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Opening Statement of Rep. Henry A. Waxman Chairman, Committee on Oversight and Government Reform Accountability Lapses in Multiple Funds for Iraq May 22, 2008

Good morning. As many of us know, there are strong and fundamental disagreements in Congress about President Bush's Iraq policy.

But despite these differences, there is unanimous agreement in at least one area: our government should do all it can to eliminate any waste, fraud, and abuse in the hundreds of billions of taxpayer dollars that are being spent on the war.

Normal accounting standards aren't always possible in war zones, and we have kept that in mind during our Committee's work. But some actions — like our government's decision to hand out \$12 billion in cash at the beginning of the war — defy logic. As we learned in our hearings last year, nearly \$9 billion of that money was distributed with no accounting standards at all.

Today's hearing will give us a new status report on how the Defense Department is safeguarding taxpayer dollars. We are very fortunate to have the Department's Deputy Inspector General here to brief us on a new report.

The Defense Department has made over 180,000 payments to contractors from offices in Iraq, Kuwait, and Egypt. These payments are for everything from bottled water to vehicles to transportation services.

The Inspector General reviewed approximately \$8.2 billion in Defense spending and estimated that the Department failed to properly account for \$7.8 billion. That means the Defense Department had a stunning 95% failure rate in following basic accounting standards.

The Inspector General concluded that \$1.4 billion of these payments didn't even meet the most minimal requirements necessary, leaving U.S. taxpayers vulnerable to waste and fraud. In fact, the Inspector General has already referred 28 cases involving millions of dollars to criminal investigators.

Few Americans may be aware of this, but the Defense Department has paid \$135 million to Britain, South Korea, Poland, and other countries to conduct their operations in Iraq. When the Inspector General tried to find out what this money was used for, they couldn't find any answers. Investigators reviewed 22 different voucher files, but not one single payment made to these foreign countries had documents explaining how the money was spent.

The Inspector General also found that the Pentagon gave away \$1.8 billion in Iraqi assets with absolutely no accountability. Investigators examined 53 payment vouchers and couldn't find even one that adequately explained where the money went.

In one remarkable instance, a \$320 million payment in cash was handed over with little more than a signature in exchange.

These new findings are on top of the Inspector General's sobering November 2007 report, which concluded that the Defense Department couldn't properly account for over \$5 billion in taxpayer funds spent in support of the Iraq Security Forces. That analysis reported that thousands of weapons are unaccounted for, including assault rifles, machine guns, and rocket-propelled grenade launchers. And millions of dollars have been squandered on construction projects that don't exist.

Taken together, the Inspector General found that the Defense Department did not properly account for almost \$15 billion. American taxpayers are picking up the tab for Iraqi ministries, Coalition governments, U.S. and foreign contractors, Iraqi security forces, and Blackwater and other U.S. security companies. We are even giving hundreds of millions of dollars to local Iraqi tribal leaders in order to get them to stop fighting.

And much of this is spent without the minimum safeguards needed to protect taxpayers.

Our troops seem to be the only ones who are held to demanding standards. In fact, they often have to overcome mindless obstacles just to get what they are owed.

Soldiers wounded in battle have received letters demanding that they return signing bonuses because they didn't complete their terms. In some cases, the Pentagon even wanted interest.

Guard forces and Reservists have waited months, even years, to get reimbursed for travel and meal expenses.

Sergeants have had to buy their own body armor. They've had to armor their own Humvees, buy their own medical supplies, and even purchase their own global positioning devices.

And when the Brigade of National Guard and Reserve troops that served the longest tour of duty in Iraq came home, they had to fight the Pentagon bureaucracy to get the education benefits they had earned.

There is something very wrong when our wounded troops have to fill out forms in triplicate for meal money while billions of dollars in cash are handed out in Iraq with no accountability.

The Inspector General has done important work and this new report deserves an official response from the Defense Department. The Department has known about this audit for more than a year and has known about this hearing for several weeks. But the Department refused to testify voluntarily today.

I think that's a regrettable decision, but it will not keep our Committee from giving this matter the careful scrutiny it deserves.

I want to thank the Inspector General and his staff and I look forward to hearing today's testimony.