

Senate Democratic Policy Committee Hearing

“An Oversight Hearing on Waste, Fraud and Abuse in U.S. Government Contracting in Iraq”

Statement of Senator Byron L. Dorgan

February 14, 2005

Last December, Senator Reid and I announced that the Democratic Policy Committee would hold oversight hearings on serious issues that the majority-controlled committees were ignoring.

Today’s hearing is on precisely such an issue: serious allegations of rampant mismanagement, waste, and abuse by the Coalition Provisional Authority in Iraq, better known by its acronym of “CPA.”

The CPA is not exactly a household word. When Americans hear the term “CPA,” they may think of their neighborhood accountant, who does their taxes every April.

Well, we know this about the CPA: The CPA was responsible for spending billions of U.S. taxpayer dollars in Iraq. It was directly answerable to the Bush Administration. For a period of over a year, it was the sovereign ruler of Iraq. And judging from a number of scandals involving mismanagement of funds, U.S. taxpayers — and the people of Iraq — were often not well served.

The CPA seems to have been created from the very beginning so as to avoid transparency and accountability. In May 2004, over one year after the creation of the CPA, a Congressional Research Service paper concluded this about the organization:

It is unclear whether CPA is a federal agency . . . The lack of an authoritative and unambiguous statement about how this organization was established, by whom, and under what authority leaves open many questions, particularly in the areas of oversight and accountability . . . Some executive branch documents support the notion that it was created by the President, possibly as the result of a National Security Presidential Directive . . . (This document, if it exists, has not been made available to the public.) . . .

The paper went on to note, however, that the Pentagon exercised direction over the CPA, in that, among other things, “the Under Secretary of Defense has designated the Secretary of the Army as ‘executive agent for CPA.’”

So the Bush Administration created an entity ultimately answerable to the Pentagon, but veiled in a cloak of bureaucratic smoke. And then it pumped billions of dollars into that entity. What could possibly have gone wrong?

Just two weeks ago, the Inspector General issued a scathing report, describing how the CPA failed to account for nearly \$9 billion in funds handed over to Iraqi ministries. There were numerous examples of apparent padding of payrolls. For instance, 8,206 guards were on the payroll at one Iraqi ministry, but only 602 could be accounted for.

You would think that this scandal, and others that involved huge amounts of U.S. taxpayer funds, would be the focus of hearings by the Senate committees of jurisdiction. But no such hearings have been called.

On January 30, Iraq had its first real national election, and we were all encouraged by the good turnout at the polls. But now comes the really hard part: the Iraqis have to develop a functioning democracy, which is open and transparent, and which the Iraqi people have confidence in.

What kind of an example are we setting, if we do not hold the CPA accountable for serious mismanagement? Should the Iraqis be held to a higher standard than our own government?

In June of last year, the head of the CPA, Ambassador Paul Bremer, appointed the top officials of a new “Iraqi Board of Supreme Audit.” In announcing the appointments, Ambassador Bremer said that

“a high quality, active and independent national audit institution has a vital role to play in the governance of any modern state. A revitalized Board of Supreme Audit for Iraq will in future serve as the people’s guardian against fraud, waste and abuse in the administration of the public finances.”

Well, Ambassador Bremer seems to place much more importance in the future work of the “Iraqi Board of Supreme Audit” than in our very own Inspector General, which concluded that,

“[t]he CPA provided less than adequate controls for approximately \$8.8 billion of Development Fund for Iraq (DFI) funds provided to Iraqi ministries through the national budget process. The CPA did not establish or implement sufficient managerial, financial, and contractual controls to ensure that DFI funds were used in a transparent manner.”

Ambassador Bremer just shrugged off the IG’s report.

We invited Ambassador Bremer to testify at this hearing, and he declined to attend.

But we will hear today from two witnesses who have first-hand experience of the CPA’s mismanagement. We will hear from an attorney representing clients who sued a firm that defrauded the CPA, only to be told that the Administration wasn’t interested. And we will hear from an expert on public integrity who has been tracking the IG’s investigations, who will help us sort this all out.