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May 21, 2004

The Honorable L. Paul Bremer, III  
Coalition Provisional Authority  
APO AE 09335  
Baghdad, Iraq

Dear Ambassador Bremer:

Thank you for your May 19, 2004 response to Subcommittee questions for the record of the April 21, 2004 hearing, entitled: "The Oil-for-Food Program: Starving for Accountability." I appreciate your prompt response and your willingness to provide additional information.

The Subcommittee has additional questions for the hearing record:

1. In his April 21 testimony, Mr. Claude Hankes-Drielsma noted that representatives of the CPA were present at Iraq Governing Council (IGC) meetings that involved the hiring of KPMG to investigate the Oil-for-Food Program (OFF). He also noted that you "informed the Finance Committee of the IGC that [you] would not release funds from the Iraq Development Fund to meet the costs of the investigation unless the work was put out to tender. [You] also... put an arbitrary upper limit of \$5 million [on the investigation]...." Subsequently, the IGC sent out an invitation to tender on March 26, 2004 and at an April 18, 2004 meeting at which CPA representatives were also present, awarded the contract to KPMG.

In your May 19 response to question 5.a, you note, “CPA received confirmation that the Finance Committee of the Iraqi Governing Council had retained KPMG and a London law firm, Freshfields, to investigate allegations of misconduct involving the OFF Program” in mid-March 2004.

During this time, CPA worked with the Board of Supreme Audit (BSA) to set up a competing investigation. In your response to question 1.a, you acknowledge, “In satisfaction of the consultation requirements set forth under U.N. Security Council 1483 (2003), the Finance and Planning Committee and the IGC approved the use of DFI [Development Fund for Iraq] resources for the purpose of conducting an Iraqi investigation of this matter.”

- a. The events involving the IGC-sponsored investigation and BSA investigation seem oddly sequenced. Please provide a timeline that details all Finance Committee meetings that discussed an investigation of OFF and at which CPA was present; IGC meetings that discussed an investigation of OFF and at which CPA was present; when BSA began securing documents; when the IGC issued a request for proposal in this regard; when the IGC awarded a contract in this regard; when the BSA issued a request for proposal in this regard; when the BSA awarded a contract in this regard; and key dates relating to the revitalizing of BSA.
  - b. You note you “received confirmation” that the IGC had retained KPMG. Mr. Hanks-Drielsma’s sworn testimony states CPA was present during the IGC meetings that made the decision to retain KPMG. Please clarify this apparent discrepancy.
  - c. Please clarify the logic of gaining IGC approval for funding decisions but excluding the IGC from the final decision how those funds are spent.
2. In your May 19 response, you note the BSA investigation will continue under the new government because “BSA is an independent organization under Iraqi law and interference with its investigation is legally prohibited. Funding has been set aside.... The contract that BSA entered into was lawful exercise of authority by the CPA and the BSA and therefore the contract will remain binding on the succeeding sovereign government under international law.” Under UN Security Council Resolution 1511 (October 16, 2003), the IGC “embodies the sovereignty of the State of Iraq.”

- a. Why would not the incoming government also be responsible for the contract between the IGC and KPMG?
  - b. Is it the position of CPA that the IGC has no authority to contract? Please clarify the contracting authorities of the IGC?
  - c. As “the supreme audit institution in Iraq” and “the Iraqi institution best qualified to investigate allegations involving complex financial mismanagement,” do you expect BSA to conduct audits of DFI? Why or why not? How will this affect the audit work of KPMG regarding DFI?
3. Please provide a copy of the requests for proposal and contracts with Ernst and Young to audit OFF. Please provide a copy of the requests for proposal and contracts with KPMG to audit DFI. Please detail the coordinating mechanisms in place to allow Ernst and Young and KPMG to share their work.
  4. Please supply the names and qualifications of the BSA president, deputy president, and directors general. What level of background and security check have officials of the BSA undergone? In your opinion, why are officials from the Saddam-era more trustworthy stewards of an investigation of OFF than the Coalition-appointed IGC or its successor? Under what authority was BSA operating prior to April 25, 2004 when you signed CPA Order No. 77? To whom was BSA answerable prior to April 25, 2004?
  5. In question 3, the Subcommittee requested a copy of “the request submitted by BSA ‘to conduct a full audit, investigation and accounting of the conduct and management of the OFF Program from 1995 to present through the end of the audit and the disposition of Iraqi assets associated with the program through November 21, 2003.’” You neglected to include the document in your May 19 response. Please supply a copy to the Subcommittee. If such a document does not exist, please supply a copy of any similar document submitted by CPA on behalf of BSA.
  6. Please provide a copy of any final Memorandum of Understanding between the BSA and UN Independent Inquiry Committee (IIC) headed by Paul Volcker.
  7. Please provide an inventory of 1995 to 2003 documents pertaining to OFF in the possession of CPA and/or BSA.

In addition, Rep. Henry Waxman (D-CA) and other Members had additional questions about the DFI for the record.

8. What is the status of a complete audit of DFI? Who or what entity is performing the audit or audits?
9. On June 10, 2003, you issued Regulation Number 2 – “Development Fund for Iraq.” In section 5(4), it states, “The CPA shall obtain the services of an independent, certified public accounting firm to support the objective of ensuring that the Fund is administered and used in a transparent manner for the benefit of the people of Iraq, and is operated consistent with Resolution 1483.” The regulation makes clear these accountants “shall be separate from those public accountants (auditors) approved by the International Advisory and Monitoring Board.” An April 20, 2004 email response on this matter from CPA to Government Reform Committee minority staff stated, “CPA did not obtain the services of a certified public accounting firm as it was determined that these services were not those required.”
  - a. Why did CPA decide not to hire an independent certified public accounting firm, even though regulation number two requires this?
  - b. Which services were determined to be “not those required?”
  - c. Under the contract with the consulting firm North Star Consultants, Inc., will there be a final deliverable product of their work?
  - d. Please supply a copy of the relevant request for proposal that North Star responded to and the contract with North Star.
10. What level of access do Iraqi officials have to audits, reports, and other documents pertaining to DFI?

Please provide the information requested on or before the close of business Tuesday, June 18 2004, to the Subcommittee office, room B-372 Rayburn House Office Building, Washington, D.C. 20515.

The information requested should include both classified and unclassified materials. Classified responses and documents should be noted as such in your unclassified response, and the classified information should be provided in a separate annex to ensure proper handling.

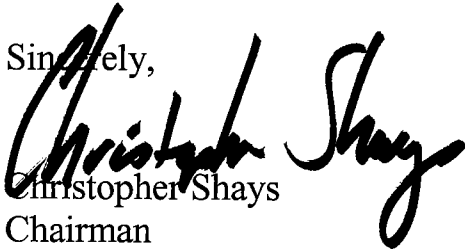
May 21, 2004  
Letter to The Hon. L. Paul Bremer, III

In the event you determine you are unable to provide all of the requested responses at that time, please provide a written description of the circumstances preventing complete compliance and the date you anticipate delivery of any remaining material.

If you or your staff have any questions about this request, please contact Lawrence Halloran, Staff Director, or Thomas Costa, Professional Staff, at 202-225-2548 or [Tom.Costa@mail.house.gov](mailto:Tom.Costa@mail.house.gov).

Thank you for your attention to this request and for your assistance in the Subcommittee's oversight work.

Sincerely,



Christopher Shays  
Chairman

cc: Hon. Tom Davis  
Hon. Henry A. Waxman  
Hon. Dennis J. Kucinich  
Hon. Michael Turner