

## **Senate Democratic Policy Committee Hearing**

**Monday, May 12, 2008  
2:00 p.m. to 4:00 p.m.  
406 Dirksen Senate Office Building**

**“Have Bush Administration Reconstruction and Anti-Corruption Failures Undermined the U.S. Mission in Iraq?”**

### **Hearing Transcript**

SEN. DORGAN: This is a hearing of the Democratic Policy Committee. This is the 14th in a series of hearings that we have held, over several years, on the issue particularly of contracting in Iraq and the issue of how U.S. money is being used in the country of Iraq.

A substantial amount of money, of course, is being spent. Last year -- well, in fact, in this fiscal year, the President asked for \$196 billion of emergency funding for this year. That's about \$16 billion a month, or \$4 billion a week.

A substantial amount of that is for the replenishment of military accounts. And some of that money, of course, moves from military accounts into security and other areas in Iraq, in the Iraqi ministries.

And our policy committee has held, as I indicated, 13 previous hearings -- this will be the 14th hearing -- on a wide range of issues.

We do not intend these to be partisan hearings. We have had open invitations for Republicans to join us. We have had Congressman Jones, on a couple of occasions, join us.

The policy committees of the Congress, both policy committees, are created by law, in a 1947 piece of law -- piece of legislation, rather, that created the committees with the anticipation of the committees conducting hearings.

The authorization for the committees actually described the calling of witnesses and so on.

Later this week, we will be requested, in the Appropriations Committee, of which I'm a member, to make -- pass judgment, I should say, on an appropriations bill, an emergency supplemental appropriations bill somewhere in the range of \$150 billion to \$170 billion.

That will occur on Thursday of this week. I will be a member of that committee. And we'll be looking at the President's request.

In the week in which we evaluate how much additional funding should we decide to approve and for what purpose, I think it's important to follow up on a very important hearing we held some while ago in the Appropriations Committee in which Judge Radhi al-Radhi, who as the head of the commission of public integrity established by our Coalition Provisional Authority, the CPA, which was an American creation.

SEN. DORGAN: After which, he testified saying a substantial amount of waste and fraud and abuse exists, especially a substantial amount of corruption in the Iraqi ministries. And he spoke at some length with great passion about that subject.

Judge al-Radhi is a very courageous man. He was on "60 Minutes," as well. And he talked about efforts that were made to kill him. He was appointed to head the anti-corruption commission, the Commission on Public Integrity, in the country of Iraq. He, with a number of his employees, went at this pretty aggressively.

More than 31 of the employees of that commission have been assassinated. In addition, 12 related family members of the employees of that commission have been killed. Staff and relatives of that commission have been kidnapped, detained, in some cases tortured and then killed. Judge Radhi himself was fired upon by snipers and managed to escape.

That's a photograph of Judge al-Radhi's home at one point after an attack on his home.

The point that I make with this is he had the courage to come forward and talk about what was happening in the country of Iraq. He said he brought and investigated 3,000 cases. Very few of them were prosecuted. He described about \$18 billion, in his estimate, that was wasted. A substantial portion of that, he said, was American money.

He told us that he was, although appointed by Paul Bremer, he apparently began aggressively taking on corruption in the Iraqi government; corruption that involved Iraqi money and also American money.

SEN. DORGAN: And that corruption investigation that was pretty wide-ranging not only threatened his life but also -- he indicated -- persuaded some that he was causing trouble and he should leave.

And so the question then later this week is, as we are asked to appropriate additional money: What will happen to that money? In whose pockets will that money go and what will happen to American taxpayers who pay taxes and expect their money to spent wisely?

Judge al-Radhi described that about \$3 billion of the money he had described went to the defense ministry. I think he -- he believed that about \$3 million, based on his anti-corruption investigation, actually ended up in corrupt practices, being moved to

bank accounts overseas, ordering airplanes, ships and tanks that were never delivered. And he described that ministry as essentially run by someone who was corrupt.

The result was a substantial waste of money. And, again, I reiterate, when we appropriate additional money, to what purpose? Where will the money end up? What kind of assurance do we have that the anti-corruption efforts in Iraq are succeeding?

So we have three witnesses today. And as I do for all of the witnesses, I must say that I appreciate very much their willingness to come to the Congress to tell what they know and describe things as they see it.

There's a kind of a feeling around here that we don't -- we want to varnish over everything, we don't want the unvarnished truth. Well, I want the unvarnished truth. I want to understand what's happening and how we can find a way to address it.

This is not about partisan politics -- far from it. In fact, it's about trying to make sure this government of ours works, that the taxpayer is served, that what we do in Iraq is something that we do effectively.

And the hearings that I have held have raised far more questions than provided answers.

SEN. DORGAN: But I appreciate very much Judge Arthur Brennan being with us today. He was the director of the Department of State's Office of Accountability and Transparency. He became a director of that after serving as a New Hampshire Superior Court judge for 15 years.

Judge Brennan, thank you for being with us.

James Mattil served as the Chief of Staff at the Office of Accountability and Transparency in Iraq for two years. Mr. Mattil, in that capacity, served as an Advisor to Judge Radhi in his efforts to investigate corruption in the government of Iraq.

And the third witness is Major General -- retired Major General William Nash. He will discuss the manner in which the U.S. efforts to build up the government of Iraq were carried out and perhaps should have been carried out.

He has extensive experience in peace-keeping operations, both as a U.S. commander of the Army in Bosnia Herzegovina and also as a civilian administrator for the United Nations in Kosovo.

You are three very distinguished Americans and we appreciate very much your willingness to come and be with us today.

I'd like to call on my colleague, Senator Klobuchar. And we will be joined by other senators, as well, but I wanted to begin the hearing on time.

Senator Klobuchar, would you have an opening statement?

SEN. KLOBUCHAR: Well, thank you very much. Thank you very much, Senator Dorgan. Thank you for holding this important hearing and to our witnesses for coming forward to continue to shed light on the unprecedented level of corruption and the lack of accountability, which continue to paralyze the reconstruction in Iraq.

I really look at this in my ways -- first as a prosecutor for eight years. I always would say follow the money and that's how you find the bad guys.

SEN. KLOBUCHAR: Well, if we were not allowed to follow the money and to get to the bottom of what's going on, we're never going to get to the bottom of the corruption.

I found many times, especially in the white collar area, that if you would just let things go and not take on some of these cases, it would just get worse and worse and worse.

And then, on the other hand, I remember some tax prosecutions, in particular. When we brought those cases, suddenly the revenue department found many, many people paying in their taxes.

The same thing with corruption. If you bring cases, and you gather the evidence, and you prosecute them, it not only helps in that individual case to get more accountability, but it sets a higher example of how behavior is expected.

And, if we don't start pursuing this kind of corruption, we're just going to keep digging ourselves deeper and deeper and deeper.

The other reason I'm interested in this is that I visited Iraq about a year and three months ago and met with a lot of the commanders. When we were on Fallujah, I heard a story about some corrupt Iraqi official who had taken, at that point they said, tens of millions of dollars. This was a story from our own military command.

I never really talked about it when I came back because I didn't have all the facts and the details, and you don't like to report on things when you're not sure exactly what happened.

But I believed what they told us. They were all military commanders. And, when I come back and look at the evidence that Senator Dorgan has gathered and others, I know that this is going on all the time.

Among the many errors made by our government since the invasion of Iraq in 2003, few have demonstrated such negligence and mismanagement as U.S. funding and

oversight of Iraqi reconstruction efforts. Shortly after the U.S. took control of Baghdad, the report surfaced of billions of dollars in U.S. and Iraqi funds simply disappearing.

Today, after more than five years of the U.S. commitment to Iraq, we're still receiving reports that billions of U.S. taxpayer dollars sent to Iraq supposedly for important reconstruction projects are still being wasted or stolen.

As Chairman Dorgan as repeatedly referenced in March, the former head of Iraq's Integrity Commission estimated that as much as \$18 billion in reconstruction funding has been lost to corruption.

Beyond the economic impact, this corruption and the failure of major reconstruction projects has eroded public confidence in the Iraqi government and in the United States officials in Iraq, further reducing the prospects for meaningful political reconciliation.

SEN. KLOBUCHAR: This isn't just an Iraqi problem. As we heard, just last week, in this very room, this also is a United States government problem in terms of who we have chosen to contract with.

We heard stories, just last week, about cases where a foreman of a reconstruction company actually was stealing the ice in the 120-degree weather and selling it on the black market instead of giving it to the Marines for which it was intended.

Corruption has been endemic to the war in Iraq since its beginning. And it is our soldiers on the front line and our American taxpayers at home and the Iraqi people that are suffering the cost.

I look forward to hearing from our witnesses today about how we might be able to apply the lessons we have learned over the past five years to combat the corruption we are currently experiencing.

Thank you very much.

SEN. DORGAN: Senator Klobuchar, thank you very much.

Judge Brennan, thank you. Let me give further introduction. The OAT [Office of Accountability and Transparency] was established by the Department of State in January of 2007. You were a part of that, relatively briefly, in the country of Iraq. It's called the department -- Director -- you were the Director of the Department of the State's Office of Accountability and Transparency.

You formerly served for 15 years on the New Hampshire Superior Court. You were a Major with the 82nd Airborne Division and served in the Army Reserve for 17 years.

In 1995, you worked with the Cambodian government, as I understand it, to set up provisional courts.

You have a very distinguished record, Judge Brennan. We're pleased that you're with us, and you may proceed.

THE HONORABLE JUDGE ARTHUR BRENNAN, FORMER DIRECTOR, OFFICE OF ACCOUNTABILITY AND TRANSPARENCY: Thank you, Senator Dorgan. Good afternoon. My name is Arthur Brennan. I'm a Superior Court judge from New Hampshire on senior status, that is, I'm no longer a full-time judge.

I retired as a full-time judge on June 1, 2007 and I took the position of Director of the Office of Accountability and Transparency at the U.S. Embassy in Baghdad in July of 2007.

I am a U.S. Army veteran of the 82nd Airborne, and I served for 20 years in the U.S. Army Reserves. I worked for years as a contractor doing stone and tree work in New Hampshire. And finally I went to law school on the G.I. bill.

My wife of 40 years, Nancy Brennan, a retired teacher, also intended to work in Iraq. In 1995, Nancy and I worked together assisting in an effort to bring a legitimate court system to Cambodia.

On July 23, 2007, after I'd been in Baghdad for only a few weeks, Nancy was diagnosed with an incurable, but treatable form of cancer. I took emergency leave from Baghdad, and because of Nancy's health, I resigned from my job as Director of OAT.

In January of 2007, when a State Department official contacted me about taking the job as director of OAT, I was told that one of the U.S. Embassy's most important objectives was to reduce the devastating corruption that was destroying Iraq and lengthening this crisis. Corruption in the Iraqi government was robbing the Iraqi people of their right to law and order as well as their access to health care and basic services, such as electricity, water and transportation.

The OAT team, each member having had years of experience in Iraq, soon discovered that the Department of State's actual policies not only contradicted the anti-corruption mission but indirectly contributed to and has allowed corruption to fester at the highest levels of the Iraqi government.

HON. BRENNAN: The embassy effort against corruption, including its new centerpiece, the now defunct Office of Accountability and Transparency -- that is OAT -- was little more than window dressing.

OAT's work and the work of its close partners, the Department of Justice's International Criminal Investigative Training and Assistance Program -- that is

ICITAP -- and the Iraqi Commission for Public Integrity, under the leadership of Judge Radhi Hamza al-Radhi, was ignored and demeaned by the Department of State, the Department of Justice, and the government of Iraq.

And this is because the actual policies and performance of the State Department in Iraq are not what they are represented to be. The Department of State has negligently, recklessly and sometimes intentionally misled the U.S. Congress, the American people, and the people of Iraq.

In a sense, the Department of State has contributed to the killing and maiming of U.S. soldiers; the deaths of thousands of Iraqi civilians; the bolstering of illegal militias, insurgents and Al Qaeda; and the enrichment and empowerment of the thieves that are controlling some of the Iraqi ministries.

Further, the Department of State's performance or nonperformance has discouraged honest men and women in the Iraqi government. Billions of U.S. and Iraqi dollars have been lost, stolen and wasted. And it is likely that some of that money is financing outlaws and insurgents, including the Mahdi Army.

And I'll give you a few examples that substantiate my conclusions. In mid-July 2007, OAT received a request from the Special Inspector General for Iraq Reconstruction, SIGIR, to comment on a draft of SIGIR's upcoming report on U.S. anti-corruption efforts in Iraq.

The draft report described the positive development of an entity named the Joint Anti-Corruption Committee, JACC, which consisted of the three Iraqi government watchdog agencies: the BSA, which is similar to the GAO; the CPI, which is similar to the FBI; and the Iraqi IGs [Inspector Generals].

In OAT's response to the SIGIR request for comment, we pointed out to SIGIR, among other things, that the only visible activity of the Joint Anti-Corruption Committee, JACC, was to provide a forum for an Iraqi official who wanted Judge Radhi Hamza al-Radhi to be removed from his position as Commissioner of CPI.

This Iraqi official sought Judge Radhi's removal because CPI's investigators were uncovering billions of dollars of corruption in the ministries, and this was causing political problems for certain Iraqi leaders with close ties to the government of Prime Minister Nouri al- Maliki.

HON. BRENNAN: Unaware that the response to the SIGIR inquiry had to be vetted by the chief of mission, I ordered that our old response be sent directly to SIGIR.

Within a day, the answer was withdrawn by the embassy and a new response, drafted outside of OAT, was sent back to SIGIR. It bore little or no resemblance to the OAT comments and failed to even mention what a disaster the JACC really was. I have copies of both letters.

I approved -- and, incidentally, I did approve the new letter, but against my better judgment. And later events made me regret that moment when I dropped my principles and drifted along with the program.

A few days later, the OAT team expressed concerns to Chief of Mission Ambassador Crocker about an Iraqi leader who was being investigated for theft and/or misappropriation of up to \$1 billion dollars in medical supplies intended for the use of the Iraqi people. The medical supplies were showing up on the black market in Iraq and Syria.

This leader insisted on accompanying the OAT senior advisor assigned to his agency whenever the advisor met other Iraqi I.G. officials employed in other Iraqi ministries.

OAT had evidence that the man was corrupt and dangerous. He had been in the leadership of a ministry that was directly involved in the abduction, torture and murder of hundreds of Sunnis who had sought treatment in Iraqi medical centers. The death squads within the medical centers hunted down Sunnis who had given their names and addresses when admitted for medical care.

We pointed out to Ambassador Crocker that we were concerned about going along with this leader because in doing so we were lending our credibility to a person with a reputation for dishonesty and violence.

I told Crocker that I felt we were bolstering the man's visibility and position in the Iraqi government at the expense of our credibility.

Further, we felt we were endangering the life of the OAT senior advisor assigned to his agency for nothing. Ambassador Crocker responded that he wanted more proof. I referred him to the OAT senior advisor to CPI who then explained to the Chief of Mission Ambassador Crocker in more detail.

Ambassador Crocker immediately ordered a comprehensive report on embassy anti-corruption efforts. I took emergency leave shortly thereafter and I believe a report of some kind was issued.

Incredibly, that Iraqi leader is still in power and still receiving the implicit support of the U.S. embassy. In fact, a few months after the OAT discussion with Crocker, the Iraqi leader recognized one of the OAT team members at the embassy. He expressed to the American advisor that he looked forward to the day when Judge Radhi would be sent back to Iraq where "justice would be done."

In January and July of 2007, OAT had already issued a comprehensive 80-page report -- and it's 80-page, not 60, I recall -- of its own, describing the level of corruption in the 31 Iraqi ministries.

HON. BRENNAN: To my knowledge, the State Department has never reacted, responded, or considered OAT's initial January report or the updated July report in any way.

However, in the late summer or early fall of 2007, the House Committee on Oversight and Government Reform requested a copy of the comprehensive OAT report.

The Department of State then retroactively classified the report in an effort to prevent it from being made a subject of public knowledge and discussion.

Also, after that inquiry by the House Oversight Committee, all OAT personnel and all other State Department personnel were ordered not to testify at all to the House Committee about corruption within the Iraqi Government.

Later, when an investigator from the House Oversight Committee asked to speak with members of OAT, he was told by the Department of State representatives that OAT was "too busy."

In actuality, members of the OAT team, having little work to do after Judge Radhi's departure and the prime minister's subsequent gutting of the CPI, were watching Western movies at the Embassy, in the OAT office, at my desk and on my computer.

OAT senior advisers worked very closely with Judge Radhi, the Commissioner of CPI, the Iraqi equivalent of our FBI. Judge Radhi has a solid reputation in the U.S. embassy and the Department of Justice for running an honest, unbiased, and independent Iraqi government agency.

Judge Radhi's CPI investigators were trained and advised by the American law enforcement officers of ICITAP [International Criminal Investigative Training Assistance Program]. And those law enforcement officers hold Judge Radhi and his CPI investigators in high esteem.

I have personal knowledge that those law enforcement officers would as quickly risk their lives for those Iraqi officers as they would for each other.

Throughout his time as the Commissioner of CPI, and despite orders from the Iraqi prime minister's office to remove Sunnis from the CPI employment; to fire his chief investigator, known as the "Elliott Ness of Iraq;" and not to investigate high-ranking Iraqi officials without permission from the prime minister, Judge Radhi and the CPI investigators courageously stuck to their principles and refused to carry out those illegal orders.

Judge Radhi and his best officers from CPI and their families have paid a heavy price for their steadfast loyalty to the rule of law and the Iraqi people. Thirty-one CPI employees have been murdered, along with 12 of their family members.

HON. BRENNAN: Now, Judge Radhi and his best lieutenants are men without a country.

In September of 2007, Judge Radhi was forced to seek asylum in the United States. Finally, after continuous political efforts by the Iraqi prime minister's office to remove Judge Radhi had failed; after bogus attempts to accuse him of crimes and corruption had failed; and after threats and murder of CPI personnel and their families had failed; the two rockets that narrowly missed his house in Baghdad convinced Judge Radhi that his family would be murdered and that he must resign and seek asylum in the United States. And, in the end, our State Department abandoned and betrayed Judge Radhi.

The State Department's response to this tragedy is telling. The American law enforcement officers of ICITAP and the senior advisers at OAT who worked so closely with CPI and sought protection for Judge Radhi and his investigators were ordered not to provide letters or affidavits in support of Judge Radhi's applications for asylum.

Who knew more about Judge Radhi and his deputies than those officers from ICITAP?

HON. BRENNAN: And who could better explain to the administrative judge what danger Judge Radhi was in and why he should be granted asylum?

And what clearer message could the State Department be sending to any honest Iraqi official about the lack of credibility, the disloyalty and the unreliability of the U.S. government?

What clearer message of American cynicism and impotence could the State Department be sending to the corrupt Iraqi leaders who threatened to harm and may have attempted to kill Judge Radhi and his family?

And what an affront, an embarrassment, to the American law enforcement officers of ICITAP who had so effectively and courageously worked with Judge Radhi and his investigators.

And of course, there were numerous problems with oversight that should be considered. For instance, the Bureau of the Supreme Audit, similar to our GAO, is one of the three Iraqi watchdog agencies assisted by OAT, but to my knowledge, no one in the State Department has ever seen an actual audit of any Iraqi agency or ministry.

Also, the CPI and the other watchdog agencies are very limited in their ability to audit, inspect and investigate. Many of the ministries are controlled by criminals and guarded by armed thugs. It would be a death sentence to try to do any investigation without armed support and security.

Shortly after I arrived in Iraq, a senior U.S. Army JAG officer stopped me after a meeting. And he told me "Judge, be careful. Your job is dangerous and not only from the Iraqis. There are people here who would be happy to see this thing last forever."

At the time, I thought it was a strange thing to say. But now, I find it reasonable and certainly understandable.

Thank you for listening to me. I'll do my best to accurately answer any question you may have.

SEN. DORGAN: Judge Brennan, thank you very much. I understand and hear the passion in your voice about these issues, and understand the reason for that passion.

Next we will hear from Jim Mattil, who served as Chief of Staff at the State Department's Office of Accountability and Transparency, otherwise referred to as OAT, in Iraq for two years, immediately following the creation of OAT.

In that capacity, he served as adviser to Judge Rahdi al-Rahdi, the director of the Iraq Commission on Public Integrity in his efforts to investigate systematic corruption in the Iraqi government.

Mr. Mattil, thank you for being with us today. And you may proceed.

CHIEF OF STAFF JAMES MATTIL, OFFICE OF ACCOUNTABILITY AND TRANSPARENCY: Thank you, Senator.

My name is James Mattil. I was employed by the U.S. Department of State as Chief of Staff for OAT at the Embassy, actually from October 2006 through October 2007 and was the first employee actually dedicated to OAT and charged with setting up the office.

During my tour in Iraq, my duties included serving as acting senior consultant to the Iraqi Commission on Public Integrity, CPI, and as Acting Senior Consultant to the Iraqi inspectors general and as liaison between OAT and the intelligence community.

This was my second tour in Iraq. I previously worked as a Program Manager in the Iraqi Business Centers and in information operations with MNC-I.

My career background is in the private sector, where I founded two manufacturing firms, two nonprofit organizations, managed a utility energy program. I've lived in Belfast, Northern Ireland. And a managing editor for a Web site called Flash Point Sky.

OAT was set up to provide assistance, training and support to Iraq's anti-corruption agencies. In the 11 months that I served in Iraq, OAT was under-staffed for its mission and had no operating budget. That's zero.

C.O.S. MATTIL: The proposed staffing of OAT when the office was set up was 25 people. That was cut to six, without the knowledge or input from any member of OAT staff or any other known oversight. In fact, there was no transparency even with the Office of Transparency.

Our job was to implement U.S. policy, but whenever we tried, our own officials blocked us.

One of the questions this committee has -- hearing is about is, "Does corruption undermine our mission in Iraq?"

Although fighting corruption is often cited as one of our highest priorities, it was not even one of the 18 Iraqi benchmarks associated with the so-called "surge."

Corruption and its consequences are the fuel that sustain the insurgency, providing the money, the people and the motivation to fight Americans in Iraq.

Stuart Bowen of SIGIR correctly calls it "the second insurgency," yet it was not one of the 18 benchmarks.

The only people that support a corrupt regime are those who benefit and profit from it. Anyone else is predisposed to fight back and replace an unjust and corrupt government.

Hence, allowing corruption to flourish unchecked in Iraq absolutely, positive undermine the U.S. mission to foster democracy and prosperity.

C.O.S. MATTIL: For America to tolerate and support a corrupt regime puts our country, our troops and our money behind the wrong people; the same kind of people and the same kind of authoritarian regime we fought to remove.

Iraq's endemic corruption is an integral element of the insurgency. It provides the money, personnel and motivation to insurgents and terrorists.

Hence, it's only reasonable to ask why fighting corruption is not a higher priority in Iraq and why the U.S. government has not provided more resources and political support -- or, more correctly, any resources or any political support.

In retrospect, it seems reasonable to conclude that the reasons are either: gross incompetence, willful negligence, or political intent on the part of the Administration, and more specifically the State Department. In the hands of criminals, the Commission of Public Integrity can be a vicious tool to persecute

political enemies while protecting political cronies. And this is why the Prime Minister's office waged an unrelenting 10-month campaign against Judge Radhi to gain control of CPI.

But why has the U.S. allowed this to happen and have we been complicit?

During my tenure there, we had not demanded transparency or accountability from the government of Iraq. We have not demanded that GOI comply with CPA orders, the Iraqi constitution, or the rule of law. We've remained silent in the face of a campaign to subvert the independence of CPI.

We've ignored the consequences "secret orders" issued to the Commission of Public Integrity by the Prime Minister's Office to grant Iraqi officials a license to steal and immunity from prosecution.

We allowed ourselves to be bullied and excluded from the Joint Anti-Corruption Council, a bilateral council, by the so-called anti-corruption czar, the IG at the Ministry of Health, a man associated with the Mahdi militias, as Judge Brenner alluded to.

We witnessed the campaign of threats and intimidation that drove CPI's leaders to seek refuge in safe houses and forced them to seek political asylum in America.

C.O.S. MATTIL: Think about this. Those who attempt to enforce the rule of law have become the victims, not the protectors. And we did nothing.

And we've watched as our troops die and suffer in an effort to support a government that appears unwilling to help itself.

The OAT advisers passed this information up the chain of command and briefed Ambassadors Saloom and Crocker repeatedly about the problems, to no avail.

We expected that America's diplomats would demand good governance in exchange for Americans' continuing support. Apparently, this has not happened.

During recent testimony to Congress, Ambassador Crocker was quoted as saying, "I do believe Iraq's leaders have the will to tackle the country's pressing problems, although it will take longer than we initially anticipated because of the environment and the gravity of the issue."

Based on my experience in Iraq and my direct contact with CPI and GOI [Government of Iraq] officials, I must respectfully disagree with Ambassador Crocker's conclusion that Iraq's leaders have the will to tackle the country's pressing problems.

Most notably, the prime minister issued secret orders to CPI, prohibiting that agency from referring cases to the courts in the cases involving former or current high-ranking government of Iraq officials, including the prime minister.

This order interferes with investigations of graft and corruption involving U.S. government funds, Development Fund for Iraq funds entrusted to the U.S. government, as well as government of Iraq funds. The secret order is literally a license to steal.

The prime minister has issued additional secret orders demanding that the director general of investigations at CPI be replaced.

After Judge Radhi resigned, the prime minister appointed a new acting CPI commissioner named Moussa Faraj, who, three weeks earlier, had been arrested and jailed on corruption charges himself.

C.O.S. MATTIL: Faraj was out on bail and had yet to appear in court when he was appointed commissioner of Iraq's lead anti-corruption agency.

The U.S. Embassy Baghdad has been briefed on all the information in this statement.

In addition, classified intelligence reports document even more troubling information that amplifies the information in this statement. Our leaders have remained silent, giving tacit approval to corruption.

Our job was to implement U.S. policy. However, there appeared to be two policies -- plan A, written; and plan b, unwritten.

In retrospect, it seems that policy was often -- the official policy was often overruled or guided by an invisible voice somewhere up the chain of command -- a voice without a conscience.

One of the questions repeatedly asked is, "Whose money is at risk? Is it U.S. government funds or government of Iraq money?" Given the lack of transparency and accountability within the government of Iraq, it's virtually impossible to track money.

GOI computers at BSA [Bureau of Supreme Audit] were stolen; the Central Bank of Iraq caught fire -- twice. When audits were proposed at the ministry of health, it caught fire.

Neither CPI nor U.S. government agencies have legitimate access to track money. But does it really matter? Every U.S. dollar provided frees up 1,400 Iraqi dinars for theft, waste and abuse.

So, the more money we invest in Iraq, the more money available for theft from Iraq.

One of the other questions where a suitable example of the lack of controls involve weapons.

One of the few assets that OAT might have been able to provide to CPI were weapons for the investigators to help empower and protect them so they could function and survive.

After purchasing weapons for CPI, OAT was unable to get Department of State Legal Department approval to release some 500 Glocks and 100 shotguns to CPI.

When Judge Radhi defected and Mr. Faraj was illegally appointed CPI commissioner, U.S. government personnel were no longer allowed to enter "the zoo," the area at which the CPI is based inside the green zone.

C.O.S. MATTIL: "The zoo" had fallen under control of elements of the Mahdi militia. In effect, these weapons were now in enemy hands, beyond U.S. government control and inside the International Zone.

CPI, despite its problems and deficiencies, has brought more cases to court than SIGIR, the Special Inspector General for Iraq Reconstruction, despite the security situation.

The fact is, SIGIR needs CPI to investigate the Iraqi side of joint corruption, so without cooperation and assistance from CPI, the U.S. government will have incredible difficulty bringing war profiteers to justice. Yet some of Iraq's top investigators languish in Virginia, undocumented and unemployed.

One of my first attempted projects was to create an organization chart of the Iraqi government with cooperation from the intelligence community. I was surprised that such charts did not already exist.

The charts would identify the names, positions, sects, political and tribal affiliations of key individuals within the Iraqi government. These linkages would help identify the sources and methods of corruption within GOI.

I was surprised that such information didn't already exist, but was even more surprised when I was told that embassy officials objected to having such a chart and would not provide the necessary information to produce one.

On several occasions, OAT received taskings, directives, work requests, from the White House, the National Security Council and the State Department. Typically, these taskers asked for suggestions on how to fight corruption, "if" we were given a free hand. OAT and ICITAP, including former FBI agents and other senior U.S. police advisers who had served in Bosnia and Kosovo, prepared the responses.

None of the suggestions were ever implemented and one funded program to change a kitten into a tiger was killed entirely.

I would like one bit to amplify on Judge Brennan's statements that the U.S. government response to Judge Rahdi and his associates departure from CPI is personally disturbing to me and others. It's been a shameful national disgrace.

This is one area where Congress could get involved and make an immediate difference.

In closing, I'll add a postscript: Despite the obstacles and failures outlined herein by Judge Brennan and myself and others from OAT, you'll be pleased to know that the OAT office received the Department of State's Meritorious Achievement Award, and in December 2007, the office was dismantled.

Thank you.

SEN. DORGAN: Mr. Mattil, thank you very much for being here and for providing testimony. We will have a good many questions. It's fascinating and discouraging and disturbing testimony in many ways.

Next, we'll hear from Major General-Retired William Nash. Major General Nash served 34 years in the U.S. Army, retiring January 1998. He was an armored cavalry platoon leader in Vietnam, an armored brigade commander in Operation Desert Storm and commanded the 1st Armored Divisions from June of '95 to May of '97.

SEN. DORGAN: He has extensive experience in peacekeeping operations, both as a military commander in Bosnia-Herzegovina and as a civilian administrator for the United Nations in Kosovo.

General Nash, thank you very much for being with us. You may proceed.

MAJOR GENERAL WILLIAM L. NASH, U.S. ARMY (RETIRED): Thank you, Mr. Chairman. And to you and the members of the committee, I greatly appreciate the opportunity to be here and also to -- I'm privileged to sit beside the two public servants that have served our nation to the utmost of their abilities.

Along with this full statement, I'd ask that you'd include, in your record, the Council on Foreign Relations' U.S. Post-Conflict Capabilities independent Task Force report, entitled, "In the Wake of War: Improving U.S. Post-Conflict Capabilities."

SEN. DORGAN: Without objection, we'll include it.

GEN. NASH: Some may say this report from July of 2005 is dated. I would argue that it's prescient, and that, until we fix the issues that it identifies, the issues of incompetence and negligence that we are discussing here today will continue.

I'll start by emphasizing that stabilization and reconstruction operations are critical national security priorities.

Iraq has clearly shown us what a lack of planning, leadership, accountability, and wisdom will cost our nation.

Leadership is, in fact, the most important factor. Throughout the 90s, including my time in the Balkans, the U.S. government began to understand the complex nature of post-war operations, and codified lessons learned, as well as improved planning and subsequent operations.

However, in more recent times, this learning was disregarded, with devastating consequences in Iraq.

In short, a comprehensive and thoroughly vetted plan with sufficient forces allocated to public security, provisions to provide basic services to the public, and to establish the foundations for future political and economic development should have been a part of the war plan.

Instead, our government's plan was ad hoc and incomplete, without clear responsibilities established. It was without vision or wisdom.

Importantly, the government failed to recognize that, whether the post-conflict efforts are done by the government employees, civilian or military, or contracted to private companies, or turned over to the Iraqis, all work must be part of a single, integrated plan for which responsibility and accountability are clear.

Only now are we beginning to return to the learning curve begun in the 90s. And I should note that all of this is really more than "post-conflict reconstruction." The leadership and capacities and resources of which I speak are equally applicable to "pre-conflict construction" -- that is, conflict prevention, an important element of any U.S. foreign policy approach.

GEN. NASH: My third point then is the importance of fully funding the budget requests related to these capabilities. If we are to get our house in order, authorizations and appropriations for Defense, State and foreign operations for F.Y. '08 and '09 must reflect the right priorities.

And I believe your committee, sir, can have, and should have, great influence on our meeting our needs.

You talked about the meeting on Thursday to include the emergency supplemental for '08. I would argue that at least no less than \$106 million dollars for the supplemental should be allocated to the Office of the Coordinator for Reconstruction and Stabilization, as well as the active and reserve response corps.

Further, this year you'll address the Reconstruction and Stabilization Civilian Management Act, passed in the House as House Resolution 1084, that authorizes the coordinator for reconstruction stabilization and the reserve corps I mentioned. It has passed the House.

The Senate version, S. 6113 (sic), is being held up by one senator. I urge you all to take leadership roles and push the authorizing bill through the Senate.

To criticize the executive branch without implementing the necessary legislation to fix the long-term problems that we addressed does not serve the nation well.

And finally, I would share with you a personal note. I want to emphasize to this committee that the civilian implementation part of a stabilization mission are the most complex and the most difficult.

You've heard of money of the problems today, but we know there are many more.

As one of the few Americans who has been a leader in both a military and civilian peacekeeping mission, I can tell you without reservation that the civilian half needs far more study, leadership, resources and prioritization.

To bring about the political, economic, social and security issues together in a comprehensive and coherent program in a foreign land under harsh and dangerous conditions is hard -- very hard.

Therefore, it's important for all of us to understand that we must work collectively, both in the Senate and the House -- especially the Authorizations and Appropriations Committee -- because the scope is much larger than either the Defense or the State Department.

Our government is not properly organized, resourced, led to meet the challenges we face.

Again, I thank you for the opportunity to speak. Again, I refer you to this report. I think it will provide you an overview that you need. And I look forward to your questions and would be happy to provide my views on the specific topics addressed earlier.

Thank you.

SEN. DORGAN: General Nash, thank you very much.

I must tell you, it, in many ways, makes me furious to hear testimony of the type we've heard today.

It's one thing not to have the will; it's quite another thing not to constructively engage in a way that pursues policies that you know in your gut are right for this country.

And I have a lot of questions to ask, and I shall ask a lot of questions.

The one thing I took from this, and I had suspicioned it before, and that is, with the substantial amount of corruption that is occurring in Iraq and what appears to me to be an acquiescence to that corruption by officials -- our officials who are there, it, in effect, ends up providing substantial amount of money, arms and munitions to both sides in this war. And I'm going to ask questions about that.

But it is a cruel irony if we are appropriating money next Thursday or did appropriate money last month or last year and that money ends up actually providing the resources for an insurgency in Iraq which ends up killing Americans.

SEN. DORGAN: I want to do this. Senator McCaskill has to leave. I'm going to invite her to ask questions first, then I will call on my colleagues, Senator Klobuchar, Senator Whitehorse -- Whitehouse rather. Then I will follow.

Senator McCaskill?

SEN. MCCASKILL: I am very appreciative to the chairman and to, particularly, my two colleagues because they beat me here. And I'm so sorry. And I will only, frankly, just focus on one area. There is so much to this testimony that is beyond depressing, it's hard to know where to begin.

But I want to focus in, Judge. First of all, thank you for your service to our country. Thank you for your willingness to sign up again to do what's right for our country by going over and trying to work on the issue of accountability and transparency.

And let me hone in on your testimony as it relates to SIGIR. I have spent a lot of time since I've been here working on augmenting SIGIR, supporting SIGIR.

So I am shocked and dismayed to hear that your response to SIGIR -- and let the record reflect that an audit is a -- there is a series of things that must happen in an audit under the yellow book principles of government auditing. And one of those is the responses from people you are auditing.

So when you sent a response to SIGIR that basically said that this Joint Anti-Corruption Committee was a joke, and then you found out that that response was not used, that rather they went outside of your agency and drafted another response from the State Department, what did the response that was drafted by the State Department say; that this Anti-Corruption Committee was doing good work?

HON. BRENNAN: The response from the State Department I -- by the way, I believe the Committee has both letters so you can look at both letters -- but the response to the -- that was written by and signed by I think the Deputy Chief of Mission or at least vetted by the Chief of Mission or Deputy has no mention of any problem JACC, the JACC, that Joint Anti-Corruption Counsel, the Iraqis.

And I should point this out: I was brand new to that job, otherwise I probably would have known to send my report to Ambassador Crocker to be vetted.

HON. BRENNAN: I didn't know that. And, to me, I thought: SIGIR asked a question. I got together with the OAT team. We drafted a response, and we sent it out.

To me, that's the way you do business, whether it's in a courtroom in New Hampshire or here in Washington, D.C. If you want to make a reasonable decision, you need a straight answer, you need some facts to deal with.

Well, what happened was, the -- I think he was the Chief of the Rule of Law Section of the Embassy, said, "Look, you can't do that."

And apparently, somebody higher up or at the northern end of the Embassy drafted the response that had, to my knowledge -- and I haven't, unfortunately, read it recently -- I don't think there was anything in it about a problem with JACC at all.

SEN. MCCASKILL: Mr. Mattil?

C.O.S. MATTIL: Can I add something to that?

SEN. MCCASKILL: Yes.

C.O.S. MATTIL: In a previous audit of anti-corruption, SIGIR had set forth 12 -- SIGIR in a previous audit had written up 12 recommendations for the anti-corruption effort. During this audit, and after the response -- the modified response, setting up the JACC was cited as one of the two achievements of the 12 items.

So ten were unfinished; two were completed. One of the two completed was the Joint Anti-Corruption Council, where we had definitely negotiated ourselves out of the council.

It was supposed to be a joint Iraqi-British-U.S. committee that linked the Iraqi effort and the American effort, so the principals from both sides would meet. And the clever result was neither the British nor Americans participated.

SEN. MCCASKILL: So, in essence, there were 12 recommendations. And what this response said was one of the two you're saying that happened really didn't happen.

C.O.S. MATTIL: Correct.

SEN. MCCASKILL: And then that response was then changed by Crocker -- the ambassador and the director of mission for the embassy in Iraq.

HON. BRENNAN: That's correct.

SEN. MCCASKILL: And your testimony -- I want to make sure that you have said the Department of State has negligently, recklessly and intentionally misled Congress, the American people and the people of Iraq. And you stand by that testimony, Judge?

HON. BRENNAN: I stand by that testimony.

SEN. MCCASKILL: And so, what we're learning today is that SIGIR, the information we're getting from SIGIR is not, in fact, always factual, that sometimes it is being spun by Ambassador Crocker and that it is your testimony today that Ambassador Crocker knows the level of corruption in the Iraqi government and has failed to be honest with the American people about it.

HON. BRENNAN: If he doesn't know, then he's negligent. If he does know, then he's intentionally misleading Congress and the American public.

SEN. MCCASKILL: Thank you, Mr. Chairman.

SEN. DORGAN: Senator Klobuchar?

Senator McCaskill, thank you very much.

SEN. KLOBUCHAR: Thank you very much.

Mr. Mattil, when I talked in my opening statement, I talked about the importance of pursuing these cases. And I was struck by your testimony where you talked about the lack of transparency and accountability within the government of Iraq.

And I think you mentioned about the Central Bank of Iraq catching fire, computers stolen. Could you expand on that? And do you believe that was somehow related to the attempt to investigate, or what's been going on?

C.O.S. MATTIL: The Iraqis are creative in their ability to avoid accountability and transparency in the first place. We've come to a country that has a long history of merchant trading and we're the new kids on the block trying to -- I got an Irish expression, but I don't think I'll use it here.

We're trying to teach them something they maybe know better than we do.

But, yes, every -- so many times, not every single time -- but the computers that were given to BSA were then reported -- the computer boxes are still there, but they take the motherboards out and they build a new computer around them and the hard drives, so those are gone.

There's a tendency for constant coincidences. A week before the Ministry of Health was to have an audit the warehouse caught fire. A week...

SEN. KLOBUCHAR: Then what happened? Were they able to ever find the documents?

C.O.S. MATTIL: No, the -- no.

SEN. KLOBUCHAR: Because it was -- they were on fire?

C.O.S. MATTIL: Well, what -- so, no, nothing was learned from that. I don't know what happened.

As Judge Brennan mentioned, we've never seen an audit.

SEN. KLOBUCHAR: So you -- the best of your knowledge, there's been no audit of any Iraqi agency?

C.O.S. MATTIL: I've heard they exist.

SEN. KLOBUCHAR: OK.

C.O.S. MATTIL: But once -- if they're done they're not shared with anyone, so it's the same as not having one.

The Central Bank fires were reported to me by an NBC reporter. And this was after I had left and they wanted my comment about that. It just seemed like more of the same.

One of the problems in -- going back to this, what I mentioned in my testimony, about putting together organization charts -- charts such as this exist in certain ministries in its way of tracking.

There's certain people within every ministry are in a position to obstruct justice more than others -- usually the Director General of Administration. They control the files and the records.

One of the recurring problems for CPI is that when they try to get evidence from any of the ministries or if you're trying to do an audit, you have to go to the D.G. [Director General] of administration at the particular ministry. They refuse to give you information. And all CPI could ever do is write letters asking for it.

The Inspector General, who should be the internal policeman for a particular ministry, is usually tied in to the D.G. of administration. So, if they hold -- if whatever bad guy or bad group is involved controls the D.G. of administration and the Inspector General, there can be no transparency unless they want there to be.

SEN. MCCASKILL: So with all this going on, in your testimony, you stated that the proposed staffing of the Office of Accountability and Transparency was cut from 25 to six, without any knowledge of the staff of the agency. Is that correct?

C.O.S. MATTIL: Right, without the knowledge of any of us in the office.

SEN. MCCASKILL: Do you know who was responsible for ordering those staffing cuts?

C.O.S. MATTIL: I believe so.

SEN. MCCASKILL: Who was that?

C.O.S. MATTIL: The acting deputy director at that time was Boots Polliquan. And he would have conferred with Rob Tillery, who was -- I forget his exact title, but he was second to Ambassador Saloom.

SEN. MCCASKILL: Was any reason given for the reductions?

C.O.S. MATTIL: In the nomination for award, for our office, for meritorious service, it was said that we saved \$1.5 million in U.S. funds by cutting the staff, and no mention of what the offsetting loss in U.S. funds might have been, through theft, as a result of not having the staff.

And to put that staffing in perspective, one of the six people is the inspector -- the senior consultant to the inspector generals. His job, single-handedly, with no help, no translator, just one man, is to go into 30 Iraqi ministries and train and educate the Iraqi agents -- the inspectors general on how to do this type of work.

So there's this one man that's going to teach 30 ministries. And their ministries are not like ours. An inspector general's office could have 700 or 1,000 people in it.

So he singlehandedly was supposed to train something like 30,000 people, with no money.

SEN. MCCASKILL: Judge Brennan -- I will come back on the next round, Mr. Mattil, to ask you a few follow-ups -- but I think the most striking thing, for me, from all of this testimony, was when you said that 31 CPI employees have been murdered and 12 of their family members have been murdered.

Over what period of time were they murdered?

Give me some examples of how it happened. And is there proof that it was somehow connected with these investigations?

HON. BRENNAN: Well, I don't have the institutional and historical knowledge. I was only in Iraq for 25 days, due to personal reasons.

SEN. MCCASKILL: Your own personal family problems?

HON. BRENNAN: But -- and so I would have to defer to James Mattil. I do want to say this, though. And I don't want to give you a different answer than the question you've given.

But on the audits, I was concerned that we had never seen an audit. I went to the U.S. Department of Treasury representative in the embassy shortly after I got there to see if they had seen any audits because I knew they were working with BSA, as well, and they had never seen one either.

HON. BRENNAN: And I think the person's name was Jed Smith. I don't know if James remembers that name. I think that's the name.

But I don't know over what period of time it was, Senator.

SEN. MCCASKILL: Mr. Mattil, do you have anything to add to that? Are those numbers correct?

C.O.S. MATTIL: Around December 2006, the number stood at 10 CPI personnel that had been killed. It's now 31 plus 12 family members. It may have changed since then.

It's not all what would have been -- you can't tell why the sniper shot at it. You know, it could have been random. It could have been anything, you know. So it's hard to know what -- they don't investigate. In fact, the Iraqi police have never investigated crimes in Iraq. I mean, it's just not part of their legal system. So it's things that we have or think we understand that we think to be happening...

SEN. MCCASKILL: And what's the total number of employees there at any one time, at CPI?

C.O.S. MATTIL: It's 1,200. About 200 are involved in investigations; 1,000 in other activities.

SEN. MCCASKILL: So if you have 200 and the CPI employees were over different parts of the sections of the 1,200, or were they all investigators?

C.O.S. MATTIL: They're virtually all in investigations. And I would say that those casualties in other -- from other departments were probably coincidence or non-intentional.

SEN. MCCASKILL: So if you have 200 investigators...

C.O.S. MATTIL: 20 percent, plus the number of investigators during that -- it peaked at 2,000. At one point there was as few as 50 left. People quit their jobs. It just wasn't worth it to take that grave risk.

SEN. MCCASKILL: As we look at what's been going on here and the \$12 billion we're spending a month in Iraq and the number of Iraqis that have died and the number of soldiers that have died, we know that it's worth it and we have to find some way to fix it.

Thank you very much.

SEN. DORGAN: Senator Whitehouse?

SEN. WHITEHOUSE: Thank you, Chairman. And, once again, thank you for continuing to direct our attention to this astonishing problem.

Judge Brennan, you mentioned in your testimony the scale of this is in the billions. You say billions of U.S. and Iraqi dollars have been lost, stolen, and wasted. Do you know how many? What's your rough take on it?

And I know you're not going to -- you've been an auditor. You've been asked to give very serious numbers in the past. This is a little bit more experiential. But, based on what you've seen, would it be a billion? Would it be three or four billion? Would it be \$20 billion? Where do you -- what is the order of magnitude?

HON. BRENNAN: There's no question in my mind that it's billions.

SEN. WHITEHOUSE: Yes.

HON. BRENNAN: Whether it's \$5 billion or \$15 billion, I don't know.

SEN. WHITEHOUSE: OK. But that's the range you're generally...

HON. BRENNAN: Yes.

The problem in Iraq is we have so little knowledge of what's going on within the government and outside of the green zone that nobody can really make a rational decision about anything.

The security problems -- for instance, you can't even approach the Ministry of Interior. If a CPI person went to the Ministry of Interior to try to investigate something there, they would be killed.

These ministries, the Health Ministry at one point -- I've been out of Iraq since July so I don't know if things have changed but my suspicion is they haven't changed much.

SEN. WHITEHOUSE: Sounds like they're a lot more like a futile barony than they are a government ministry.

HON. BRENNAN: Yes. And I know the General over here has probably seen similar things where he's been.

HON. BRENNAN: But that would be a description I would agree with.

SEN. WHITEHOUSE: Well, let's do the math. If it's -- pick your bottom number, \$5 billion. That means that we've made -- assuming that the Iraqis have kept the money -- that's on a scale where it would make 5,000 Iraqis into millionaires, which presumably would be enough to have some influence on policy-making around there.

I mean, if the U.S. government is there making 5,000 Iraqis into millionaires, that gives a lot of people a pretty big incentive to have us stay there and continue to milk us. No?

HON. BRENNAN: I don't think that it's spread out that way. My guess is -- and we've got that expert on the end that might really be able to help us out -- is that that money that's stolen and misappropriated goes to the high officials who are misappropriating the money -- some of it's going to them.

The rest is probably going to finance other things, and probably patronage-type -- a patronage-type situation; and also, probably for purposes that are unknown to the United States. For instance, for buying weapons and ammunition and medical supplies and equipment for the militias.

SEN. WHITEHOUSE: Mr. Mattil, what's your take of the scale of the corruption, either in billions or in percentage of dollars that you think are carved off for corruption? What information do you have, or what sense do you have -- let me ask it that way, what sense do you have?

C.O.S. MATTIL: I'm an old-timer, where a million dollars used to -- a millionaire was a big deal. I have trouble with billions in any sense.

But Judge Rahdi often estimates -- and he has a better handle on it than we do in our reports coming from him -- as high as \$18 billion. It's in the range -- I think it's

definitely more than \$5 billion. I mean, they've got cases that are \$1 billion or \$2 billion at a go.

The money doesn't -- it enriches many more than 50 or 500 people. There is a cost of doing business. To be a criminal in Iraq, you have to pay off people to gain access to whatever you're doing.

One of the points I was going to mention, I'd jotted down, around Basra, oil smuggling has become so extensive and profitable that the illegal militias were guarding the pipelines to keep them from being sabotaged by other gang elements.

So how much money are they possibly talking about? And then oil skyrockets to \$100, possibly \$200 per barrel. It's enormous amounts of money that are in circulation.

So some are going to individuals to gain access to something or get them to look the other way. Others are paid in protection to the various militias.

The previous company that I worked with in Iraq, a contractor, bought some scrap metal that they had intended to sell to Iran.

C.O.S. MATTIL: It was made illegal to do so, so they had all this scrap and they had to hire guards, so they had hired the JAM -- Jaish al- Mahdi army -- to guard one pile. That wouldn't work, so they had to hire the Badr Corps to guard the other pile.

And so it's that type of -- so there's an American company paying fees to two different militia groups.

Is it corruption or is -- I don't...

SEN. WHITEHOUSE: Protection.

C.O.S. MATTIL: Protection.

(LAUGHTER)

It's so -- in one of the stories that Judge Radhi has told is that it filters down so pervasive even down to the lowest levels, where school teachers are underpaid and can barely survive, so they charge a fee to the families to tutor the students.

Tutoring involves giving them the tests and the answers beforehand so that they can pass them.

So, I mean, you're really beginning at bedrock-level trying to change it. And I think that one is actually instructive. It sounds like a small thing, but it tells you how pervasive it is that the whole society is based on patronage.

So I don't think it would simply enrich a few people. And if it did, why would you stay in Iraq? And that's one of the problems here and one of the concerns with their failure to execute budgets and spend their own money, is that, "Why not wait for us to stop watching or leave or whatever, then we'll spend it on ourselves?"

Anybody that has money, several of the high-ranking officials in the prime minister's office, they all live in London, they're in Canada; they all have homes elsewhere.

There's only one I know of who's destitute when he left the country, which was Radhi. So, the others leave as millionaires. So, whether they've made \$1 million, \$5 million or \$5 billion, only their accountants know.

SEN. WHITEHOUSE: General Nash, anything to add to the discussion of scale in nature?

GEN. NASH: Senator, I can't give you any numbers that would be any better than you've heard, except to say as much as...

SEN. WHITEHOUSE: You don't disagree with anything you've heard?

GEN. NASH: No, I do. But I'd say...

SEN. WHITEHOUSE: You do disagree, or you don't disagree?

GEN. NASH: No, I agree.

SEN. WHITEHOUSE: You agree. Got it.

GEN. NASH: I have no reason to disagree, to be precise.

SEN. WHITEHOUSE: Yes.

GEN. NASH: The point I would make to you, from a management approach, if you will, or a leadership approach issue is, the answer is as much as possible. In other words, as much money as possible has been stolen.

And that goes into directly how we do these things and how we have a competency in the provision of the taxpayers' money on these type of operations.

And if you do not have the oversight from the beginning and throughout the country, as much as possible will be stolen from you.

SEN. WHITEHOUSE: I think I've taken considerable time, Chairman.

SEN. DORGAN: Oh, thank you very much.

SEN. WHITEHOUSE: I yield back to you.

SEN. DORGAN: Well, as I indicated, this is unbelievably distressing in many ways, the testimony that you've given.

I want to ask Judge Brennan a couple of questions. You obviously are very harsh with the Department of State as an institution. You say, "Instead of bringing peace and predictability to the people of Iraq, the Department of State has contributed to the killing and maiming of U.S. soldiers, the deaths of thousands of civilians, bolstering of illegal militias, insurgents and Al Qaeda, the enrichment and the empowerment of thieves controlling the Iraqi minister.

The Department of State has discouraged honest men and women in the Iraqi government and wasted billions of U.S. and Iraqi dollars, some of which have given toward financing insurgents such as the Mahdi Army.

SEN. DORGAN: As I said, that's a harsh assessment of the Department of State. Is that -- we're talking, now, about a culture of corruption in Iraq. Does that describe a culture in the Department of State?

If so, where?

And I assume not all of the Department of State, but tell me where you think this exists and how it exists?

HON. BRENNAN: You know, Senator, a question occurred to me. I kept a journal while I was there. And within three days of getting there, that's the question I asked myself.

I sat on the bench in New Hampshire, as a judge, for 15 years, trying to discern facts to apply to the law and, in that way, reach a legal conclusion.

When I got to Iraq, I knew that we weren't going to be able to find the facts in the sense that we are able to do in our own country, where an investigation is done; it's done with professionalism, in a safe place. And it's still difficult to prove cases.

But in Iraq, the situation is so, so fraught with danger, so dangerous for the investigators. And because of that danger and our failure to, for instance, pause and decide, look, we're going to insist on an audit of the ministry of the interior.

And, instructing the Iraqis, you've got to do it. You've got to secure that. You've got to disarm that ministry, and then we'll go ahead with our investigation and attempt to find the truth in this matter.

That can't happen in Iraq, and I realize that part of it.

But what disturbs me, and disturbed me then, about the State Department was that, immediately upon getting there, I went to many meetings among many different U.S. government agencies and NGOs [non-governmental organizations] who were meeting about corruption, and producing all kinds of paperwork.

HON. BRENNAN: But it was like a snake eating its tail. Nobody really knew anything, and nobody was really facing the truth. And the truth was: This government is almost totally corrupt and there will be no anti-corruption effort from the leadership of this government.

And that's the way I see it.

And when we'd be sitting around in OAT talking with each other, trying to think of a way that we could approach things and convince the leadership of the embassy that we should do steps one, two and three, sometimes we'd just laugh about it.

And James Mattil would then say, "Meanwhile, we've got kids out there dying in the sand." And that's why my statement's in there, because it is as simple as that.

Five years into Iraq, and not a darn thing has changed for the better.

Now, right now, I've got to say the Mahdi Army -- the Iraqi government does appear to be -- appears to have decided to do something about the Mahdi Army.

But if they had done something before, there might not be those thousands of Iraqis who are dying in the city of Baghdad right now, and our soldiers might not be in the position they're in, either.

SEN. DORGAN: Judge Brennan, you indicated that your team raised concerns about an Iraqi leader; one of the leaders of the Iraqi government being investigated for theft and misappropriation of up to \$1 billion in medical supplies intended for the Iraqi people.

You described the leader as corrupt and dangerous. You indicated that you made this case to Ambassador Crocker, and Ambassador Crocker responded that he wanted more proof. You said you provided the proof, and that leader is still in power.

Are you able to tell us the name of that Iraqi leader?

HON. BRENNAN: Yes. The name is Dr. Adhal. The full name -- he's an Iraqi and -- he's an Iraqi citizen and a citizen of the U.K. He's the I.G. of the Health Ministry. And Maliki made him what they call the czar, I think, of anti-corruption in Iraq.

James may know the full name. I don't know the full name, and I apologize for that, Senator.

C.O.S. MATTIL: Hussein. He's referenced in the 80-page report. He's the only Iraqi leader mentioned by name in that.

HON. BRENNAN: That 80-page report is remarkable.

SEN. DORGAN: I understand.

Let me -- well, coming back to this point. So information is given to the ambassador. You know, I know Ambassador Crocker; met him when he was ambassador in Afghanistan, met him in Kabul and so on, but -- and he's a career ambassador, I believe.

So he's sitting in Baghdad and he's given information by our people who are engaged in anti-corruption activities. And you're essentially saying he's just dismissive.

HON. BRENNAN: He's ignoring it. I'll tell you, Ambassador Butler, testified to the House Oversight Committee after the State Department had been given the order not to discuss corruption in Iraq with the House Oversight Committee, the Waxman committee.

Ambassador Butler -- I was there and listened to his testimony or lack of testimony. And whenever there was a question about corruption in Iraq, he refused to answer the question.

And he expressed that this was because it could be dangerous to some -- it could expose, I suppose, our troops to danger. And it would interfere with our relationship with the Iraqi government. And I sat there, and to me it was laughable to hear him testify.

And I was absolutely ashamed of this country. It just -- to me, this is -- I came home and I discussed a small part of this with my sister. I mean, that's the kind of thing we do. And she said, "It can't be. Art, it can't be that bad."

It is that bad. And it's probably worse.

SEN. DORGAN: You know what happens is you come, and you offer your observations, which I think are really important. And they say, "Well, you know what? Judge Brennan, he's just some disaffected guy. He's probably -- probably a Democrat, wanting to trash the leadership of the State Department," you know.

So, tell me about your response to that sort of thing. I assume that there's no politics involved in this. This is an observation of a citizen who went to Iraq on behalf of their government.

HON. BRENNAN: I'm a Republican and I was Judd Gregg's legal counsel when he was governor. I'm good friends with Judd Gregg has helped out a lot on the asylum

issue on this case. And I have -- and Judd hired me years ago because I had no political baggage, no political interest, nothing. He just knew that I could be his attorney and work with the legislature on his behalf as an attorney does.

SEN. DORGAN: Well, Judge, you have a lot of passion and courage.

I want to ask you, just briefly, and I'm going to ask one question of General Nash.

I want to ask you about Judge al-Radhi. He came at my request to the appropriations committee, testified. I have his testimony here in front of me. Talked about the cases that he was bringing, \$5 billion in the Defense Ministry. \$5 billion.

I recall one part of his testimony in which he talked about probably a substantial amount of this money is in foreign banks. He indicated that a substantial amount of the \$18 billion was American money, essentially grand theft as a result of corruption by the ministries.

And I should say to you, Judge Brennan, we had an Iraqi physician, a doctor from Iraq, a very courageous guy came and testified at one of my earlier hearings and he knew we had spent American money, \$200 million to rehabilitate Iraqi rural health clinics.

So he went to the Iraqi Ministry Minister of Health -- don't know whether it's the same one you referenced but -- Iraq Minister of Health and said, "I want to try to track down this -- the work that's been done to bring these health clinics to Iraq. I know that the money's been spent by the American government to do that."

And the Iraqi health minister said, "Well, you need to understand that most of these are imaginary clinics."

And I guess that says more than anything we can say about the understanding of the substantial level of corruption.

Mr. Mattil, I wanted to come back to Judge al-Radhi. Judge al-Radhi, they tried to kill him. And in your testimony -- I want you to go over this with me for just one moment -- your testimony you say that someone from the State Department indicated to you they want to get al-Radhi out.

C.O.S. MATTIL: That's right.

SEN. DORGAN: That was our government that wants him out?

C.O.S. MATTIL: Yes.

SEN. DORGAN: The United States government wants him out of his role?

SEN. DORGAN: I mean, it is true that we appointed him. Paul Bremer appointed him, from three candidates. He's a guy that was jailed and tortured by Saddam Hussein for refusing to join the Baathist party, and a guy with nearly three decades in the law.

And so he was one of three candidates given to Paul Bremer. Paul Bremer said, "You're going to be the head of the Commission on Public Integrity." Isn't that correct?

And so he became the head of the Commission on Public Integrity. What did you say, 20 percent of his people were killed or assassinated?

He had great courage. They tried to kill him. He finally left the country.

Now, you indicated that, upon leaving the country, seeking asylum in this country, our State Department and our government directed certain other people not to get involved in providing recommendations for asylum for Mr. Al-Radhi. Is that correct?

C.O.S. MATTIL: That's correct.

SEN. DORGAN: And tell me who made that judgment, or who was saying, "Do not provide references for Judge Radhi."

C.O.S. MATTIL: I personally did not receive those e-mails and directives because I was in the States at the time and was...

SEN. DORGAN: Do you know they exist?

C.O.S. MATTIL: I've seen them. I've got -- received the e-mail responses. I believe it's Butenis -- what's her title?

C.O.S. MATTIL: Patricia Butenis, the deputy chief of mission. That would be who it is.

SEN. DORGAN: Deputy chief of mission in Iraq...

C.O.S. MATTIL: Yes.

SEN. DORGAN: ... Patricia Butenis?

C.O.S. MATTIL: Who would have made the -- issued the directive that personnel at the embassy were not to provide reference letters in support of Judge Radhi and his associates' application for political asylum.

In addition, prior to that, when he was defecting, an e-mail went out, directing all State Department employees to avoid any contact with Radhi and his associates.

I confessed I disobeyed orders, at that point. I did bring them food. I brought them clothing, materials, took them to doctors, to hospitals, had the children inspected, brought them medicine, solicited support from every NGO, refugee organization, church I could get in touch with.

I learned that faith-based initiatives are tied to federal dollars, which limit what they can actually do. And apparently, supporting Iraqi refugees is not one of those things.

C.O.S. MATTIL: So, I could find no organization willing and able to help these 24 - ended up as 24 men, women and children stuck in this country without a penny, with the exception...

SEN. DORGAN: And where is Judge al-Radhi at the moment?

C.O.S. MATTIL: Living in an apartment in Springfield, maybe for the rest of the month if they can get it worked out that somebody is going to pay for it.

But he's not allowed to work. He has no official status, so he's not -- he's undocumented -- I don't know what he is. I mean, he's lost. He's a person without a country. And...

SEN. DORGAN: So he has now funds?

C.O.S. MATTIL: Only, to my knowledge, what's provided by Judge Brennan and the Quakers. The only organization that I was able to find that stepped up...

SEN. DORGAN: That is unbelievable to me. Here's the guy that was fighting corruption in Iraq at our direction, or at least appointed to the Commission of Public Integrity by us, by Ambassador Bremmer, and then, apparently, our country turned against him -- at least our State Department turned against him because he was bringing 3,000 cases worth \$18 billion he says, right?

And we've had other witnesses corroborate to say, "Look, this guy is a straight arrow."

This is the guy that was fighting corruption. But because he was getting under the skin of a lot of corrupt politicians in the Iraqi government, our government turned against him. Our State Department and our embassy pulled the rug out from under him and now he sits here in Virginia, unemployed, without the ability to work, without any funding at all, and our government suggesting somehow he's a pariah.

That is unbelievable to me. Just unbelievable. And we're going to ask the State Department what in the hell are they thinking. I mean, how do they justify this? And

what kind of a message does this send to others in Iraq who are trying to do the right thing? It just makes me furious to hear these stories because nobody seems to be accountable about anything.

I mean, this is the 14th hearing I've held on these things and it is unbelievable what I'm hearing. Much of it relates to greed, just because when you've got money going out by the airplane-load and the truck-full. When there's a lot of cash around, there's going to be a lot of greed and incompetence across.

But that's not what this is about. This is about betrayal. I mean, this is betraying somebody that was standing up for what was right, and it's just unbelievable.

General Nash, I apologize. I don't mean to ignore you. I very much appreciate your coming here because you have a lot of experience in trying to put pieces together in circumstances that are almost dysfunctional in certain areas of the world.

But you hear this -- I didn't mean to get off on a soapbox here, but I tell you what -- sometimes -- and going back, General Nash, to the point made by Judge Brennan, try to manipulate reports so that we can all be deceived. Don't give us the unvarnished truth. Manipulate these reports so that we can deceive people into believing something that isn't.

Your impression of all of that?

GEN. NASH: Well, sir, I must say I'm as astounded as you are with the blatant nature of what is said. I am not sure in my own mind to what degree it's incompetence versus negligence and to what degree negligence borders on criminal negligence, and that's something I would leave to lawyers and the like.

But it's particularly astounding -- two points, if I could make it.

One, unfortunately, there are many more Iraqis who have served the United States loyally and have tried to do the right thing and help American forces and American civilians do their job who have an equal problem -- "equal problem" meaning getting support from the United States government.

So, this may be -- the judge is certainly one acute case, but there are many others. And the Iraqi refugee problem is a stain on America's support for those who have helped us.

And I also, sir, just want to make sure that you understand that that \$109 million that I argued for will not go to Iraq. It will go to try to build a capacity to deal with these issues.

And the point I would make to you is, is that we've got a lot of issues that we have to deal with, with respect to the specifics of Iraq, some of which you've talked about today. I am most concerned about tomorrow.

And, again, it's not just an invasion capacity, sir; this is a conflict prevention capacity that we have to where we can avoid circumstances like we have faced.

But our whole ability to deal with this and to understand how you try to help countries build themselves, how you try to help states, we do not have that capacity in our government, and that's why the bills I mentioned and the appropriations I talked about, to me, is so important, because I don't know what's going to happen tomorrow, but I know it's going to -- I know the United States is going to be involved in trying to help countries be better.

And Burma is an example today in the headlines, but there are many other circumstances and we just don't have that capacity.

GEN. NASH: As for this, the failure to establish a plan and then to try to piece it together on a run in a very -- it's one thing to go to a country of two million as Kosovo. And it's another thing to go to a place as harsh and difficult with a multiple of the population size and try to pull this off. And the incompetence shown, the lack of vision shown, is just incomprehensible.

SEN. DORGAN: Senator Klobuchar?

SEN. KLOBUCHAR: Thank you.

Thank you very much, Chairman Dorgan.

General Nash, to continue with those thoughts, you talked about when we first went in there in 2003 and you felt that we didn't have enough forethought as to how this should go and what kind of process should be set up.

Do you think that U.S. officials are currently demonstrating proper recognition of these priorities of investigating corruption?

GEN. NASH: No. There's insufficient resources that have been allocated to check the checkers, to have oversight of everything that we do. We don't have the people to do the job, train properly and organize properly. And we certainly don't have the people trained and organized to over-watch those that should be doing that work. So...

SEN. KLOBUCHAR: Why do you believe that U.S. officials have been unwilling to respond to repeated reports of widespread corruption and to do the things that you believe are necessary to get some stability in these investigations?

GEN. NASH: My view is that the domestic politics associated with the invasion of Iraq have been so extreme and so divisive...

SEN. KLOBUCHAR: You mean in our own country?

GEN. NASH: The domestic politics of our country have been so divisive that to attack a problem is to admit a problem. And I have sat on the sidelines and watched that year, after year, after year. And as you try to address certain issues before the invasion -- you see, if you talked before the invasion about the difficulties of the invasion, you were seen as one who was arguing against it.

SEN. KLOBUCHAR: Yes.

GEN. NASH: Not as one who was: If you're going to do it, do it right.

SEN. KLOBUCHAR: Yes.

GEN. NASH: OK. Type thing. The whole General Shinseki issue over the number of troops involved is a prime example where he was ridiculed for advocating the necessary allocation of resources.

SEN. KLOBUCHAR: So now you believe...

SEN. DORGAN: Ridiculed and fired.

GEN. NASH: Sir, yes, sir.

SEN. DORGAN: ... or summarily dismissed.

GEN. NASH: Yes, sir.

SEN. KLOBUCHAR: So now you believe that if one was to put the resources that we need into this corruption, if people knew the truth about what was going on, that it would create some overwhelming political force.

GEN. NASH: I don't think that.

SEN. KLOBUCHAR: Is that what it is?

GEN. NASH: I don't think there's anybody in the administration or in the party from which the administration comes that would like to point out difficulties in Iraq at this time in our country's history.

SEN. KLOBUCHAR: OK. In your testimony, you briefly discuss the Council on Foreign Relations report...

GEN. NASH: Yes, ma'am.

SEN. KLOBUCHAR: ... in the wake of the war. And you said that, until the recommendations from the report are implemented, the U.S. will continue to face these same issues of negligence we've been talking about today.

SEN. KLOBUCHAR: Many of these recommendations focus on the need for a formal organizational structure within the White House and the State Department and the Defense Department, focused on post-conflict stabilization.

Do you believe that there has been any action on these recommendations to direct greater planning and more resources to the reconstruction efforts?

GEN. NASH: There has been a presidential directive, NSPD-44, of a number of years ago. There's been a Department of Defense directive provided. There has been an office -- the coordinator for stabilization and reconstruction -- excuse me, reconstruction and stabilization in the State Department established.

It has all been out of hide. And the formal legislative authorization and sufficient appropriations have not taken place on that.

Senators Lugar and Biden, when Senator Lugar was the chairman of the Foreign Relations Committee, submitted a bill to enhance and formalize some of these arrangements. That bill has never been passed into law.

Again, as I said in my testimony, there is another law, another bill pending -- been passed by the House, pending in the Senate -- that I would look for institutionalization of some of the ad hoc efforts.

There is an office. There is a coordinator for stabilization -- for reconstruction and stabilization. But it is a kit-bag operation, as opposed to a joined-up operation, where everybody's got the necessary resources and the like.

SEN. KLOBUCHAR: You know, back to what I was talking about, in my opening statement, about how you can set an example for a higher standard of conduct by pursuing these cases -- and could you expand on that?

What effect has it had on the whole effort in Iraq, when you're not enforcing these laws?

Did Iraqis view the U.S. officials' silence on these matters at the corruption occurring in front of them as tacit approval from the U.S. that this kind of corruption was OK?

GEN. NASH: I guess, Senator, I would answer that question as, "Of course." If you establish a value; if you pronounce a value and you fail to enforce that value, then you have lessened the stature with which you speak on so many issues.

And so the failure to deal with these issues of corruption begets more corruption. And as I said earlier to Senator Whitehouse, "How much was stolen? As much as possible."

As much as you let be stolen will be stolen, OK?

And so, if you don't deal with it, it will not get better. It will always get worse.

SEN. KLOBUCHAR: And then last, Judge Brennan, you -- at the end of your testimony, you quoted an Army JAG [Judge Advocate General] officer as telling you that, quote, "There are people here who would be happy to see this thing last forever."

And you said that you came to understand what this officer meant. Could you expand on that?

HON. BRENNAN: You know, I'm not sure I understood what I meant, but I understand why he said it. It's such a bizarre environment there. It's so unfocused and so unreal that you could very well decide, in your own mind, from what you experience there, that there are reasons why this thing is lasting forever.

HON. BRENNAN: And it has to do with more than the resistance we're getting from Iraqis to peace in their own country.

But I never asked him a question about what he meant, so I can't really say what he said.

I do want to say this, though: This morning I got an e-mail, and I think -- I'll really go out on a -- I think this committee may have made a difference already.

Judge Rahdi got his working papers today, as did his chief investigator, Mr. Salam. And they are very happy this morning about that. Judge Rahdi's son will be arriving, we believe today from the U.K. And they are very pleased with that as well.

And so, there is some good news for these particular Iraqi heroes. And I know these things because their attorney -- Nancy and I sponsored Judge Rahdi and his lieutenants and their families for asylum.

SEN. KLOBUCHAR: Well, Judge Brennan, thank you. And that is good news.

But, as I know, all of you know or you wouldn't be here today, it's one small thing compared to what we've been hearing today. And so much more needs to be done.

Thank you very much. And thank you for coming forward.

SEN. DORGAN: Senator Whitehouse?

SEN. WHITEHOUSE: Thank you, Chairman.

I'd like to talk for a moment about the structure that is in place in Iraq presently to address the issue of corruption. You touch on it in your testimony, but I want to try to summarize it. (inaudible) gone; it's been disassembled. Is that correct?

HON. BRENNAN: That's correct.

SEN. WHITEHOUSE: The CPI still exists, but with Judge Rahdi's removal from the country, is ineffective, in fact may even be under the leadership of a significantly corrupt individual.

HON. BRENNAN: That's correct.

SEN. WHITEHOUSE: SIGIR -- what are the resources available to the Special Inspector General for Iraq Reconstruction and how much can we count on that entity to solve this problem?

HON. BRENNAN: I can't speak about -- I don't know anything about SIGIR, other than that one contact I had with them, Senator.

But I do -- when I talked about SIGIR and our response to the SIGIR report. I didn't want to convey the idea that SIGIR was covering up anything about the complete inadequacy of this point that was apparently one of two out of 12 that supposedly were accomplished toward anti-corruption efforts in Iraq.

HON. BRENNAN: It wasn't SIGIR. It was the State Department, in my opinion, misleading SIGIR. And then leading SIGIR, of course, without further information to, in its report that goes to you, simply reflect what the State Department says. I don't know what SIGIR's report looked like after that.

SEN. WHITEHOUSE: Do you think that as an institution, it's adequate to the task?

Mr. Mattil?

C.O.S. MATTIL: SIGIR, it could be. Kind of weigh that one because you'll take the words that I'm saying. It could be up to the task but do they have the political will to actually go after people -- Americans. Their job is to investigate and prosecute Americans who've been war profiteering.

SEN. WHITEHOUSE: So it's not really in their brief to focus on the Iraqis.

C.O.S. MATTIL: Yes, that's not their mandate. That's...

SEN. WHITEHOUSE: How about DOJ's ICITAP, is that their mandate?

C.O.S. MATTIL: No.

SEN. WHITEHOUSE: That's also Americans?

C.O.S. MATTIL: They're just training and advisory.

SEN. WHITEHOUSE: OK. So that leaves now the so-called Joint Anti-Corruption Committee. How much reliance would you -- I see laughter and eyes rolling at the table.

(LAUGHTER)

OK. Zero reliance on that.

Bureau of Supreme Audits, how much reliance should we put on that organization?

C.O.S. MATTIL: It's almost the same response as SIGIR. They have a good reputation in Iraq. They pre-existed Saddam's era. They could function if they had political will to support them and back them up.

SEN. WHITEHOUSE: The Iraqi's inspectors general?

C.O.S. MATTIL: In it's infancy. They don't even know what that means. It's a peculiar American creation.

SEN. WHITEHOUSE: Are there any other entities that I've missed in that summary that are involved?

C.O.S. MATTIL: No, that's about the...

SEN. WHITEHOUSE: So that's it. So really's there a core of potential in the Bureau of Supreme Audit and SIGIR is effective against American contractors and that's sort of it.

C.O.S. MATTIL: And the Commission on Public Integrity -- the Commission on Integrity.

I would add that -- I mentioned...

SEN. WHITEHOUSE: The Commission on Integrity is the same as the Commission on Public Integrity.

C.O.S. MATTIL: They changed the name.

SEN. WHITEHOUSE: Judge Radhi ran, correct?

C.O.S. MATTIL: Right. New name, new leadership.

SEN. WHITEHOUSE: And has now been taken over by...

C.O.S. MATTIL: They've replaced the guy that I referenced, Moussa Faraj.

SEN. WHITEHOUSE: OK.

C.O.S. MATTIL: The wanted...

SEN. WHITEHOUSE: The fully corrupt...

C.O.S. MATTIL: ... guy.

SEN. WHITEHOUSE: ... arrested...

C.O.S. MATTIL: Judge Rahim has a good reputation but is going to abide by and adhere to the secret orders and the Article 136 issues.

SEN. WHITEHOUSE: Got you.

C.O.S. MATTIL: So he's going to play ball with what he's told to do.

Judge Radhi was unique in he disobeyed what the Prime Minister illegally advised him to do.

SEN. WHITEHOUSE: Who would be in charge of checking for offshore accounts of Iraqi officials?

C.O.S. MATTIL: I'm not certain. Judge Brennan might be better.

SEN. WHITEHOUSE: Judge Brennan?

C.O.S. MATTIL: Whether it's IRS or -- but if it's Iraqi officials...

HON. BRENNAN: Well, they have the civil codes systems in Iraq. You know, one thing...

SEN. WHITEHOUSE: No, I'm interested -- if America is concerned about getting to the bottom of Iraqi corruption, one way to do it is to follow the money through to the corrupt officials. The other way to do it is to look at a corrupt official to see if mysteriously huge bank accounts are appearing in Switzerland or Holland or

wherever that presumably they use to maintain residences in London and Paris and Switzerland or wherever they are.

Who is involved in doing the financial investigation of Iraqi officials to see whether they have huge, unexplained amounts of money?

HON. BRENNAN: No one that I know of. That's not to say that there's no one. But I have no knowledge, other than the CPI was a place where that might happen, after CPI got information about an Iraqi official's corruption.

But -- and then, CPI's job is kind of -- because they have -- they're under the civil code, investigating judges do the investigations. They're similar to prosecutors here, but they're called the investigating judges.

So if there's information that there's corruption, for instance, within a ministry and there are names named, once the elements of the offense are established by a CPI, then the I.J.s, the investigating judges, would come into play and do the investigation, and CPI could help out with the investigation.

But beyond that, I have no idea, Senator.

C.O.S. MATTIL: Could I ask a question related to the answer there? It's on my Web Site, but I can't remember who it is that does terrorist financing. But we're -- the U.S. apparently now has the capability of tracking financial transactions all over the world to find terrorists.

Why would the most corrupt leaders in Iraq, who are stealing the money and funneling a portion of it or raking off a portion to the insurgents and militia groups to kill American soldiers, wouldn't that be considered terrorists and subject to the same financial oversight, that we couldn't find out and followed these guys home?

SEN. WHITEHOUSE: One would think. One would think.

C.O.S. MATTIL: Why do we need to leave it to the media to find out, which, they are working on it?

SEN. WHITEHOUSE: Well, as General Nash said, it sounds like the administration has sort of built a no-fly zone around Iraqi corruption and doesn't want anybody to go there, because it could create bad press for the effort in Iraq.

Simple as that.

(CROSSTALK)

SEN. WHITEHOUSE: One last question. Thank you, Chairman, for being so indulgent.

Why? Why do you think Patricia Butenis or whoever was behind that memo would instruct people not to help Judge Radhi? What would the shroud of legitimacy be to pull over that particular act?

HON. BRENNAN: I would say it's because she didn't want to offend the Iraqi government. She didn't want U.S. advisers to investigative agencies within the government to assist someone that would embarrass not only the U.S. government but the current Iraqi government as well.

And I think that's exactly what Ambassador Butler was referring to when he said that he was being sensitive to our relationship with the Iraqi government and wouldn't answer any questions from the House committee on the question about corruption within the Iraqi government.

SEN. WHITEHOUSE: They'd rather sell a man like that down the river than -- I mean, it just sounds so dishonorable.

I'm sorry. I'll conclude with that. But my father was a Foreign Service officer. My grandfather was a Foreign Service officer. The idea that this is what the Foreign Service of the United States has come to, where if you steal from us, you win, and we don't care. And you can take your millions and have your house in London.

But if you help us and try to do what's right for your country and put yourself at risk and your family at risk to do the right thing, then, you lose, and we'll literally abandon you.

It's just...

HON. BRENNAN: Senator Whitehouse, I know that there have been some -- there's been some indication that Foreign Service officers are reluctant to serve in Iraq. And, in fact, they may even get drafted to go to Iraq, to Baghdad, to work.

I have the same opinion of Foreign Service officers that you have. And I still have it, except for the ones that I was dealing with there. I just wonder if the reluctance is not to the dangers and the hardships of Iraq, but to the fact that they're walking into this environment...

SEN. WHITEHOUSE: Of moral compromise.

HON. BRENNAN: Yes.

SEN. WHITEHOUSE: Thank you, Chairman.

SEN. DORGAN: Senator Whitehouse, thank you very much.

I want to thank all three of you for being here. Our interest, obviously, is in trying to understand as much as we can understand about what is happening.

SEN. DORGAN: I started by saying today that on Thursday afternoon at 2:00 as a member of the Appropriations Committee I'll be seated on the first floor, 106, of this building. And we will begin to write an emergency appropriations bill to respond to the president's request for appropriations.

Those appropriations in some part are designed to support troops in the field. And I don't think that there's any question but that when soldiers get up in the morning and strap on body armor and risk their lives during the day, this Congress has a responsibility to provide the means of support for them that are requested. That's a portion of it, and we understand that.

On the other hand, a portion of that money is also for reconstruction. A portion of it will flow through the military accounts to the Iraqi ministries in other ways. And the issue of corruption is an issue that is very real and very, very serious.

In previous hearings, we've focused a lot on contractors. Just as an example, I will offer an amendment Thursday. We now know that there are some contractors that have won contracts to do business in Iraq that actually are employing their U.S. employees through subsidiaries in the Cayman Islands. They're doing that in order so they don't have to pay payroll taxes to the U.S. government. I think that's dishonorable. It's unpatriotic.

And I'm going to offer an amendment on Tuesday that says if you're a contractor; you're getting a contract with the federal government, then you have a responsibility to pay taxes, not run the employees through a foreign subsidiary.

And if you don't do that, you're not eligible to contract with the federal government. If you're not willing to cease and desist those things, that your contract is over.

I mean, just those kinds of things represent the hearings that we've held in the past. But I appreciate all three of you being willing to come to this hearing.

Frankly, there have not been as many hearings as there should be for oversight responsibility. Part of the job of the United States Congress is "oversight," quote/unquote. But, you know, I serve on four committees. And I know that committees are busy doing what needs to be done today, let alone trying to figure out how do you put together an oversight hearing? It's not easy to do.

And that's what persuaded me about three and a half years ago to start doing some of these hearings just to develop a base of information for the Congress, because otherwise that information would not be available.

And were it not for your willingness to come forward, we would not know what you have told us today.

My guess is that following your appearance -- and we've had appearances by a good many generals at previous hearings and others who've had wide-ranging experience in serving in Iraq and elsewhere -- following your appearance here, you will receive, perhaps, some criticism. People will say, "Why did you do that? Why did you speak out? Did you have an ax to grind? What are you doing? We're at war; why are you critical?"

The fact is, the only way we're going to get things right is to figure out what's wrong and then to set them right. It's the only opportunity we have.

And one of the most disturbing things that you told us today was something we by and large know, and that is, the reports we're getting -- the reports we have been getting -- in many cases are reports that put a thick layer of paint on something, that obscure what we really should be seeing.

We need the truth. All of us need the truth to understand what's going on in order to evaluate how do you set it right.

So that's a long, long, verbose way of saying thanks to the three of you for coming today. We appreciate your contributions to our country in many different ways in your career. But we appreciate your contribution today as well.

Thank you very much.

The hearing's adjourned.