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Iraq Spending Ignored Rules, Pentagon Says

By [JAMES GLANZ](#)

A Pentagon audit of \$8.2 billion in American taxpayer money spent by the United States Army on contractors in [Iraq](#) has found that almost none of the payments followed federal rules and that in some cases, contracts worth millions of dollars were paid for despite little or no record of what, if anything, was received.

The audit also found a sometimes stunning lack of accountability in the way the United States military spent some \$1.8 billion in seized or frozen Iraqi assets, which in the early phases of the conflict were often doled out in stacks or pallets of cash. The audit was released Thursday in tandem with a Congressional hearing on the payments.

In one case, according to documents displayed by Pentagon auditors at the hearing before the House Committee on Oversight and Government Reform, a cash payment of \$320.8 million in Iraqi money was authorized on the basis of a single signature and the words "Iraqi Salary Payment" on an invoice. In another, \$11.1 million of taxpayer money was paid to IAP, an American contractor, on the basis of a voucher with no indication of what was delivered.

Mary L. Ugone, the Pentagon's deputy inspector general for auditing, told members of the committee that the absence of anything beyond a voucher meant that "we were giving or providing a payment without any basis for the payment."

"We don't know what we got," Ms. Ugone said in response to questions by the committee chairman, [Henry A. Waxman](#), Democrat of California.

The new report is especially significant because while other federal auditors have severely criticized the way the United States has handled payments to contractors in Iraq, this is the first time that the Pentagon itself has acknowledged the mismanagement on anything resembling this scale.

The disclosure that \$1.8 billion in Iraqi assets was mishandled comes on top of an earlier finding by an independent federal oversight agency, the Special Inspector General for Iraq Reconstruction, that United States occupation authorities early in the conflict could not account for the disbursement of \$8.8 billion in Iraqi oil money and seized assets.

"This report is further documentation of the fact that the United States had absolutely no preparation to use contracting on the scale that it needed either at the military or aid level in going to war in Iraq," said Anthony H. Cordesman of the Center for Strategic and International Studies in Washington.

"We had really allowed ourselves to become more and more dependent on contractors in peacetime," said Mr. Cordesman, who spoke in a telephone interview on Thursday. "We were unprepared to use contractors in wartime, and all of this had an immense impact."

The Pentagon report, titled "Internal Controls Over Payments Made in Iraq, Kuwait and Egypt," also notes that auditors were unable to find a comprehensible set of records to explain \$134.8 million in payments by the American military to its allies in the Iraq war.

The mysterious payments, whose amounts had not been publicly disclosed, included \$68.2 million to the United Kingdom,

\$45.3 million to Poland and \$21.3 million to South Korea. Despite repeated requests, Pentagon auditors said they were unable to determine why the payments were made.

“It sounds like the coalition of the willing is the coalition of the paid — they’re willing to be paid,” said Mr. Waxman, who later in the day introduced what he called a “clean contracting” amendment to a defense authorization bill being debated on the House floor. The amendment, which was accepted by voice vote, would institute a number of reforms, including new whistleblower protections and requirements on competitive bidding.

The audit was carried out by the Defense Department Office of the Inspector General, which is led by Claude M. Kicklighter, a retired lieutenant general. Mr. Kicklighter was not at the Thursday hearing because of a scheduling conflict.

Many of the previous investigations of payments to contractors in Iraq have focused on the flawed effort to rebuild the country’s decrepit electricity grid, oil infrastructure, transportation network and public institutions. The feeble accountability and spotty paperwork of the contracts examined by Mr. Kicklighter’s office make it difficult to say what many of them were for, but the report indicates that many appeared to be for things as mundane as bottles of water, truck rentals and food deliveries.

According to the report, the Army made 183,486 “commercial and miscellaneous payments” from April 2001 to June 2006 from field offices in Iraq, Kuwait and Egypt, for a total of \$10.7 billion in taxpayer money. The auditors focused on \$8.2 billion in so-called commercial payments to contractors — American, Iraqi and probably other foreign nationals — although the report does not give details on the roster of companies.

Because the contracts were too numerous to be examined one by one, the auditors said they took a standard approach and examined 702 statistically representative contracts, then extrapolated the results to the full set.

When the results were compiled, they revealed a lack of accountability notable even by the shaky standards detailed in earlier examinations of contracting in Iraq. The report said that about \$1.4 billion in payments lacked even minimal documentation “such as certified vouchers, proper receiving reports and invoices,” to explain what had been purchased and why.

Another \$6.3 billion in payments did contain information explaining the expenditures but lacked other information required by federal regulations governing the use of taxpayer money — things like payment terms, proper identification numbers and contact information for the agents involved in the transaction. Taken together, those results meant that almost 95 percent of the payments had not been properly documented.

In a separate examination, auditors found that the \$1.8 billion in seized Iraqi assets paid out by American military officers had not been properly accounted for.

Examples of the paperwork for some of those payments, displayed at the hearing, depict a system that became accustomed to making huge payments on the fly, with little oversight or attention to detail. In one instance, a [United States Treasury](#) check for \$5,674,075.00 was written to pay a company called Al Kasid Specialized Vehicles Trading Company in Baghdad for items that a voucher does not even describe.

In another case, \$6,268,320.07 went to the contractor Combat Support Associates with even less explanation. And a scrawl on another piece of paper says only that \$8 million had been paid out as “Funds for the Benefit of the Iraqi People.”

But perhaps the masterpiece of elliptic paperwork is the document identified at the top as a “Public Voucher for Purchases

and Services Other Than Personal.” It indicates that \$320.8 million went for “Iraqi Salary Payment,” with no explanation of what the Iraqis were paid to do.

Whatever it was, the document suggests, each of those Iraqis was handsomely compensated. Under the “quantity” column is the number 1,000, presumably indicating the number of people who were to be paid — to the tune of \$320,800 apiece — if the paperwork is to be trusted.

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