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\$8 billion spent, no records kept

Posted By [Bob Unruh](#) On 10/27/2010 @ 8:52 pm In [Front Page](#) | [Comments Disabled](#)

The U.S. Department of Defense got more than \$9 billion from the sale of Iraqi oil and other revenue streams to be used for reconstruction inside the war-damaged nation and spent it but now cannot document where \$8.7 billion of those funds went, according to an inspector general's report published online.

The military's response in the report noted that the records probably exist, it's just that they're probably archived, and it might take a long time to track them down. 

The issue was documented in [a published report from the special inspector general for Iraqi reconstruction](#). It first was reported by a special contributor, Mike Maloof, in the premium online intelligence source [Joseph Farah's G2 Bulletin](#).

Maloof reported the IG paperwork documented that the U.S. still holds some \$34.3 million of development-funds money even though it was supposed to have been turned over to Iraq years ago.

The report, dated July 27, but still unreported in media outlets, documented, "Weaknesses in DoD's financial management controls left it unable to properly account for \$8.7 billion of the \$9.1 billion in (Development Fund for Iraq) funds it received for reconstruction activities in Iraq.

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"This situation occurred because most DoD organizations receiving (development) funds did not establish the required Department of the Treasury accounts and no DoD organization was designated as the executive agent for managing the use of (development) funds. The breakdown in controls left the funds vulnerable to inappropriate uses and undetected loss," the IG report warned.

In the report, the military suggested that the documents were around somewhere, probably in a "stateside" archive, but it could take a long time to find them.

Neither the Department of Defense nor the IG office returned WND calls requesting comment.

But the IG report, signed by Special Inspector General for Iraq Reconstruction Stuart W. Bowen Jr., reported how the situation developed.

Bowen wrote that the Development Fund for Iraq was set up in 2003 when the Coalition Provisional Authority essentially was running the nation. It was recognized by the U.N. in Resolution 1483.

Development "funds were to be used in a transparent manner for the benefit of the people of Iraq," he explained. The project was supposed to be dissolved effective Dec. 31, 2007.

The lack of accounting was because the proper channels and oversight never were established, he said.

"The Department of the Treasury established guidance for accounting for non-U.S. government funds when U.S. agencies act as a custodian of those funds, but DoD did not implement the guidance in a timely manner. More importantly, most DoD organizations that received (development) funds did not follow the guidance. Only one of these organizations established the required account and, as a result, accounts were not established for \$8.7 billion (96 percent) of the (development) funds made available to DoD," the report said.

The IG report recommended the Defense Department "take a number of actions to include specifying procedures for the accounting and reporting of non-U.S. funds in future contingencies, designating an executive agent to establish and oversee policy on the use of funds, establishing milestones for issuing guidance consistent with our Development Fund for Iraq recommendations ... and determining whether DoD organizations still hold (development) funds."

The audit team even traveled to Iraq to look into the situation.

"During our visit to Iraq, we met with ... officials to discuss their Development Fund for Iraq

contracting activities associated with these funds. The officials told us they were not in Iraq at that time and, therefore, were not familiar with ... Development Fund for Iraq activities. The officials provided us with electronic copies for all ... Development Fund for Iraq files retained in Iraq. Our review of this information showed that \$4 billion of the \$6.6 billion in cash transferred from the Coalition Provisional Authority was intended to pay ongoing reconstruction contracts executed by the Coalition Provisional Authority. However, the electronic records did not show the manner in which these funds were expended."

Among the agencies included in the search for the money documentation were the Office of Management and Budget, Department of State, Office of the Secretary of Defense, assistant secretary of the Army, U.S. Army Budget Office, U.S. Army Central Command, U.S. Army Corps of Engineers, Department of the Navy and the U.S. Air Force Center for Engineering and the Environment.

A response from CENTCOM, prepared by Maj. John Roub and approved by Col. Paul Chamberlain, contested the report.

"Page 5. The first sentence reads, 'Weaknesses in DoD's financial and management controls left it unable to account for \$8.7 billion of the \$9.1 billion in (development) funds it received for reconstruction activities in Iraq.' This is a mischaracterization of the facts intended to support this finding. The report backs up the assertion by stating 'DoD did not establish deposit fund accounts within the Department of the Treasury for \$8.7 billion of the \$9.1 billion of the (development) funds it controlled.' The fact that deposit accounts were not established does not translate to \$8.7 billion being unaccountable. The documents that would account for much of the \$8.7 billion are likely archived at a stateside location," said the response.

"It's likely that many documents accounting for the expenditure of the \$8.7 billion were sent to ARCENT at Ft. McPherson, Ga., or elsewhere for archiving."

The military response recommended the following wording: "DoD did not establish deposit fund accounts within the Department of the Treasury for \$8.7 billion of the \$9.1 billion of the (development) funds it controlled. As a result, attempting to account for \$8.7 billion of the (development) funds controlled by DoD would require significant archival retrieval efforts."

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