for 74,000 guards but only a fraction of these could later be proven to exist.

A review of 10 payments -- ranging between \$US120million and \$US900 million -- made

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by the CPA between October 2003 and June last year found none included documentation such as budget spending plans.

One of the main benefactors of Iraq funds was Vice-President Dick Cheney's former company Halliburton, which was paid about \$US1.7billion to bring in fuel for Iraqis.

Mr Bremer rejected the audit findings.

"The draft report assumes that Western-style budgeting and accounting procedures could be immediately and fully implemented in the midst of war," he said in a statement.

Mr Bremer said any delays in paying Iraqi public servants' salaries would have raised the security threat to Iraqis and Americans and cost more lives.

But the report said: "The fact the Iraqi ministries ceased to or had never functioned, lacked basic tools and operated in a cash economy was precisely why the CPA should have provided oversight of the financial management of the funds."




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