UNITED NATIONS OPERATIONS:
INTEGRITY AND ACCOUNTABILITY

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WEDNESDAY, MARCH 2, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:45 a.m. in room
2172, Rayburn House Office Building, Hon. Dana Rohrabacher
(Chairman of the Subcommittee) presiding.

Mr. ROHRABACHER. I call to order this meeting of the Sub-
committee on Oversight and Investigations, and let me note that
Congressman Delahunt is on the Floor with a piece of legislation
which he has authored, and this is always what seems to happen
here in Congress, is that two really important things happen at ex-
actly the same time.
And so we will give him a little bit of an excuse until he is able
to join us, and then he will be able to have his opening statement
read into the record, if that is what he would like.

So this morning, while Mr. Delahunt is on the Floor, we will con-
centrate on the integrity of the United Nations and on strategies
for addressing the U.N.’s very real deficiencies.

Recently, the New York Times published an article detailing cor-
ruption in one of the United Nations specialized agencies, the
World Meteorological Organization (WMO). At the end of the article
a cable is quoted, which the WMO’s legal advisor lamented that
while bad, the weather agency’s internal procedures were, “Not the
worst seen in the U.N. family of organizations.”

This is a very discouraging statement, whether their agencies
have similar or worse problems than this World Meteorological Or-

And so if there is worse, we would like to know about it. What
other problems are there that have yet to surface that are worse
than this? To further illustrate this point, I would like to read a
quote from a statement given at the U.N. by a member of our mis-
sion there, Thomas Repasch, who is with us today.

In a statement in 2004, Mr. Repasch explained that in the
United Nations population fund,

“We were quite surprised to learn that some senior staff mem-
ers who spent more than half their time in travel status are
racking up travel costs of $225,000. We would be interested in
learning what steps the Fund has taken to curb these high level costs.”

And then he continued.

“In UNEP (United Nations Environmental Program), travel advances to ‘other persons,’ in the amount of $82,208, had been outstanding for more than 20 months. . . .”

It would be interesting to learn who those other persons were who are able to collect $82,000 in travel advances. Other persons. There have been numerous other cases of rank corruption with U.N. personnel around the world.

In one instance, there was an official who stole over $4 million from the U.N. Mission in Kosovo. There was also a kickback scheme by one official at the U.N.-administered airport in Pristina, Kosovo, who rigged a contract for a national airline there, and another who received a free apartment apparently as part of the same scheme.

In the Congo, a French U.N. official took lewd pictures of 12-year-old girls and reportedly e-mailed them back to a friend in the United Nations, quite possibly through the U.N. e-mail system.

Now we could go on and on, but one thing is surely true. These practices are simply inexcusable, and the U.N. must take strong measures to ensure that things like this stop happening.

Moreover, the procurement and mismanagement failures of the U.N.’s Oil-for-Food Program are now coming to light, and are shocking. In this vain, an additional case has recently come to light.

In 1993, seven U.N. officials were suspended after a probe of irregularities in contracts for helicopters for its peacekeeping operations. One of these seven, Allan B. Robertson, was the Chief of the U.N. Commercial Purchase and Transportation Service.

A U.N. administrative tribunal later found that the seven did not show “the intent to favor a specific contractor,” but the tribunal nevertheless placed references in these employees’ files as to the details of the incident.

One year later, the U.N. issued a report by the High Level Expert Procurement Group, calling for “transparency, clear lines of accountability, inherent control mechanisms, and a competitive process.”

It appears that the reforms that they called for, however, just weren’t implemented. Simply a piece of paper on the table, and their job was done, and nothing was done to make sure that anything changed except the ink on the paper.

Three years later, quite possibly the same Allan B. Robertson, who the investigation was about in the first place, was back. It appears that he became involved in the Oil-for-Food Program. Only a few weeks ago, Robertson was described by Paul Volcker’s interim report into the Oil-for-Food Program to have “surrendered a clear violation of the bidding rules and basic fair play.”

And that is in the awarding of the oil inspection contract to Saybolt, one of the U.N.’s inspector firms. If this is the same person that we are talking about in these two situations, why was he allowed to continue in the procurement operations at the U.N. if he had been previously castigated in a procurement case?
Something is seriously wrong here. What is becoming abundantly clear is that the abject failures of the Oil-for-Food Program were less the exception than the rule at the United Nations.

It appears that these failures are just another example of the inherent weaknesses within the United Nations. The U.N. must reform or it will totally lose credibility and sink into irrelevancy.

We can no longer allow the U.N. to be so arrogant and so unaccountable as it has been. It cannot continue to fail its own annual financial audits. It cannot continue to endlessly promote incompetence upward through the system and reward financial mismanagement and procurement mistakes in the system.

Finally and importantly, the U.N. cannot continue to underfund its own internal auditors at the Office of Internal Oversight Services. That is the OIOS. The U.N. now requires these auditors to obtain financing for their own investigations from the very target of the investigation.

This requirement sets the auditors up for failure from the beginning. They are dependent on their financing from the people that they are investigating. Now that is the kind of nonsense that has gone on for far too long, and that is what we need to know about, and that is what we need to have corrected.

This hearing is intended to highlight some of the U.N.’s most blatant shortcomings and problems, and to consider reforms that will avoid similar problems in the future. Our witnesses today will discuss these issues, and hopefully provide us with some ideas and some alternatives to help fix these problems.

Let me apologize that if during this hearing you hear me begin to cough, and I have to face the other direction, I have had this flu bug now for 2 months, and I will try not to interfere with the hearing and the testimony with this cough.

But we have with us today some people who are well worth being heard, and Ambassador Patrick Kennedy is the U.S. Ambassador to the U.N. for Management and Reform, and Joseph Christoff, Director of the International Affairs and Trade, of the United States General Accounting Office.

So now I guess I will turn to Mr. Schiff, and see if he has an opening statement, and Mr. Delahunt will be permitted to put his statement into the record, or read it if that is what he so chooses.

[The prepared statement of Mr. Rohrabacher follows:]

PREPARED STATEMENT OF THE HONORABLE DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA, AND CHAIRMAN, SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

This morning we will concentrate on the integrity of the United Nations and on strategies for addressing the UN’s very real deficiencies.

Recently, the New York Times published an article detailing corruption in one of the United Nations’ specialized agencies, the World Meteorological Organization (WMO). At the end of the article, a cable is quoted in which the WMO’s legal adviser lamented that “while bad,” the weather agency’s internal procedures were “not the worst seen in the U.N. family of organizations.” This is a discouraging statement. What other agencies have similar or worse problems? What other problems have yet to surface?

To further illustrate this point, I would like to read a quote from a statement given at the UN by a member of our Mission there, Thomas Respasch. In a statement in 2004, Mr. Respasch explained,

In the UN Population Fund, we were quite surprised to learn that some senior staff members who spend more than half their time in travel status are racking
up travel costs of $225,000. We would be interested in learning what steps the Fund has taken to curb these high travel costs . . .

He continued,

In UNEP (the UN Environment Program), travel advances to “other persons,” in the amount of $82,208, had been outstanding for more than 20 months.

It would be interesting to learn who those “other persons” were and if this money was ever repaid. There have been numerous other cases of rank corruption with UN personnel around the world. In one instance, there was an official who stole over $4 million of dollars from the UN Mission in Kosovo.

There was also a kickback scheme by one official at the UN-administered airport in Pristina, Kosovo who rigged a contract for a national airline there and another who received a free apartment apparently as part of the same scheme.

In the Congo, a French UN official took lewd pictures of 12 year-old girls and reportedly emailed them back to friends in the UN, quite possibly through the UN email system.

I could go on, but one thing is surely true, these practices are simply inexcusable and the UN must take strong measures to ensure that they never happen again. Moreover, the procurement and mismanagement failures at the UN’s Oil-for-Food program are now legendary. In this vein, an additional case has recently come to light.

In 1993, seven UN officials were suspended after a probe of irregularities in contracts for helicopters for its peacekeeping operations. One of these seven, Allan B. Robertson was the Chief of the UN Commercial Purchase and Transportation Service. A UN Administrative Tribunal later found that the seven did not show the “intent to favor a specific contractor,” but the Tribunal nevertheless placed references in their employment files to the incident.

One year later, the UN issued a report by the High Level Expert Procurement Group calling for “transparency, clear lines of accountability, inherent control mechanisms, and . . . a competitive process . . .” It appears the reforms they called for were not implemented.

Three years later, quite possibly the same Allan B. Robertson was back. It appears that he became involved in the Oil-for-Food program.

Only a few weeks ago, Robertson was described by Paul Volcker’s Interim Report into the Oil-for-Food Program, to have “surrendered to a clear violation of the bidding rules and basic fair play” in the awarding of the oil inspection contract to Saybolt, one of the UN’s inspection firms.

If this is the same person, why was he allowed to continue in the procurement operations of the UN if he had been previously castigated for a procurement case?

What is becoming abundantly clear is that the abject failures of the Oil-for-Food program were less the exception than the rule of operation at the UN. It appears that these failures are just another example of the inherent weaknesses within the UN.

The UN must be reform or it will totally lose credibility and sink into irrelevancy. We can no longer allow the UN to be so arrogant and unaccountable. It cannot continue to fail its own annual internal financial audits. It cannot continue to endlessly promote incompetence upward through the system and reward financial mismanagement and procurement mistakes in the system.

Finally, and importantly, the UN cannot continue to under-fund its own internal auditors at the Office of Internal Oversight Services (OIOS). The UN now requires the auditors to obtain financing for their investigation from the very targets they wish to examine. This requirement sets the auditors up for failure from the beginning.

This hearing is intended to highlight some of the UN’s most blatant shortcomings and problems and to consider reforms that will avoid similar problems in the future. Our witnesses today will discuss these issues and hopefully provide us with some ideas and alternatives to help fix these other problems.

We have with us today, Ambassador Patrick Kennedy, the US Ambassador to the UN for Management and Reform and Joseph Christoff Director of International Affairs and Trade, United States General Accounting Office.

Mr. SCHIFF. Mr. Chairman, at the outset, I want to thank the House Majority Leadership for scheduling Mr. Delahunt’s bill at my request at this hour. I appreciate the opportunity to stand in.

And I want to thank you, Mr. Chairman, for scheduling the hearing and putting together an excellent panel to help the Sub-
committee better understand the status of reform at the United Nations, and how the Congress can best help that process along.

I look forward to hearing from all of our witnesses, and I am especially grateful to Ambassador Kennedy, who I had the opportunity to meet in Iraq some time ago, as he has made himself available and prepares to assume his new duties assisting Ambassador Negroponte in restructuring our intelligence community.

I also want to join my colleague from California in welcoming Mr. Repasch from the U.S.-U.N., and Mr. Christoff from the U.S. Government Accountability Office (GAO). The United Nations is a critical institution, both politically and functionally.

It is in the national interests of the United States that the U.N. is able to meet the challenges of our new security environment when our principal threat is not communism, but terrorism; when the war is not cold, but hot; not comprised of large powers aligned against each other, but asymmetrical, scattered, angry, murderous cells, ever seeking to arm themselves with more devastating ways to kill.

To meet these challenges, we must demand a U.N. that is well managed, able to account for its financing, and that operates in a way that promotes our strategic interests. In short, we must demand real reform.

The U.N. bureaucracy has become calcified. Its leadership has been uneven, and there have been numerous incidents of financial irregularities that must be fixed for the United Nations to play its crucial role in the 21st century.

The U.N. is in the midst of series of reforms to address these serious core management challenges. Poor leadership of the Secretariat, duplication among many of its offices and programs, and a lack of accountability for staff performance.

I support a strong and effective United Nations, but I am concerned about serious allegations of mismanagement, corruption in the World Meteorological Organization, theft of funds from the U.N. Mission in Kosovo, and sexual misconduct on the part of U.N. peacekeepers in the Democratic Republic of Congo.

Are these isolated incidents or evidence of systemic problems at the United Nations? I look forward to hearing from our witnesses, and I hope that this morning’s hearing will shed light on a number of fundamental questions: What is the status of U.N. reform? What has been done in what areas? What remains to be done?

Are there areas in which reform efforts are lagging? What is the relationship of the Secretary General and the Secretariat to the specialized agencies and other organizations, and how can Congress assist the U.N. in these vital reform efforts?

I look forward to discussing these issues with our witnesses this morning, and again I want to thank the Chairman for calling this hearing.

Mr. Rohrabacher, Thank you, Mr. Schiff. It will be the policy of the Chairman to permit 1-minute opening statements from the Members of the Committee, and 5-minute opening statements from the Ranking Member. And today we had a little bit of a difference with Mr. Delahunt being down on the Floor.

But Mr. Wilson of South Carolina, would you like to have a short opening statement?
Mr. Wilson. Thank you very much, and Mr. Chairman, I am very honored to be serving with you. I have the highest regard of the persistence of Chairman Dana Rohrabacher, and I am just grateful to be serving with him.

I appreciate the appointment by Chairman Henry Hyde, and I look forward to working with you. And it is particularly exciting today. I am honored to be here. I had an opportunity to meet Ambassador Kennedy in his service in Baghdad, and we so gratefully acknowledge your success there in building a civil society.

And I just look forward to working with the Committee, and I was also struck by the comments of Congressman Schiff. I want to echo many of the comments that he made, which is that lighting is going to strike, but we are actually in agreement. And so again I am just grateful to be serving. Thank you, Mr. Chairman.

Mr. Rohrabacher. And let me note that Congressman Wilson's son just recently returned from a year's service in Iraq, and we are grateful for your son's service, and very proud of him, and grateful that God brought him home safely.

Mr. Wilson. Thank you, Mr. Chairman.

Mr. Rohrabacher. And Mr. Flake.

Mr. Flake. Thank you. I want to thank the Chairman for calling this hearing, and thank the witnesses. I come from the same perspective that has been voiced here. I want to see the U.N. work. I have seen it work in the past.

I spent a year in the country of Namibia in 1989 through 1990, and for the implementation of U.N. Resolution 435, a security council resolution, and I saw how the U.N. can play a useful role.

Having said that, if I were to go home to my constituents now and try with a straight face to say that the U.N. can go to this area, or to that area, or this region, or that, and play a useful role, I would be laughed out. And I can't in good faith say to my constituents that we are getting a good deal for the money spent at the U.N. right now unless there is some serious reform that is undertaken.

I hope that it can be reformed from within. I have my doubts, and I think that is what these hearings are about, to see what the prospects of that kind of reform are. So I thank the Chairman.

Mr. Rohrabacher. There are some very serious issues to discuss today, and we all are anxiously awaiting for the time to have a little dialogue and so I would ask if you could summarize your complete statement, Mr. Ambassador, and maybe give us 5 minutes or so, or maybe a little bit longer, but give us a chance to do a dialogue with you.

So I welcome our first witness today, who is the Honorable Patrick Kennedy, who has been Ambassador to the United Nations for Management and for the United States Mission to the U.N. since 2002.

In 2003, he was detailed in Iraq as Chief of Staff to the Coalition Provincial Government, and then in 2004, as Chief of Staff to the transition unit in Iraq. So what we have here is someone who has served on the frontlines of diplomacy, and someone who I am sure has some very serious thoughts on these issues that we are discussing today. So, Mr. Ambassador, you may proceed.
STATEMENT OF THE HONORABLE PATRICK F. KENNEDY, AMBASSADOR TO THE UNITED NATIONS FOR MANAGEMENT AND REFORM, UNITED STATES MISSION TO THE UNITED NATIONS

Ambassador KENNEDY. Thank you very much, Mr. Chairman, and Members of the Subcommittee. I will summarize my statement and I ask the Committee's——

Mr. ROHRABACHER. Mr. Ambassador, whereas Mr. Delahunt has just arrived, I think we will pay Mr. Delahunt the courtesy before the Ambassador's testimony to have his opening statement if he would like. No opening statement, Mr. Delahunt? Mr. Schiff's opening statement will stand then. Mr. Ambassador, you may proceed.

Ambassador KENNEDY. Thank you very much, Mr. Chairman, and Ranking Member Delahunt, and other Members of the Subcommittee. Thank you for inviting me today to testify about management and oversight issues at the United Nations. As you request, Mr. Chairman, I will summarize my statement, but I ask the Committee's approval that the full text of the statement be entered in the record.

Mr. ROHRABACHER. Certainly, without objection.

Ambassador KENNEDY. As the largest contributor to the budgets of the United Nations, the U.S. is keenly interested in the way the organization is managed and how our contributions are used. Achieving greater efficiency and effectiveness, accountability, and integrity in U.N. activities has been a high priority objective for the U.S. delegation for many years.

I have been privileged to help in these areas over the last 4 years, and I will speak from my own experience about our achievements and challenges. Like any large organization or entity, the U.N. must constantly change to respond to the needs and priorities set by its members.

Reform is not an event. It is a process, and it must be a continual one. The Secretary General is the Chief Administrative Officer, and is responsible for carrying out activities mandated by the member states in the most efficient and effective way, and member states, in-turn, have the responsibility to provide the resources and oversight to ensure the organization's integrity.

While I am proud to say that our efforts to ensure integrity have produced some notable successes in recent years, it is also true that we have had setbacks. Still, we will continue to press ahead, gaining approval for major reforms, and perhaps more significantly, working daily in the trenches to fix problems and make small, but significant, improvements.

Over the last several years, GAO studies and U.N. reform have provided us with useful reports of our progress. We have taken its findings seriously, and have worked to implement many of their recommendations from the reports of 2000 and 2004, and they can be reference points to discuss what has been done, and what remains to be accomplished.

I will discuss the four major areas of creating a more results-based culture, hiring effective and accountable human resources, improving U.N. procurement, and ensuring effective oversight, placing them in the context of recent events and describing our responses.
It is very important that the U.N. have a results-based culture. We have to be consistent with the trend in Federal, State, and local government levels as the U.N. needs to move away from budgeting for inputs and outputs, and to focus on outcomes and value for money.

Since the General Assembly approved the new approach in 2000, the Secretary has made important progress in changing the budget format and the planning process. Beginning with the 2004 and 2005 budget—the U.N. uses a biannual budget—the U.N. uses a biannual budget—program managers have terminated longstanding activities that have become obsolete.

We have also obtained approval to develop an accounting system necessary to measure the actual costs to provide services, such as meetings and documents, and after much negotiation, the General Assembly gave the Secretary General authority to move staff and resources across departments and priority need areas. But as the GAO has pointed out, there are a number of things that still need to be done.

Secondly, the area of human capital, effective and accountable human resources: Since the U.N. has a large and growing need for qualified personnel, it is essential that the organization be able to hire them quickly, and have insurance that they will act in its best interests.

Almost 10 years ago, an internal audit found that the U.N. took 460 days on average to hire people. That was unacceptable. They have moved now to an Internet-based staff selection system that is transparent, that is open, and it allows anyone to apply who wishes.

It has a new performance appraisal system, and they are requiring senior managers to enter into performance contracts with the Secretary General. But again there is still steps that must be taken in the future.

Improving U.N. procurement: As you noted, Mr. Chairman, in your opening statement, there were a series of scandals in the 1990s. The U.N. has a large and growing procurement activity because of its worldwide action, as Mr. Flake noted, and Nunebia being one of the examples in recent years.

They have moved to a system that we believe has transparency in it. U.N. procurement actions are posted on a Web site available to everyone, and anyone who registers with the U.N. can then bid on those procurement activities, and the winning bidder and the winning price is published openly on the U.N. Web site. So it has moved to that significant element of transparency.

But as much as you have transparency, you have to have oversight at the same time. One of the major achievements of the United States was working with other nations to create an Inspector General, the U.N.’s Office of Internal Oversight Services, in 1994.

It has moved ahead and it has made some major accomplishments. It has also teamed with the external auditors that the U.N. has, which is the Board of Audit, which are drawn from member states, three nations contributing in effect their General Accounting Office counterparts to perform the external audit function.

So the U.N. now has both an external audit function and an internal audit function. But that internal audit function needs to be
straightened. It was straightened just last December, where at the instigation of the United States, a resolution was passed by the General Assembly on December 23, making available all of the OIOS reports to the member states.

And within an hour of that resolution passing, at 6:30 p.m. on December 23, the United States Mission delivered a request to the OIOS for the release of the Oil-for-Food reports. And we can see that if we had had those reports earlier—something the U.S. had been striving for—we would have been able to use what OIOS is discovering to achieve better management structures.

So in sum, Mr. Chairman, we need your support. We will continue to press forward at the U.S. Mission to the United Nations, with the full backing of the State Department. We must continue working to make the U.N. more effective and accountable.

But just as we must push forward, we need to bring in the backing of other nations, because the U.N. is a group of 191 countries. What we need is the flexibility to succeed in those negotiations, but we need you to continue to push on us.

The number of times that I am able to go into a discussion with other member states and talk about what my national legislation, which provides 22 percent of the U.N. budget, what instructions that you are providing, what pushing that you are giving to me, gives me a powerful tool to use with them to achieve the reforms that are necessary.

That concludes my oral statement, Mr. Chairman. I would be pleased to answer any questions that you or Members of the Committee might have.

[The prepared statement of Ambassador Kennedy follows:]
• Creating a more results-based culture

Since the late 1990’s the introduction and implementation of results-based budgeting have been high on the UN management agenda for the United States and other major contributors. Consistent with the trend at the federal, state, and local government levels, the UN has needed to move away from budgeting for inputs and outputs and to focus on outcomes and value for money. Since the General Assembly approved the new approach in 2000, the UN Secretariat has made important progress in changing the budget format and the planning process. Beginning with the 2004–2005 budget, program managers have terminated longstanding activities that have become obsolete. We also obtained approval to develop an accounting system necessary to measure the actual costs to provide services such as meetings and documents. And, after much negotiation, the General Assembly gave the Secretary-General authority to move staff resources across departments in response to priority needs.

But as GAO pointed out in 2004, there are a number of things still to be done.

• The UN needs to consistently evaluate activities to determine their continuing usefulness. For instance, further consolidation of the UN’s many far-flung information centers is an important goal of ours.

• Similarly, Member States need to sunset new activities to ensure that they will continue only if they are determined to be effective. As many developing countries oppose this approach, we need to convince them that funding obsolete activities is in no one’s best interest.

• The Secretary-General must use his authority to shift resources from lower to higher priority activities.

• Effective and accountable human resources

Since the UN has a large and ever-growing need for qualified people to carry out the activities mandated by Member States, it is essential for the Organization to be able to hire them quickly and have assurance that they will act in its best interest. Almost ten years ago, an internal audit found that it took the UN 461 days, on average, to hire someone. This finding, which was not a big surprise to those who followed the UN’s bureaucratic ways, provided a major impetus for subsequent reforms in the human resources management area. Among the most significant of these were:

• An internet-based staff selection system, which has produced hundreds of applicants for many UN jobs;

• A performance appraisal system to evaluate staff and determine high and low performers;

• A requirement for senior managers to enter performance management contracts with the Secretary-General;

• Implementation of core level competencies for staff members to help the UN determine its hiring and training needs;

• A requirement for new professional staff to serve in other locations in order to be considered for promotion.

GAO, in 2004, acknowledged that these reforms had some good effect, as seen by the substantial reduction in recruiting time, which most recently stood at an average of 174 days. Nevertheless, GAO, and we, see substantial room for improvement. Fortunately, in December the General Assembly approved a major resolution reaffirming the need for continued reform, including enhanced accountability for staff at all levels. In this critical area of accountability, we will take a close look at the UN’s financial disclosure requirements to make sure that they are transparent and rigorous.

• Improving UN procurement

During the 1990’s a series of scandals exposed serious flaws in the processes used by the UN to buy goods and services in peacemaking and other activities. Competition wasn’t always pursued, low quality products were bought at exorbitant prices, and procurement officers sometimes engaged in conflicts of interest. The large and growing UN procurement activity, which cost about $900 million in 2003, made it especially important that such problems be fixed expeditiously.

With considerable pressure from the U.S., aided by congressional attention on the issue, the UN Secretariat initiated a major procurement reform effort. The electronic posting of procurement opportunities has added transparency, and better training for staff has made procurement more professional. In addition, audits and investigations performed by the UN’s oversight bodies have given impetus for im-
provement. In a few cases, UN staff members have been successfully prosecuted for fraud and theft.

A key reform remaining is the implementation of a strengthened code of conduct for procurement officers. It is not clear to us why the UN has taken so long with this, but we are making this a priority during the coming weeks; I expect that we will be able to report some success when you the Subcommittee addresses UN reform the next time. Among other things, the UN plans to implement specific ethical guidelines for procurement staff based on the UN staff rules and is developing a code of conduct for UN suppliers. We will make this a priority in our public and private meetings with Secretariat officials during the coming weeks.

- Ensuring effective oversight

The creation in 1994 of the Office of Internal Oversight Services (OIOS) was perhaps the most important single management reform in the UN. Although viewed skeptically as a “western creation” by many countries in its early years, the OIOS has gained respect from all quarters as an indispensable tool for improving UN operations. By implementing OIOS recommendations and following through on its findings of mismanagement, the UN has saved millions of dollars and has become more accountable to Member States.

Notwithstanding this accomplishment, recent findings of the Volcker Commission and other events have shown the need to strengthen the UN’s independent oversight function. For example,

- With the urging of the United States, the General Assembly took a major step last fall by mandating that OIOS reports be made available to Member States. This will make the oversight process more transparent and put UN program managers on notice to take audit recommendations more seriously.
- Both the U.S. and the Volcker Commission have proposed measures to make OIOS more independent. One of these would provide OIOS separate budget authority so that it is independent of the offices that it audits.
- We expect the Secretary-General to propose additional OIOS resources to investigate allegations of misbehavior and wrongdoing in the UN’s far-flung peacekeeping missions.
- Also, the Secretary-General has stated his intent to build a stronger mechanism for holding UN staff more accountable for their actions.

As we will be considering these proposals in the coming weeks and months, the U.S. Mission will report back to you on progress made in this critical area.

Mr. Chairman and Members, I hope that my statement has responded to your interests and concerns about UN management and integrity.

I ask for your support as we continue working to make the UN more effective and accountable. Push us continuously so that other countries will know that our initiatives have full backing. But also give us the flexibility we need to succeed in negotiating with other Member States. Through this process we have frequently achieved reforms that did not always fit pre-determined U.S. objectives precisely but which were nevertheless worthy. In the process of negotiating with 190 other member states, we must be responsive to concerns of negotiating partners while at the same time achieving our general goals. And if in the unlikely event that our efforts fall short after a year or two, then we should investigate other possible approaches.

That concludes my formal statement. I will be pleased to take your questions.

Mr. Rohrabacher. Thank you very much, Mr. Ambassador. Some of the reforms that you talk about are certainly impressive, but one of the things that seems to be depressing is the fact that personnel—we don’t seem to see any action being taken against the same people who are in charge, even though mismanagement and wrongdoing has been acknowledged, as in the case with Mr. Robertson as I indicated in my opening statement.

Do you know anything about that case, and was Mr. Robertson chastised officially for some sort of mismanagement, but yet he was put right back on a procurement program?

Ambassador Kennedy. Mr. Chairman, I will have to get further details for the record for you, but just drawing from some of the statements that you made, sir, in your opening remarks, the U.N. has a due process system in regards to its personnel.
If individuals are believed to be guilty, culpable of some malfeasance, or misfeasance, they have the opportunity to rebut those charges, and not in every case are individuals guilty.

The U.N. has fired individuals. The U.N., the Secretary General, has waived their immunities, and turned them over to their national disciplinary regimes. For example, in the very, very sad case that you mentioned about the pedophile at the U.N. Peacekeeping Mission in the Congo, that individual is now incarcerated in a French prison.

The U.N. itself has no ability to arrest and punish individuals, and so when the U.N. identifies someone who it believes, it terminates that individual, and then they are turned over to whatever legal jurisdiction can bring charges against them.

Mr. ROHRABACHER. Of course, some of these matters are not necessarily criminal, but indicate a mindset that is perhaps less than open. For example, maybe you could comment on reports yesterday that Deputy Secretary General of the United Nations, Louise Frechette, actually withheld audits from members of the Security Council, and interceded to make sure that audits that showed that there had been mismanagement and wrongdoing did not get into the hands of members of the Security Council.

And that is very high up on the chain here. We are talking about, I think, the number two person, and right under Kofi Annan, and maybe if you could comment on that.

Ambassador KENNEDY. Mr. Chairman, we believe that the U.N. must have a transparent system. When we negotiated in 1994 the agreement that established the Office of Internal Oversight Services, it was the U.S. goal at that time to make sure that all of the reports that were done by the Office of Oversight Services be available immediately to the member states.

Other member states did not agree. They made the internal reports be internal U.N. documents that would serve in effect as a management purpose, and a limited oversight purpose.

We were opposed to that, and over these years we have pushed, and pushed, and pushed, so that oversight reports done by OIOS would be available to the member states. The problems that arose in the course of the Oil-for-Food Program gave us new impetus, new ammunition, and we went back, and in the meetings of the Fifth Committee——

Mr. ROHRABACHER. Mr. Ambassador, let me be very clear. No one is faulting you or our Mission to the United Nations. The bottom line here is that what we have here is a top level person, the number two person in the United Nations, who is engaged in what appears to be a cover-up in order to make sure that audits that presented malfeasance, or just incompetence, were kept from members who might correct the situation.

We are not faulting you, but the question is, are we now seeing—I mean, I don't hear anybody talking about getting rid of Mrs. Frechette, and in fact we heard a lot about the Oil-for-Food scandal, and people recognize that at the very least there is incompetence here, but likely it is an actual criminal skimming of money through the use of these oil vouchers, and Benon Sevan is still in his seat, is he not?

Ambassador KENNEDY. No, sir. Benon Sevan is actually retired.
Mr. ROHRABACHER. Okay. He retired.
Ambassador KENNEDY. And he has been kept on at a dollar a year at the request of the U.N., and at the request of the independent commission, the Volcker Commission. So he will remain in New York so that he may be available for discussion.

But I apologize for taking too long to answer the earlier question, sir.

Mr. ROHRABACHER. Okay.
Ambassador KENNEDY. What I was getting at is the Deputy Secretary General, Mrs. Frechette, was following the instructions that were laid out in the U.N. regulations. When the OIOS was established in 1994, the resolution that was passed by the General Assembly made those documents internal, and not releasable to member states.

We were opposed to that. And we kept working on it, and then in December of last year, we changed the regulation.

Mr. ROHRABACHER. Did it require them to be or did they permit them to be?
Ambassador KENNEDY. The regulations made them internal U.N. documents.
Mr. ROHRABACHER. Right.
Ambassador KENNEDY. We had sought——

Mr. ROHRABACHER. No, no, if you have an internal document, that is not required to be kept from the public and kept from the other members. Did the U.N. resolution require that those documents not be made available?

Ambassador KENNEDY. It made it a policy that they not be made available. But you are correct, sir. They could have released them, but it was a standard policy that member states were briefed on the documents, but not provided the text.

Mr. ROHRABACHER. Okay. Am I mistaken in believing that the United Nations is being run on basically money that comes from taxpayers in this country and other countries?
Ambassador KENNEDY. Absolutely correct, sir.

Mr. ROHRABACHER. Okay. And so when we are talking about that, wouldn't you expect then that if there were audits showing some kind of corruption, or some kind of incompetence, that those documents would be released so that we know what is going on?

Ambassador KENNEDY. That was the U.S. goal. That was the goal of several other nations, but other nations disagreed with us.

Mr. ROHRABACHER. But obviously that is not the goal of the leadership, and Ms. Frechette, instead, she was not required, as you just said, to keep these quiet. Instead, she intentionally decided to keep them undercover, or what you call a coverup, of wrongdoing in order to prevent people from being held accountable, it appears here.

Ambassador KENNEDY. It would be wrong, Mr. Chairman, for me to speculate on Louise Frechette's motives, but I do know that there was a strong conviction in the U.N., in the Secretariat, and held by many other member states, who did not agree with us when we put forward our proposals until we changed peoples' minds in 2004, that these were internal documents and that the leadership of the U.N. was then supposed to take the internal documents and make the corrections internally.
Mr. ROHRABACHER. Well, let us do this. One of the reasons why some people are skeptical about the United Nations is that a large number of countries who make up the United Nations don’t believe in the freedom of the press, and don’t have free elections, and don’t believe that people have a right to know anything about the internal workings of their own governments.

And they sort of have the same standard, it appears, for what is going on in the United Nations. I would expect, of course, that we—and as you say our delegation has been pushing for a more open system, but this is not inconsistent with some of the very Governments that are there presently in the United Nations.

We have to make sure, if we are going to be dealing with the United Nations, and the United Nations is going to have our respect, and have credibility, that the standards that they are operating on are not the standards of some of the totalitarian governments, or less-than-free governments, that make up the United Nations.

But instead reflect the standards of a free and open society, because we are paying at least 20 percent of the bill there, and other free societies are as well, and if we are going to have a functioning system, we can’t have—if the United Nations is to have our trust, we can’t hear about the number two person of the United Nations, or perhaps with the number one person’s permission, withholding audits that disclose negative information, and that disclose malfeasance, or disclose corruption.

And again some of these diplomats that work for Third-World countries that don’t even have to pay their parking tickets, and get away with murder, and have then just been able to go home, they may be arrogant enough to think that you can have audits, and then not let anybody see them. Well, that is not the way that it is going to work around here, and I appreciate that our own delegation is standing up for transparency. But the United States, from what you are suggesting here, has not had a policy of transparency, and in fact that policy was aided and abetted by the very leadership of the U.N. itself.

So I appreciate what you guys are doing, and I appreciate you representing the very best of what America is all about—open government and high standards—but I think we do expect the United Nations, if it is going to have our trust, to reflect those kinds of standards of open government, and transparency, and honesty.

Ambassador KENNEDY. I totally agree with you, sir, which is why now today all those documents, all those audit reports, are available to any member state who requests them, and the U.S. Government, acting through the U.S. Mission, has requested and will continue to request these audit reports.

So they are now open, and they are now transparent under the new General Assembly legislation in December, and they are available to the member states. The transparency has now been written into U.N. code so to speak, sir.

Mr. ROHRABACHER. Well, let me just note that we would not even know about these internal audits if it was not for the Volcker report, and the Volcker report basically places responsibility right on the Secretary General’s office for withholding these audits.
And it sounds like I am far more concerned and outraged about the withholding of these documents than I am hearing from you, but clearly we have——

Ambassador Kennedy. We were outraged. I appealed for their release.

Mr. Rohrabacher. Okay.

Ambassador Kennedy. And continually appealed for their release, and when I was told by the Secretariat that the member states, acting in 1994, made them internal documents, I then went back to—we rounded up a group of member states, put forward a resolution, and changed the U.N. rules. And so now these documents are available for my review, and will be made available to anyone who wishes them.

Mr. Rohrabacher. All right. Our delegation to the U.N. did the right thing, and is on the right side of this issue, but let me note that your position was fighting against the policy of non-transparency, and against the policy, and you were fighting against a policy that went right to the top of the U.N., which was not to permit audits that could have shown wrongdoing from seeing the light of day.

Some people call that a coverup, and it sounds like a coverup to me, and I am very happy that we have pushed so that the light of day is being shown on these documents, and I am grateful for your tenacity in keeping the pressure on. Mr. Delahunt.

Mr. Delahunt. Let me pick up on the theme of accountability and transparency, Mr. Kennedy, and let me note of your testimony before other hearings, and I have heard of your reputation. You are to be congratulated.

You, I think, represent the very best in terms of public service. We commend your efforts and thank you. I think it is important that we be really clear. I don't want to draw inferences about accountability when I am hearing conclusions that I think vary from your testimony.

I think this issue really is about what is the authority of the United Nations, as represented by the Secretariat, in the authority of the member states, particularly of the Security Council.

And I believe that needs some clarification. When we talk about transparency, it was the position of the U.S. Mission to the U.N. back in 1994 to advocate for that. We did not prevail. Our position did not win. There was a vote by the General Assembly; am I correct?

Ambassador Kennedy. The resolution established in the OIOS, yes, sir, was a General Assembly resolution.

Mr. Delahunt. And that articulated a policy that internal audits should remain internal?

Ambassador Kennedy. It was sufficiently nebulous and unclear. We had pushed for clarity to make them available. The resulting negotiating process among 191 member states resulted in a document that is easily assumed that the documents are internal documents, and to assist——

Mr. Delahunt. And that was—right. And that was the accepted interpretation within the United Nations General Assembly and among members of the Security Council, that these documents
were internal, and not to be released to the general, or to the inter-
national community at-large. Is that a fair statement?

Ambassador Kennedy. It was the generally accepted view of not
just the Security Council, but the General Assembly, with the ex-
ception of member states, such as ours, who continued to push to
expand it so that the documents would be available.

Mr. Delahunt. Right, but even the United States Mission inter-
preted in the end that there would have to be an amendment and
further action to make those documents open to public review,
international review?

Ambassador Kennedy. Absolutely, sir. We saw that there was an
annual report that was issued by the OIOS, which highlighted ti-
tles and summary lines, and when we made inquiries of others, the
answer was always that it was the decision of the General Assem-
bly that these are internal documents, and that we would need new
legislation in effect to make them available.

Mr. Delahunt. So the problem is with the member states, as op-
posed to the Secretariat itself? The Secretariat felt compelled to, if
you will, to comply with the legislation that was passed in 1994.
Is that an accurate statement?

Ambassador Kennedy. Yes, sir.

Mr. Delahunt. So what we have here is a situation where the
Secretariat, and I think we have got to be more precise in our defi-
nitions. When we speak of the United Nations, we speak of a body
that is comprised of the General Assembly, a Secretariat, member
states, the Security Council, independent—a family if you will of
agencies.

So that it becomes very confusing for those of us who are not con-
versant with the structure of the United Nations, but again your
efforts and testimony today are beneficial as I am sure as a tutorial
for me, and I am sure as well for my colleagues, because we have
to understand how the operation works.

That is why when the term coverup is used, I would think
whether it is Louise Frechette or anyone else, their response would
be, we are just complying with the directive of the General Assem-
bly, up until the point where new legislation was passed, and
which was advocated by the U.S. Mission, that now makes it trans-
parent. Is that a fair statement?

Ambassador Kennedy. Yes. I think in summary, sir, you could
say that when you say the word U.N., you are talking about essen-
tially two things. You are talking about the Secretariat, meaning
the staff who are hired to run the United Nations operations.

Mr. Delahunt. The hired help, if you will, with all due respect.
Ambassador Kennedy. The hired help, with all due respect. So
you have the Secretariat, and you have the staff, and the owners
of the U.N., in effect, are the member states.

And it is the member states that set in writing the policies of the
United Nations, and pass resolutions, whether it is in the General
Assembly, the Economic and Social Council, or the Security Coun-
cil, that set down the rules and procedures under which operations
take place of the United Nations, yes, sir.

Mr. Delahunt. I would like to move on for a moment. You made
reference to the U.N. Oil-for-Food Program, and it came as a sur-
prise to me. I have to reveal my own ignorance, but several weeks
ago when we had our first hearing, that until I delved into this area that I was unaware that while the sanctions regime had been instituted back in 1991, separate and aside from the Oil-for-Food Program, there was an illicit trafficking, if you will, of sales of oil to a number of states that members of the Security Council were aware of.

Specifically, Jordan, Turkey, Syria, and Egypt, I think were the countries that I remember. Was the U.S. Mission aware of that illicit, illegal sale of oil?

Ambassador KENNEDY. Yes, sir, the United States Government as a whole was aware of this. There were major trade protocols between Jordan and Iraq, and between Turkey and Iraq, and it was a national policy decision taken by the United States, that because of the importance of our certain friends in the Middle East, and the continued stability of Jordan, which depended very, very heavily on Iraqi oil, and the Jordanians positive role in the Middle East peace process.

And then Turkey’s very supporting role across the years in many activities, from being a member of NATO to Afghanistan, but more particularly as being the host of Operation Northern Watch, which was the overflights, where they permitted United States and British, and originally French, airplanes. So we made the decision——

Mr. DELAHUNT. For these reasons, we looked the other way?

Ambassador KENNEDY. And we annually, under the requirements of the Foreign Assistance Act, made formal notifications that——

Mr. DELAHUNT. I think these are reasons obviously, and I tend to be a pragmatist, okay? But one can just imagine if you came from somewhere else, and you heard that there was this sanctions regime that was passed and supported by the Security Council, and yet 84 percent of the illicit revenue that was derived from the sale of oil by the Saddam Hussein regime, we were aware of, and looked the other way.

But let me ask you this question. I can understand that these “allies” had the need to have their energy needs met. But why could not Jordan, and Syria—and I am not suggesting that Syria is an ally, but Jordan, and Turkey, and other allies buy oil from Kuwait, from Saudi Arabia, from other countries?

Why did we look the other way when there were obviously potential sellers, vendors, of oil to meet the energy needs of Turkey and Jordan?

Ambassador KENNEDY. Sir, this is a little bit before my time, and I would be glad to get you a full explanation for the record, but I believe it was because those were the trade routes. There were pipelines available.

Iraq had always traded with Turkey and Jordan for oil, and offered its neighbors concessional pricing, which was not available in other parts of the world.

Mr. DELAHUNT. Ambassador, I would think that in the aftermath of the first Gulf War, where this country expended considerable blood and resources in defending Kuwait and Saudi Arabia, that we would have had the leverage just on those two nations alone to have secured concessional prices to our allies, and not have had to look the other way and file a waiver under the Foreign Assistance Act.
It just absolutely boggles my mind that we were in the business, if you will, of supporting the illicit sale of oil and benefitting the Saddam Hussein regime.

Ambassador Kennedy. I am going to get you a formal answer for the record, sir.

Mr. Delahunt. Thank you, Ambassador.

Mr. Rohrabacher. Let us clarify something that has come up here. That according to U.N. policy, it seems to me that we have two different answers here. Was it or was it not permitted that the leadership of the U.N., the Secretariat, could release internal audits if they so chose to do?

Were they denied the right to release internal audits by policy, or were they just permitted not to have to release them?

Ambassador Kennedy. That is a very good and complex question, Mr. Chairman. The resolution was unclear. The resolution, the origin, the legislative history if I might use a parallel term, had been that the United States and others had sought automaticity of release. We did not succeed in 1994. We succeeded later. We did not succeed in getting that automatic release.

Mr. Rohrabacher. So it was nebulous, which means if it is not clear, the Secretariat, the leadership, then has the option to do this or not. If it is not clear, they have the option, do they not?

Ambassador Kennedy. The resolution talks about that the Secretariat can issue reports which show systemic problems.

Mr. Rohrabacher. There you go. Okay. Right there is the answer to the question right there.

Ambassador Kennedy. And I believe that my conclusion was that since the Oil-for-Food was something very new that there was probably—that their conclusion was—and I am not saying that their conclusion was right, because I argued continually to get the reports, and that they had to give them to us because of the unique nature of the Oil-for-Food.

But I can only surmise that they thought that since this was a new program, Mr. Chairman, that it was not a systemic issue yet.

Mr. Rohrabacher. I surmise that you are bending over backwards in order to give them the benefit of the doubt of good motives, is what it sounds like here. Your answer is that the fact that our position was as a Government that they had a right to release the documents, that was your position then.

You pushed for the release of the documents because you believed that you had a right to do so. They refused to do so, and I don't bend over backwards to give the benefit of the doubt to the leaders of the United Nations. I am sorry. And just one note, and then we will go to Mr. Wilson, and that is there is a difference, of course, between looking the other way in these situations with the oil that Mr. Delahunt brought up, and just being some part of a frivolous looking of the other way, or even something that is malicious looking the other way.

As compared to having a policy decision that was made, which is clearly that there was a policy decision that was made, as part of a larger strategy to defeat Saddam Hussein, in which these decisions of where that oil would go was part.

And so I don't find it as mysterious that perhaps some decision-makers in our Government decided to permit certain oil to go to
Turkey and Jordan because they felt that was necessary in their overall strategy to defeat Saddam Hussein. It does not boggle my mind at all. Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman, and I greatly appreciate Congressman Delahunt establishing the format today of tutorial summaries. And of course my keen interest is the Oil-for-Food Program.

And I would be very interested with your expertise if you could give us an oversight of how the program came about, the reasons for its establishment, and how it was to be set up, and how it was to be administered, and how it did operate. If you could do that for us as we begin our investigation, I would really appreciate it.

Ambassador KENNEDY. Yes, sir. Let me try to make this brief, and I would be happy to come call upon you.

Mr. WILSON. I know that it could be very lengthy, but I just would appreciate an overview that would be helpful for all of us.

Ambassador KENNEDY. In 1991, the United States Security Council passed a total embargo on anything going into Iraq, and then said that exceptions could be granted for food and medicine.

Saddam Hussein, between 1991 and 1995, availed himself little of opportunities. He was seeking to break the embargo. He was seeking to end the sanctions, because he wanted to have free and unfettered ability to reconstitute his war machinery.

During this period from 1991 to 1995, the people of Iraq were starving. They were down to, in effect, half-rations. Infant deaths were up. Maternal deaths were up. The world press was reporting what Saddam Hussein was doing to his people, but just because the way that stories play out, the burden, the villain partially in the world press were the sanctions, and not Saddam Hussein's perfidy in treating his own people.

There were beginning to be leaks in the sanctions, and world support for the sanctions was going down. In 1995, the United States, the United Kingdom, and others, proposed a program that would permit Saddam Hussein, under controlled circumstances, to sell oil.

That money would go into a blocked account. He would then be permitted to buy materials which were not materials to make war. It took a year to develop a memorandum of understanding, between 1995 and 1996, because Saddam kept trying to get out of this burden, and kept hoping that sanctions would collapse so that he would have unfettered rein.

The U.S., and the U.K., and others pushed back, and finally in 1996 the Oil-for-Food Program was born. This was a political act. We wanted to have a wall. We wanted to keep Saddam Hussein totally under control.

Other countries in the world resisted that. They wanted sanctions to end, or wanted a very loose sanctions regime. We were not willing to accept that, and so what we ended up with was in effect a screen, with us designing the finest mesh screen that we could.

But the problem was that this was a political act, and in the resulting resolution that established the Oil-for-Food Program, the only way to get it was that Saddam Hussein would be permitted to choose the companies to which he would sell oil, choose the companies for which he could buy goods.
However, a committee of the Security Council, and the U.S. was a member of it, the 661 Committee, would vet the transactions; oil out, goods in. And so between 1996 and the arrival of the Fourth Mechanized Infantry Division in Baghdad, you had an Oil-for-Food Program.

During this entire time, Saddam Hussein did everything that he could to try to break the system. Go around it, engage in oil smuggling into the Gulf, engaged in or he attempted to put a price premium on oil.

We discovered that because the U.N. oil overseers reported to the U.S. and the U.K. that Saddam was trying to put a premium on oil. We moved to stop that. We figured out a way to stop it by using what was called retroactive pricing.

Having stopped Saddam Hussein there, he moved his pieces on the chessboard again and went to kickbacks on goods. But Saddam Hussein, as evil as he was, was relatively smart. He put small kickbacks on very large volumes of goods.

And so it didn’t, when you looked at the contract, stand out, and saying that I am paying $50,000 for a car that was priced at $10,000. You would pay 10, or 15, or 20 cents over a pound of flour, or a pound of infant baby formula.

Small amounts, but when put in volume, it would make it up, and these kickbacks were all secret. They were not known to anyone, and the kickbacks became known when Baghdad fell, and then Iraqis came forward to the Coalition Provisional Authority and said we had this.

So it was a chess match. The goal of the United States and the British were to constrain Saddam Hussein’s ability to reconstitute his weapons of war as much as possible. Saddam Hussein is trying to break it, and in this process it went back and forth between 1996 and 2003, sir. That is it in a nutshell.

Mr. WILSON. And I really appreciate that, because it appears that there are two items. The vouchers have a value, and obviously the purchase orders have a value. Have all of these been released and are they available to the public?

Ambassador KENNEDY. Yes, sir. We have disks that we can make available that have images. There are over 30,000 contracts that were available, and we have a number of—there are some original source documents. Many of the original source documents were lost when Baghdad fell.

But we do have material and we have that on diskette, and we would be glad to work with your staff on any questions that they might have on it.

Mr. WILSON. And has there been an independent analysis or an analysis by the U.N. itself of the value of the vouchers, and whether they were negotiated? Were they, on their face, obvious to any odd sweetheart type deals?

Ambassador KENNEDY. On the vouchers, on the oil vouchers themselves, the oil vouchers were at market value, but then Saddam Hussein would in effect sell at less, and people would pocket the difference.

On the contracts, the CPA, the Coalition Provisional Authority, asked for the assistance of the Defense Contract Audit Agency, and the Defense Contract Audit Agency did a number of studies. And
they said that they could not really come to a very specific conclusion because a lot of things were buried in the pricing; the question of freight in and out.

And so the total figure from a DCAA sample might be on the order of 5 to 10 percent, which is within the margin of error when you are engaged in a large volume of international trade.

But I will admit, sir, that no one has spent the U.S. Government resources to try to go back and analyze every single one of the 30,000 contracts.

Mr. WILSON. And then a final question would be what has been the value of the vouchers, the value of the purchase orders?

Ambassador KENNEDY. There were $46 billion worth of humanitarian goods set aside for Iraq, and that was about $38 billion for the center, and about $8 billion for the north. When the war came, there were about $8 billion or $9 billion of cash sitting in various escrow accounts under U.N. control.

And as of recently, 9.28 billion of that loose, or unobligated so to speak, unliquidated resources, were returned by the U.N. to the development fund for Iraq, first under the CPA, and then under the Government of Iraq.

So it would be somewhere on the order of $35 billion worth of goods and services moved into Iraq during the period that we are talking about.

Mr. WILSON. And was the value of the vouchers comparable?

Ambassador KENNEDY. No one knows for certain how many vouchers Saddam Hussein passed out, because we believe that there were vouchers passed out that were never utilized by people.

We know that he did sell under the program $64 billion worth of oil under the controls of the program, and some of that may have been vouchers that would then have gotten a kickback.

Mr. WILSON. Thank you very much.

Mr. ROHRABACHER. Thank you very much. Let us note that the vouchers that you were just discussing, that in our first hearing on the Oil-for-Food scandal, that was, I think, the most astonishing fact that came out of that hearing: Saddam Hussein's manipulation of these vouchers in order to achieve his goals, and especially the fact that one of the vouchers was issued to the triggerman who murdered Mr. Suhail, who was the human rights activist whose daughter appeared at the State of the Union Address.

And thus we know that there was something going on with these oil vouchers. They were being used as some sort of clandestine way of paying people off, and in fact paid off a man who murdered one of Saddam Hussein's——

Mr. DELAHUNT. Would the Chairman yield for 1 second?

Mr. ROHRABACHER. Certainly.

Mr. DELAHUNT. I have no doubt that Saddam Hussein had no reluctance in dealing with bad people, and I agree with your statement.

Mr. ROHRABACHER. He also dealt with good people in a very bad way.

Ambassador KENNEDY. Mr. Chairman, if I might. I now recall that there was—the Volcker Commission, the independent commission, put together a chart, in which he drew from a number of sources, and the estimates from the CIA's Darfur Committee report
was that the kickbacks on humanitarian goods probably amounted to about $1.5 billion, sir. But again that is the Darfur CIA figure.

Mr. ROHRABACHER. Thank you very much, Mr. Schiff.

Mr. SCHIFF. Mr. Chairman, I wanted, before I ask the witness any questions, to comment on something that the Chair has raised, and which came out in Mr. Delahunt’s questioning as well.

And that is what is the relevance of the fact that 84 percent of the evasion of the sanctions was in the form of illicit oil sales to Turkey and to Jordan? What is the relevance of that fact?

There has been a discussion of whether this was good policy or bad policy, and plainly there are arguments on both sides of that question. But there is no argument that we knew that this was going on.

Plainly, we knew it was going on, and plainly waivers had to be given in order for it to continue going on, or at least for our foreign assistance to go on in the face of these illicit oil sales.

So what is the relevance? And I think that whether that fact is relevant or not depends on what the question is that our Committee is asking. If the question is why didn’t the sanctions work, the illicit oil sales are the central answer to that question.

Indeed, they are 84 percent of the answer to that question. If on the other hand the question we are asking here is what is wrong with the U.N., then perhaps the fact that 84 percent of the evasion of the sanctions was done with our approval is not relevant.

So it really depends on what our question is, and I think really both questions are relevant to the work of this Committee. Why didn’t the sanctions work, and what are the problems at the U.N.? How did so much fraud go on without our knowing?

How much did we know about it, and what did we do about it? We knew, for example, about 70 cases where there were notes of concern attached by the Office of Iraqi Programs about contract prices that were forwarded, and yet the U.S.-U.N. did not hold up any of the contracts.

That is a question that I have and where we seem to have some notice about potential surcharges in the contracts. But let me ask you a couple of things. One, how much of the potential surcharges were we aware of at the U.S.-U.N.?

Why was no action taken when the issue was raised and notes of concern were expressed on contract prices in at least 70 cases? But a broader question I have, because I think I see where this may be leading us down the line, I strongly believe in reform at the United Nations. I think that it is important, and I think it is vital. There are some, I think, who believe that the United Nations has outlived its purposes, and reform is an opportunity to attack rather than strengthen. I am not one of those people.

And I think I see, coming down the line, an effort to put greater pressure on the U.N. for a forum, which I subscribe to. And you, yourself, have pointed out that that can be constructive. We don’t have that many instruments to apply pressure. Some of them are very blunt.

And I can see one that may be coming down the line in the form of the withholding of our U.N. dues unless a certain series of reforms are enacted at the U.N. And I would like to start by asking for your feedback on whether the use of that kind of a blunt instru-
ment helps in propelling new reform or whether it is so heavy-handed that it impairs reform?

Ambassador Kennedy. Mr. Chairman, Mr. Schiff, I need pressure on me. Pressure on me, meaning on the State Department, and on the U.S. Mission to the U.N., and it is a very important——

Mr. Rohrabacher. So is it your testimony that Congress should pressure the State Department?

Ambassador Kennedy. May I decline to answer that, sir? But, seriously, we pay very serious attention to what you say, and in all of the meetings that we have in New York, we use the statements of national legislatures—and it is not only the U.S. national legislature.

There is a group that we have put together in New York. It is called the Extended Group for want of a better name. It is about 25 or 30 countries that make some of the major contributions to the U.N.

It is a like-minded group that seeks reform. It is the European Union, Canada, Australia, New Zealand, Russia, Switzerland, Norway, Japan, South Korea, and the United States.

We discuss these things, and we meet regularly to plan strategy, and when I can say, or my colleagues can say to them that our Parliament, our Congress, is very interested in making sure that every dollar is spent by the U.N. correctly, they listen and they hear that.

But then this goes to the kind of tools, and I cannot recommend withholding, because it is potentially too blunt an instrument, and let me give you an example. Let us say that you suggest that we achieve three goals, A, B, and C, whatever they might be. And I am in the process of negotiating an agreement with 190 other member states to get something done. And I can get A and B, and in the process of the negotiations, I get D and E.

That total package, A, B, D, and E, is greater than A, B, and C, in terms of a major step forward in terms of improving the United Nations operations. But I am now forced to withhold our contributions, causing the U.N. not to be able to assist the new Government of Iraq.

It was the United Nations that helped the Iraqi electoral commission, and to put on the elections that just took place. And there are two more elections set for Iraq this year; one to approve the new Constitution that will be written shortly, and a second to elect a new Government.

The Iraqis have never had an election up until the one a couple of weeks ago in a free and fair society. They need United Nations’ help, the same help that is being given out. So I need to be able to say that my legislature is very interested in improvements.

But sanctions when I am negotiating improvements, the sanction of withholding is too blunt because it is not targeted enough. If I can get X, Y, and Z, instead of A, B, and C, I believe that I can come up and present that and you would accept that that is a better goal than the original.

And then if I am withholding, then it does not achieve our joint goals of improving U.N. operations and improving the ability of the United Nations to serve as a tool that assists us in achieving our national security goals.
Mr. SCHIFF. Ambassador, let me ask you one follow-up; and thank you, that is very helpful on the Oil-for-Food. How do you attribute responsibility for some of the failings in the kickback surcharges?

How much of it do you think was the responsibility of the U.N. staff not doing their job, and not having adequate oversight, structural problems at the U.N., where some of the member states were not interested in the Oil-for-Food Program?

How much responsibility do you think we bear for not doing greater scrutiny ourselves, and for not questioning the prices in contracts? Is there some division of responsibility that is appropriate and that we should keep in mind to reform our own oversight review, but also to recommend U.N. reforms?

Ambassador KENNEDY. Sir, I would be hesitant to try and come up with some kind of a percentage differentiation, but let me just say, as I answered the question from Congressman Wilson, that the member states drive programs at the U.N.

It is member states who pass resolutions. It is member states who provide the overall direction. The staff of the United Nations—it is clear from the audit reports that have now been released—were not the greatest managers. They just were not, and that is wrong. They should be called to account, and they are being called to account for that.

And now that we can see those audit reports right after they are issued and not have to fight and wait for them, this new transparency gives us a powerful tool. On the pricing, the United States Government did check the pricing, and we never—you are correct, sir. We never held a contract on price alone.

We just never said, "Why are we holding a contract at all?" We just held it. We were not forced to disclose the reason why we held on to a contract. So we just held. So the issue here is, I believe, that it is a failure on the part of member states to enforce the sanctions in a way that would constrain Saddam Hussein, coupled with management errors in the administration of the programs in both the north and in the center south by the U.N. staff.

But if you run the numbers, the greatest amount—and you can find this in the Darfur report and others, but the greatest monetary errors clearly goes to actions of member states in suffering and permitting kickbacks.

I believe that other nations knew what they were doing, and we did not know about the kickbacks other than the 70. We had no idea. We knew about the oil premium and we stopped it. So the greatest fault in my mind lies with member states.

Mr. ROHRABACHER. Thank you very much. We know of some high level U.N. officials who received oil vouchers, who must have known something as well. Mr. Flake.

Mr. FLAKE. Thank you, Mr. Chairman. Thank you, Ambassador Kennedy. Let me ask you one specific question, and then one broad one. We had a former U.N. contractor come to my office and talk about policies and procedures there. She had gone into this as a big believer of the U.N., and its purpose and mission, and came out rather disenchanted. What policies are in place right now to protect whistleblowers, either contractors or staff at the U.N.?
Ambassador Kennedy. There is no whistleblower protection, per se, but how it works is that you actually have 191 ombudsman. We receive Americans at the U.S. Mission all the time. My staff does or I do.

If an American contractor or U.N. employee believes that there is an error or a malfeasance, or a misfeasance, they can take it to the Office of Oversight Inspection Services, and they do have protected sources.

They will not disclose the names and the identities of their sources, or if any employee or contractor—and they regularly go to the mission of whatever nationality they possess, and then that nation intervenes with the U.N. to make sure that individual is being treated fairly, and above-board, and is not being disciplined inappropriately, or being punished for calling to account errors and omissions.

So the fact that the member states—in fact, it is like going to the board of directors if you have a problem.

Mr. Flake. But is going to the member state outside of the U.N. organization considered, or can they do that or not?

Ambassador Kennedy. Yes, sir, they do it all the time.

Mr. Flake. I have right here a contract, a condition for consultants, and it states here that unless otherwise authorized by an appropriate official in the office of concern, consultants shall not communicate at any time to the media or any other institution, person, government, or any authority external to the United Nations, any information that has not been made public which has become known to them by reason of their association with the United Nations. This seems to indicate otherwise.

Ambassador Kennedy. I think there is—I am not a lawyer, sir, but I think there is a fine line here. Obviously any institution does not want its staff to be disclosing to member states routine course of business, because the U.N. being a collectivity, a condominium of 191 countries, you don’t want the staffs of the U.N. acting as 191 entities.

You want them acting as the collective hired help of everyone. So there is a good reason for that. However, if a staff member feels that there is malfeasance or misfeasance, and chooses not to go to the Office of Oversight, Internal Oversight Services, which they can do under U.N. procedures; if they feel that is inadequate, or whatever, people go to member states all the time. And then we intervene, or Xanadu, or whatever the nationality is, and those individuals, if they are correct and if they are a real whistleblower, as opposed to a disgruntled employee—and I think that both exist in the world.

And we have to ensure that whistleblowers are protected, but we should not extend pseudo protection to everyone. We will talk to their supervisors, and we will talk to the supervisor’s supervisor. We will go to OIOS and ask them to investigate this case, because we now have an official request from a member state.

Mr. Flake. It just seems to me that if they were to do so that they would be violating their contract, but I am not a lawyer. So I will leave it at that. Let me go back to what Mr. Schiff mentioned with regard to legislation that would withhold funds, or condition funds upon reform.
You mentioned that it is not particularly useful as a tool. How would you square that with our experience with UNESCO? We wanted reform, serious reforms there, which only came after funds were withheld for a time.

Ambassador KENNEDY. I think, sir, that the best description of UNESCO is more the nuclear option. It is not just that we withheld funds. We got out of UNESCO. We did not really withhold as much as withdraw from the organization totally, and we ceased to be a member.

And that is an option that is always available to us in regards to anything that we belong to. I would submit, however, that the advantages of United States’ participation in the United Nations outweigh implementing the nuclear option.

Mr. FLAKE. No, I understand that, and I agree with you, but I think at some point—and I don’t know, and I am not going to ask you to identify that threshold, but we may well have passed it.

I mean, if you were to have come before the Oil-for-Food scandal, my guess is that we would not have heard any huge red flags that you thought were out there that you could not get simply through negotiation.

However, had we had a little bigger stick at that point, then perhaps we could have avoided some of the calamity that we now see. There is legislation, and I am the prime sponsor here in the House, with 76 co-sponsors in the last session, and we will introduce it again, which would condition—and it is based on legislation that we did back in the 1970s, I believe, to get the kind of reform that we were seeking at that point.

But I would not expect the State Department, or our Administration in general, to favor that. They are the diplomats. But we represent the taxpayers, and at some point you have got to say that if not the nuclear option, then at least condition funds.

I can tell you that among my constituents that I am being a pansy for simply offering to withhold funds; 10 percent this year, and 20 percent if they don’t comply. You know, they want much stronger action. I can tell you that it is not just my district. It is all across the country that people are fed up with what they see.

Ambassador KENNEDY. There is no question, sir, that the Oil-for-Food Program had its mismanagement elements, and I am not disagreeing with you. The audit report should have been released, and we could have corrected those issues if we had had those audit reports earlier that we tried to get.

But change has been made, and we now have the audit reports. Those reports are available to us as soon as we ask for them. So that is a change, and change is incremental, but then reform is a process and not an event. We will go in this year to the U.N. and we will push for additional reforms, and if I would be so bold as to sort of take your question one step further, if I might. I would ask that you tell us in legislation what you think are the kinds of improvements that ought to be done, but don’t tie them to withholding.

And then we come back and report to you, and if you find that the progress that we have made is in line with rationality and reasonableness, and you think that is good progress, then we have done it.
Mr. Flake. Let me just say that I don’t know that we can wait for these kind of reforms. It took us 9 years to get the reports that we are now getting, and either we can see that we were asleep at the switch not asking for them, or we have been requesting and not getting them. I would submit that we can’t afford another 9 years. Thank you.

Mr. Royce [presiding]. If I could make a few observations here, Ambassador Kennedy.

Ambassador Kennedy. Yes, sir.

Mr. Royce. The first is Ambassador Richard Hallbrook, a former Ambassador who served the United States well, made this observation about the United Nations. He said that the United Nations had erred in placing itself above its member states, and in his words, the U.N. cannot stand above its member states.

One of the interesting interviews which we have had with former U.N. personnel was one in which the individual who was involved in the Oil-for-Food Programs said we believe in transparency within the U.N., not between the members.

There is almost a culture of secrecy here, and I read with interest Kofi Annan’s Op Ed in the Wall Street Journal. He said that the U.N. can be useful because it is seen as independent and impartial.

My observation at this point would be that with the rate of stories coming out about corruption and abuse on the part of U.N. officials, and especially from my standpoint the U.N.’s lack of resolve in Dafur while a genocide continues there, the U.N. may soon be seen as incompetent and as impotent.

Ambassador Kennedy, I went up to New York and talked with you recently about the situation in Dafur, and since I visited that region in the Sudan, and in the Town of Tinea, I saw where 40,000 human beings, as a result of aerial bombardment by the Sudanese Government, had been reduced to less than 200.

And I talked with amputees and with victims of the carnage and the violence there, and with African Union troops, and the African Union has sent a force that now numbers about 3,400. It used to be about 10,000.

But they can’t get their mandate expanded through that security council. And when I talk about a culture of secrecy and accountability, one of the things that needs to happen is that we need to push the vote right to the Security Council, and if Russia and China want to vote down effective action to end the genocide in Dafur, let us at least try and get accountability.

I know that the United States has done more than any other country right now in trying to push a resolution for this, and push this at the United Nations. But there are over 300,000 human beings who have perished, and the 200,000 that you can see in Chad—and we went into those refugee camps as well—there are over a million displaced people wandering around the desert of the Sudan while the U.N. takes no action.

So there is the theft and the laxed accounting practices, but I think that these are symptoms of the disease. This institution is dysfunctional and that is why we are looking into these matters. And frankly in my view the capital crime here in New York is the U.N.’s absence when it comes to the genocide that is playing itself
out in Darfur, Sudan. It has hamstrung effective action while the killing continues.

The description that you have heard of the events in the United Nations, it seems that secrecy and lack of transparency have been institutionalized. And I will ask you, Is that a fair characterization? Has secrecy and lack of transparency been institutionalized?

Ambassador Kennedy. Sir, I recall our conversation in New York in our meeting, and before I get to Darfur, I don't think that it is has been institutionalized. I believe that there are staff members of the U.N. who would like to cover up mistakes that they have made.

I think that is inexcusable. It is also human nature to try not to disclose when you have blown it, and that is wrong, and that is why you have to have openness, and that is why you have to have transparency, and that is why the United States and others have been major supporters of the Office of Internal Oversight Services.

That is why we continue to push for expanded capabilities, and expanded functions for OIOS, and push down on that line. If I could for just 1 second: I think that you have greatly outlined two problems, but I truly believe, sir, that they are separate problems.

The one is the theft or other problems which are absolutely wrong, and those are the problems of the Secretariat. The Secretariat needs to use the OIOS more rigorously. They need more discipline, et cetera, et cetera.

We cannot permit anyone to use the taxpayers' money from any nation in a way that is inappropriate. Individuals must be found out and they must be punished. That is the problem with the Secretariat.

Mr. Royce. Well, are your allies? I listened to Jean Kirkpatrick make this case, and Madam Secretary Albright make this case, and Richard Hallbrook make this case, that we needed these reforms at the U.N.

What is different now that makes you think—and as discussed, it took 9 years to get this last report. So share with us what is different about the calculus now that means that we are going to get meaningful reform and transparency?

Ambassador Kennedy. I think if I could, we would start with the reforms that have been achieved also over the past decade. We have lowered the U.S. contribution to the United Nations, and it is now down to 22 percent.

Mr. Royce. We did that to try to leverage reforms.

Ambassador Kennedy. We now have an Office of Oversight and Inspection Services. We have had personnel reform, and we have had procurement reform. If you go to the U.N. Web site now and go through the menu picks, every procurement that the U.N. Secretary is putting out for tender is up on the Web site, and you bid on it, and you can then go to that Web site equally well and check to see who won.

I mean, it will list the list of tenders that are available, and then they will tell you who won and at what price they won. This was not done before, sir. There was not that lack of transparency, and I could go on and list——

Mr. Royce. Well, let me suggest—and in the Congo, we had conversations about abuse there, and we had a hearing yesterday
about the situation with respect to U.N. personnel abusing young women, actually children, in the Republic of the Congo. And the question about getting around the diplomatic immunity and being able to have some accountability, and some prosecution for those who were committing crimes of sexual violence.

It just seems to me that these questions of accountability and transparency are being resisted by the institution, and it seems to me—I mean, one of the things that I am trying to find out is how you create the leverage in this equation to truly have the U.N. open up, and instead of fighting us on these reforms, become part of the solution rather than part of the problem.

And I am going to let you get back also to the other question about Darfur, Sudan, because when I see the ineffectiveness of the United Nations, and then when I read their report, which documents genocide in Darfur, item by item going through the examples, and then the conclusion is that we don’t call this genocide.

They don’t call it genocide because under their charter, frankly from my standpoint, they would be forced to act if they called it genocide. It is this type of frustration that leads us to ask you, How will you establish the leverage to create the alliance to get the reforms necessary to bring accountability and transparency at the United Nations?

Ambassador KENNEV. I will get to the accountability question, but your point I think is well taken. But you have the Secretariat and then you have the member states. The problems that we are seeing now as the United States and others work on the terrible tragedy in Darfur are not problems of the United Nations, the Secretariat. They are problems of member states. And those problems of member states not wanting to act are not derivative of their membership in the United Nations, or even of the existence of the United Nations. It is member states saying, in my sovereign capacity, I am willing to do this or I am not willing to do that.

I believe that they should do it, and Ambassador Dansforth had worked on this and we continue to work on this. I am sure my colleagues today are in the Security Council right now discussing this issue.

We are pushing this, but the issue here is not a failure of the U.N. Secretariat to act in Darfur. It is a problem of member states not yet reaching the same conclusion of the horrors and the tragedies, and the genocide that Secretary Powell talked about.

They are saying we are not there yet. We are pushing the——

Mr. ROYCE. All right. Let me ask you about the culpability then of the Secretariat with respect to the report which documents the evidence that an objective observer would look at and say, you are talking about widespread attacks on civilians without provocation—and that is documented.

It is documented of the genocidal acts being perpetrated by the Jon Ju Oui, and documented is the aerial bombardment of the villages. Documented is the million people being driven out of their villages. Documented is the poisoning of wells.

And at the bottom of all of this, the United Nations itself, the institution, takes a pass and says, “Well, this does not constitute genocide.” Now that is not a failing of the member states. That is an example of where the institution could have—go ahead.
Ambassador Kennedy. But what they did say, they said that this might not be a genocide, but they did say it was a gross and clear violation of the Convention on Human Rights.

Mr. Royce. They did say that, but what they did not say was what would have given the leverage to go in and force the hand of those States, such as Russia and China, that resist taking the action to end that genocide.

And I am just pointing out that fact. So I take your point that these States are standing in the way of the resolution of the problem, but I am also pointing out to you that within the institution itself is this lack of resolve, or lack of ability to step forward and call things as they are.

And not only that, but there is also this lack of transparency and accountability that we need to have changed, on everything from firing personnel that are involved in sexual abuse and not protecting them, to the issues of corruption and theft.

And we have to be realistic about this, and we have to share with other states the fact that the United States is going to bring real pressure to bear as a result of our frustration.

And foremost on that list that you should share with these states is that 10 years after Rwanda, the fact that the United Nations is not stepping forward and focusing on a genocide in the Sudan, and bringing the world together on a solution to ending that.

Ambassador Kennedy. I agree. We are in the Security Council pushing that. Let me take your MONUC example, if I might, and use that as an example of the accountability. We do believe that what has happened in MONUC with sexual exploitation of women and children is absolutely horrendous, but because we had an Office of Oversight Inspection Services, they were able to go out there and they were able to identify this.

The civilian employee was terminated by the U.N., and is now in the hands of the French judicial authorities, which is where individuals have to be prosecuted. The Moroccans have stepped forward and relieved two battalion commanders, and I believe it is six of their soldiers who have been identified that are going through the Moroccan version of the Uniform Code of Military Justice, or whatever it is called in Morocco.

And that shows that there is identification, and there is accountability, and member states are stepping up, and it is absolutely horrible what has happened there. But I think we have to also remember that there are 60,000 U.N. blue-helmeted peacekeepers there. And just last week, nine of them died protecting a refugee camp in the Eastern Congo. One does not justify the other. Everybody must adhere to the duty of care that underlines everything that we should be doing.

Mr. Royce. Thank you. I urge you to redouble your efforts.

Ambassador Kennedy. Yes, sir, thank you.

Mr. Rohrabacher [presiding]. Before we move on to the last witness, Mr. Delahunt, did you have something that you wanted to add here quickly?

Mr. Delahunt. Yes. And I will try to do it quickly, and I thank the Chair. And let me just share the frustration that was expressed by Mr. Royce. I do concur with his sentiments. I can also appreciate your clarity about accountability and responsibility.
I do believe that there is, from all the evidence that I have been able to review via news reports—and I can't say that is the best source, but that is what we have available to us—that there is a genocide going on, and action is absolutely, in my judgment, and swift action, is not only appropriate, but it obligates us at a moral level.

At the same time, we are dealing with member states who have not yet reached that particular conclusion. Mr. Royce talked about a lack of resolve. Is it lack of resolve or is it lack of authority on the part of the Secretariat?

I would like to see if you can make that distinction, because it is my understanding that those who reach a conclusion about genocide with resulting action have to be members of the Security Council, and have to be member states.

Ambassador Kennedy. I agree, and as Secretary Powell said, there is genocide going on in Sudan, and personally I am convinced of that. Secretary Powell is convinced of that. The issue though is——

Mr. Delahunt. By the way, once the United States—let me interrupt. Now that we have made that declaration officially does that obligate any action by the United States under our own United States code?

Ought we be taking action in terms of forming a coalition? We have done it elsewhere, obviously, in the world.

Ambassador Kennedy. Sir, I am not an attorney, or an expert.

Mr. Rohrabacher. You would not be advocating unilateralism would you?

Mr. Delahunt. A coalition, a coalition of the willing.

Mr. Rohrabacher. Mr. Royce.

Mr. Royce. The point that I was making was not that in this case that China and Russia, in blocking action in the Security Council, was excusing action on the part of the U.N.

What I was saying was that the United Nations itself had undertaken the decision to do an assessment of whether the Secretariat undertook that decision. So I am saying that apart from my criticism of China and Russia as member states blocking action in the Security Council, there is this separate issue within the Secretariat that the Secretariat here had the responsibility of going out and doing the assessment.

And I feel, I feel, therefore, they dodged the question, even though they enumerated all of the acts of genocide. When it came to the final conclusion that would have forced the United Nations to act, they took a pass and said we don't see that as genocide. That was my point. And I think that comes back to the failure of the institution.

Mr. Rohrabacher. Thank you very much, Mr. Royce, and Mr. Delahunt, and I would also especially like to thank you, Mr. Ambassador, for sitting through almost 2 hours of what I think is very valuable dialogue on this.

The purpose of a hearing is to make sure that everybody gets their say, and everybody gets a chance to explore the issues that they think are important and to bring things up. So I would like to congratulate Mr. Royce for bringing up what is upon us right now as we speak.
And we are talking about things perhaps that happened in the past with the Oil-for-Food Program and these other things, and he is bringing up a crisis of the moment that gives us some indication as to the nature of the United Nations.

And we appreciate you, Mr. Royce, but with that, we have one more witness, and Ambassador Kennedy, thank you so much.

Ambassador Kennedy. Thank you, Mr. Chairman.

Mr. Rohrabacher. And when you go back to your friends up there in New York, you might tell them that some of us are willing to actually cut the American contribution to the United Nations if things are not done well.

Ambassador Kennedy. I hear you loud and clear, sir.

Mr. Rohrabacher. All right. Our second witness is Mr. Joseph Christoff, Director of the International Affairs and Trade Team of the United States General Accounting Office (GAO). Mr. Christoff directs the GAO’s work at United States agencies that are responsible for nonproliferation, export control, and international security issues, as well as issues related to the United Nations.

Mr. Christoff is the recipient of numerous GAO awards, including the Distinguished Service Award, and has testified numerous times before Congressional Committees. He is seen as a highly reliable source. And we are very, very pleased that you are here to help guide some of our thinking on the issue at hand today, which is the Oil-for-Food scandal, and the United Nations in general.

Thank you very much, Mr. Christoff, and you may proceed, and then we will go from there. Again, summarize your statement, and we will go from there to questions. Thank you.

STATEMENT OF JOSEPH A. CHRISTOFF, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE TEAM, U.S. GENERAL ACCOUNTING OFFICE

Mr. Christoff. Thank you for inviting GAO to this important hearing, and thank you for sticking around to hear my comments. I appreciate it. My statement today is based on GAO’s previous report on U.N. reform, and our continuing work on the U.N. Oil-for-Food Program.

Overall, we found that the United Nations needs sustained oversight at all levels of the organization in order to achieve lasting results in its reform agenda. First, let me discuss the reform agenda itself.

In 1997 and 2002, the Secretary General launched two reform initiatives to address the U.N.’s key management challenges. These challenges included poor leadership of the Secretariat, duplication among its many offices and programs, and the lack of accountability for staff performance.

Last year we reported that the U.N. had made some progress in implementing its reform agenda. It had put in place 51 percent of the 154 reform initiatives launched in prior years.

However, more than one-quarter of the completed reforms, such as establishing an office or developing a plan, only represented the first steps in achieving longer term goals.

Moreover, the Secretariat had not conducted comprehensive assessments of the status and the impact of its reform initiatives, and only had one staff member tracking the reform efforts.
Accordingly, the Secretariat had not been able to determine what progress had been made or where future improvements are needed. At the program level, we found that the U.N. had begun to reform its budget process by adopting a results-based budgeting format. This format included specific program objectives, costs, and performance indicators to measure results. However, the U.N. has yet to implement the next critical step in results-based budgeting. That is, systematically monitoring and evaluating the results of its programs in order to assess their impact and relevance. Many U.N. programs do not have comprehensive evaluation plans. Monitoring and evaluation responsibilities are often assigned to low-level staff, and many programs still focus on achieving outputs rather than outcomes.

As a result, it is unlikely that the U.N. will meet its goal of implementing a full results-based budgeting system by 2006. Let me turn to the role of the internal auditors. A strong internal audit function also provides oversight and accountability through independent assessments of program results. The audits of the Oil-for-Food Program demonstrate the importance of internal oversight. Over the course of 5 years the auditors' 58 reports documented reoccurring management weaknesses. In reviewing those reports, we cataloged over 700 problems in procurement, financial and asset management, as well as project planning and coordination. The reoccurring nature of these problems suggests lax oversight by the agencies responsible for them.

While the auditors found many problems in the field, they were prevented from examining key activities at headquarters and from reporting their findings to oversight bodies. The Volcker Committee found that the auditors' dependence on U.N. agencies to fund their reviews limited the auditor's scope. For example, the Office of Iraq Program only approved funds for the auditors to conduct audits in the field and not at headquarters. Such audits might have focused early attention on headquarters' limited reviews of the Oil-for-Food contract prices. In addition, the auditors encountered problems in their efforts to widen the distribution of their reports behind the head of the audited agency.

Again, according to the Volcker Committee, in 2000 the auditors petitioned to send their reports directly to the Security Council. However, the Deputy Secretary General denied the request. As a result, U.N. oversight bodies did not have timely information on serious management problems that occurred during the Oil-for-Food Program. In December 2004, the General Assembly partially addressed this problem by requiring the auditors to provide the reports to member states upon request. However, these reports are not routinely provided to the member states, nor are they made publicly available. GAO plans to conduct further reviews on the role of the internal auditors. And that concludes my statement.

[The prepared statement of Mr. Christoff follows:]
Sustained Oversight Is Needed for Reforms to Achieve Lasting Results

Statement of Joseph A. Christoff, Director
International Affairs and Trade
Sustained Oversight Is Needed for Reforms to Achieve Lasting Results

What GAO Found
The United Nations needs sustained oversight at all levels of the organization to achieve lasting results on its reform agenda. We reported in 2004 that the Secretariat had made progress in implementing 51 percent of the Secretary General's 1997 and 2002 management reform initiatives. However, we found that more than one-quarter of the completed reforms only consisted of developing plans or establishing new offices—the first steps in achieving longer-term reform goals. In addition, the Secretariat had not periodically conducted comprehensive assessments of the status and impact of its reforms. Accordingly, the Secretariat had not been able to determine what progress had been made or where further improvements were needed.

At the program level, management reviews that compare actual performance to expected results are critical elements of effective oversight and accountability. The United Nations has completed the initial phase of implementing reforms in a key area—performance-based budgeting. It adopted a budget that reflects a results-based budgeting format, including specific program costs, objectives, expected results, and performance indicators to measure results. However, the United Nations has yet to implement the next critical step in performance-based budgeting—a system to monitor and evaluate program impact or results. Program reviews that compare actual performance to expected outcomes are important for accounting for resources and achieving effective results.

A strong internal audit function provides additional oversight and accountability through independent assessments of U.N. activities, as demonstrated by audits of the U.N. Oil for Food program. U.N. internal auditors found recurring management weaknesses in Oil for Food and conducted over 5 years. However, constraints on their scope and authority prevented the auditors from examining and reporting widely on problems in the Oil for Food program. U.N. oversight bodies did not obtain timely reporting on serious management problems and were unable to take corrective actions when needed. These constraints limited the internal audit unit’s effectiveness as an oversight tool. GAO plans to conduct more detailed work on the role of the internal auditors in upcoming engagements.
Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our review of the United Nations' (U.N.) reform efforts.

The U.N. regular budget for the 2004-2005 biennium exceeded $8 billion for the first time. In light of increasing demands, the U.N. Secretary General and member states called on the Secretariat to better define priorities and eliminate outdated activities. The Secretary General responded with major reform initiatives in 1997 and 2002. Investigations of the U.N. Oil for Food program have also brought attention to recurring management weaknesses. As its largest financial contributor, the United States has a strong interest in the completion of U.N. reforms.

Today, I will provide observations on U.N. reform efforts based on our 2004 report and our continuing review of the Oil for Food program, including our analysis of internal audit reports and other documents.

To address these objectives, we reviewed our February 2004 report on progress in implementing reforms and updated information where possible. We also drew upon information from our previous reports of the Oil for Food program, including our analysis of internal audit reports and other documents.

In accordance with generally accepted government auditing standards, we conducted our work on the status of U.N. reforms from January 2003 through January 2004, updated information in February 2005, and conducted work on the Oil for Food program from January through February 2005.

Summary

The United Nations needs sustained oversight at all levels of the organization to make progress in its reform agenda and achieve lasting results. The Secretary General launched two major reform initiatives in 1997 and 2002 to address key efficiency, management, and accountability challenges facing the organization. We reported in February 2004 that the United Nations had carried out some of its initiatives, with 51 percent of all reforms in place. The 1997 agenda consisted of initiatives that the Secretary General could implement on his own authority and those that

required member states' approval. The implementation of reforms under the Secretary General's authority advanced more quickly than those under the authority of member states. We found that 70 percent of reform initiatives under the Secretary General's authority were in place, compared with 44 percent of the initiatives requiring member state approval. However, we found that more than one quarter of the completed reforms only consisted of developing plans or establishing new offices—the first steps in achieving longer term reform goals. In addition, the Secretariat had not periodically conducted comprehensive assessments of the status and impact of its reforms. Without such assessments, the Secretariat could not determine the progress made or where future improvements were needed.

At the program level, management reviews that compare actual performance to expected outcomes are critical elements of effective oversight and accountability. The United Nations has completed the initial phase of implementing reforms in a key area—performance-based budgeting. It adopted a budget that reflects a result-based budgeting format, including specific program costs, objectives, expected results, and performance indicators to measure results. For the first time, the 2004-2005 budget included specific performance targets and baseline data for many performance indicators that can help measure performance over time and allow program managers to compare actual achievements to expected results. However, the United Nations has yet to implement the next critical step in performance-based budgeting—a system to monitor and evaluate program impact or results. Program reviews that compare actual performance to expected outcomes are important for accounting for resources and achieving effective results.

A strong internal audit function provides additional oversight and accountability through independent assessments of U.N. activities, as demonstrated by audits of the U.N. Oil for Food program. This office provided detailed oversight of many aspects of the Oil for Food program, and its 558 reports point to the need for continued U.N. attention to management reforms. Our review of the audit reports of the Oil for Food program identified 766 findings and 667 recommendations across numerous programs and sectors. The internal auditors found recurring problems in procurement, financial and asset management, personnel and staffing, project planning and coordination, security, and information technology. However, concerns on the internal auditors' scope and authority prevented the auditors from examining and reporting widely on problems in the Oil for Food program.

U.N. oversight bodies did not obtain timely reporting on serious management problems and were unable to
take corrective actions when needed. These constraints limited the internal audit unit’s effectiveness as an oversight tool. GAO plans to conduct more detailed work on the role of the internal auditors in upcoming engagements.

**Background**

In July 1997, the Secretary General proposed a broad reform program to focus the United Nations on achieving results as it carried out its mandates. These reforms included restructuring U.N. leadership and operations, developing a human capital system based on results, and introducing a performance-based programming and budgeting process. Although the Secretary General does not have direct authority over specialized agencies and many funds and programs, changes at the Secretariat were intended to serve as a model for reforms throughout the U.N. system. The Secretary General launched a second round of reforms in 2002 that expanded on the 1997 initiatives and reflected new areas of focus, such as public information activities and the human rights program. The overall goal was to align U.N. activities with the priorities defined by the Millennium Declaration and the new security environment.

The 1997 and 2002 initiatives followed several efforts to reform the United Nations that began soon after its creation in 1945. Despite periodic cycles of reform, U.N. member states have continued to have concerns about inefficient operations, problems of fragmentation, duplication, and poor coordination, and the proliferation of mandates. These calls have also highlighted the need for more accountable leadership and improvement in key management practices. As the largest financial contributor to the United Nations, the United States has a strong interest in the completion of these reforms and has played a significant role in promoting financial, administrative, and programmatic changes. The State Department and the U.S. Permanent Mission to the United Nations continue to promote further reforms and report on the status of major reform initiatives to the U.S. Congress.

The call for reforms has also grown as a result of problems identified in the United Nations’ management of the Oil for Food program. Last year we reported that the former Iraqi government obtained $10.3 billion through

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In 2000, the General Assembly adopted the Millennium Declaration, which contains a set of priorities and specific time frames for meeting development goals. The Millennium Declaration and the Secretary General’s Road Map toward Implementation of the U.N. Millennium Declaration provide the overall priorities for all U.N. activities.
oil smuggling and illicit commissions and surcharges on commodity and oil contracts. The Iraq Survey Group, responsible for investigating Iraq's activities in developing weapons of mass destruction, estimated illicit revenues at $16.9 billion and found similar irregularities in contract overpricing and surcharges. In April 2004, the Secretary General established the U.N. Independent Inquiry Committee (IIC) to investigate allegations of mismanagement and misconduct within the Oil for Food program. In February 2005, the IIC issued an interim report on the initial procurement of U.N. contracts, recipients of oil allocations, internal audit structure and activities, and management of administrative expenses. The Committee offered numerous recommendations for improving the United Nations' internal audit function.

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<th>Sustained Oversight Is Needed for Lasting Results</th>
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<td>Sustained oversight at all levels of the organization is needed for the United Nations to advance its reform agenda and achieve lasting results. The United Nations had completed 31 percent of the 1997 and 2002 reform initiatives. However, it has not periodically conducted comprehensive assessments to determine the status and impact of the reforms. Consequently, the Secretariat could not determine if it was meeting the Secretary General's overall reform goals.</td>
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<th>Reforms under the Secretary General's Authority Advanced More Quickly</th>
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<td>The Secretary General launched two major reform initiatives, in 1997 and 2002, to address the United Nation's core management challenges—poor leadership of the Secretariat, duplication among its many offices and programs, and the lack of accountability for staff performance. In assessing the status of these reforms, we found that the United Nations had made some progress in implementing these initiatives, putting in place 51 percent of all reforms. We found that 59 percent of the 98 reform initiatives in the 1997 agenda and 38 percent of the 66 reforms in the 2002 agenda were in place.</td>
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3These numbers differ from the figures in the U.N. reform plans because some of the Secretary General's reform initiatives included several components that were identified and counted as separate initiatives.
The 1997 agenda consisted of initiatives that the Secretary General could implement on his own authority and those that required member states' approval. The implementation of reforms under the Secretary General's authority advanced more quickly than those under the authority of member states. We found that 75 percent of reform initiatives under the Secretary General's authority were in place, compared with 44 percent of the initiatives requiring member state approval. Delays in acquiring member state approval are, in part, to the longer time needed for the General Assembly to reach agreement from the majority.

In addition, many reform efforts comprise only the first step in achieving longer-term goals. More than one-quarter of the Secretary General’s completed reforms in both the 1997 and 2002 agendas consisted of developing a written plan or establishing a new office. Although the establishment of a new office or department—such as the office to manage the U.N.’s interrelated programs to combat crime, drugs, and terrorism—can be counted as a completed reform, it is the office’s performance in meeting its objectives that will determine its impact and the extent to which it contributes to the Secretary General’s overall reform goals.

Periodic Assessments Are Not Conducted So Impact of Reforms Is Unclear

We also reported that the Secretariat had not conducted systematic, comprehensive assessments of the status and impact of the Secretary General’s 1997 and 2002 reform initiatives. Without such assessments, the Secretariat was not able to determine what progress had been made and where further improvements were needed. Individual departments and offices within the Secretariat tracked reforms that related to their specific area of work. OIRS also monitored and evaluated the impact of selected reforms but was not responsible for overseeing the implementation of the overall reform agendas. In addition, the Deputy Secretary General, who is responsible for overseeing the overall reform process, neither systematically assessed departments’ performance in implementing reforms nor held managers directly accountable. The office of the Deputy Secretary General had only one full-time professional staff member dedicated to reform issues. In 1998 and 2003, the Secretary General issued status reports on the 1997 and 2002 reforms, respectively. These reports...
did not cover all of the initiatives in the respective reform plans or include comprehensive assessments of the reforms.

In February 2005, we contacted the office of the Deputy Secretary General to determine recent actions it has taken to report on the status and impact of the Secretary General’s reform initiatives. An official stated that the office has conducted an internal assessment but has not released this document to member states. The Secretary General announced his intention to submit additional reform proposals to improve the organization’s transparency and accountability before a September 2005 summit of world leaders.

Holding staff accountable for implementing these reforms and measuring their impact is difficult without regular, comprehensive reports on the overall status and impact of reform initiatives. Adopting key practices in management, oversight, and accountability for reforms, such as systematic monitoring and evaluation, could facilitate the achievement of the Secretary General’s overall reform goals.

Performance-Based Budgeting Had Begun but Lacked Monitoring and Evaluation

At the program level, management reviews that compare actual performance to expected outcomes are critical elements of effective oversight and accountability. The United Nations has completed the initial phase of implementing reforms in a key area—performance-based budgeting. It adopted a budget that reflects a result-based budgeting format, including specific program costs, objectives, expected results, and performance indicators to measure results. However, it has yet to develop a system to regularly monitor and evaluate program results to shift resources to more effective programs. Program reviews that compare actual performance to expected outcomes are important to account for resources and achieve effective results.

Secretariat Has First Element of Performance-Based Budgeting in Place

We reported in February 2004 that the United Nations had begun to adopt a performance-based budgeting system. A performance-based budgeting framework includes three key elements: (1) a budget that reflects a budgeting structure based on results, linking budgeted activities to performance expectations; (2) a system to regularly monitor and evaluate the impact of programs; and (3) procedures to shift resources to meet program objectives. In December 2006, the Secretariat implemented the first key element of a performance-based budgeting framework by adopting a budget that reflects a results-based budgeting format, including specific program costs, objectives, expected results, and performance
A Monitoring and Evaluation System Had Not Been Developed

indicators to measure the results. For the first time, the 2004-2005 budget included specific performance targets and baseline data for many performance indicators that can help measure performance over time and allow program managers to compare actual achievements to expected results. However, oversight committees have reported that some programs still lacked clear and concise expected outcomes and performance indicators.

Further, although the United Nations had developed measures for assessing program progress, many of these measures represent tasks and outputs rather than outcomes. For example, in 2003, a key objective of the peacekeeping operation in East Timor was to increase the capacity of the national police force to provide internal security. The indicator for measuring progress was the number of police trained—a goal of 2,800 police by 2004. We reported, however, that the number of police trained did not reflect the quality of their training or whether they improved security in East Timor.

The Secretariat had not systematically monitored and evaluated program impact or results—the second element of performance budgeting. In 2002, the Office of Internal Oversight Services (OIOS) found that nearly half of U.N. program managers did not comply with U.N. regulations to regularly monitor and evaluate program performance. Program managers were not held accountable for meeting program objectives because U.N. regulations prevented linking program effectiveness and impact with program managers' performance. OIOS did not provide statistics on the number or percentage of program managers complying with U.N. regulations regarding monitoring and evaluation activities in its most recent report on

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We have previously reported that linking funding to specific performance goals is a critical first step in supporting the transition to a results-oriented and accountable organization. See O.M. Managing for Results: Agency Progress in Linking Performance Plans with Budget and Financial Statements, O.M. 12-24H (Washington, D.C.: June 2002).

For the purposes of this testimony, U.N. oversight committees refer to the Committee for Programs and Coordination, which reviews the U.N. planning and budgeting documents and the findings presented under each program, and the Advisory Committee on Administrative and Financial Questions. These committees report to the Fifth Committee, which is the General Assembly committee responsible for financial oversight of the Secretariat.

U.S. regulations require that programs should be clearly monitored and evaluated to determine their relevance, effectiveness, and impact in relation to their objectives; the Republican and Rules Governing Program Planning, the Program Aspects of the Budget, the Review of Implementation and the Methods of Undertaking (New York: United Nations, Apr. 19, 2004).
the Secretariat’s evaluation efforts.” However, OIOS reported that program managers did not develop comprehensive monitoring and evaluation plans in 12 out of 20 programs surveyed, and management review of evaluations was inconsistent among programs.

OIOS also reported that, overall, evaluation findings were not used to improve program performance. In some cases, such as with the Office of the High Commissioner for Human Rights, monitoring and evaluation responsibilities were assigned to low-level staff with minimal oversight from program managers. Further, for the majority of programs, no resources had been assessed or allocated for monitoring and evaluation activities. As a result, it is unlikely that the Secretariat will meet its goal of implementing a full performance-based budgeting system by 2006.

The final component of performance budgeting—procedures to review evaluation results, eliminate obsolete programs, and shift resources to other programs—was not in place. The Advisory Committee on Administrative and Budgetary Questions reported in 2003 that it did not receive systematic information from the Secretariat to determine whether a program was meeting its expected results. In 2004, the Committee for Program and Coordination recommended that the Secretariat improve its monitoring and evaluation system to measure impact and report on results. In December 2005, the General Assembly approved the elimination of 412 of more than 46,000 outputs in the 2004–2006 program budget based on the Secretariat’s review of program activities. However, in 2003, the Advisory Committee on Administrative and Budgetary Questions and the Committee for Program and Coordination reported that many sections in the budget still lacked justifications for continuing certain outputs. The committees recommended that program managers in the Secretariat identify obsolete outputs in the U.N. budget in compliance with U.N. regulations so resources could be moved to new priority areas.

Our February 2004 report contained recommendations to promote full implementation and accountability of the Secretary General’s overall actions. Specifically, we recommended that the United States work with other member states to encourage the Secretary General to (1) report

regularly on the status and impact of the 1997 and 1998 reforms and other reforms that may follow, (2) differentiate between short- and long-term goals and establish time frames for completion, and (3) conduct assessments of the financial and personnel implications needed to implement the reforms.

U.N. Oil for Food Program

In addition to a systematic monitoring and evaluation system, a strong internal audit and evaluation function can provide independent assessments needed to help ensure oversight and accountability. OIOS provides this service through audits, evaluations, inspections, and investigations of U.N. funds and programs. This office provided detailed oversight of many aspects of the Oil for Food program, and its 38 reports point to the need for continued U.N. attention to management reforms. Specifically, reports by the internal auditors and the Independent Inquiry Commission revealed lax oversight of Oil for Food program contracts that resulted in repeated violations of procurement rules and weaknesses in contract management. In addition, constraints on the internal auditors’ scope and authority prevented the auditors from examining and reporting more widely on some critical areas of the oil for food program. U.N. oversight bodies did not obtain timely reporting on serious management problems and were unable to take corrective actions when needed. These constraints limited the internal audit unit’s effectiveness as an oversight tool.

Lack of Oversight Allowed Procurement Violations and Poor Contract Management

Our review of the OIOS audit reports of the Oil for Food program released in January 2006 identified 762 findings and 667 recommendations across numerous programs and sectors. OIOS found recurring problems in procurement, financial and asset management, personnel and staffing, project planning and coordination, security, and information technology. The findings in three audits, which were conducted from 1999 to 2004, suggested a lack of oversight and accountability by the offices and entities audited. In particular, we identified 219 findings and 212 recommendations related to procurement and contract management deficiencies.

In February 2006, the IIC also reported that the initial procurement of three major Oil for Food contracts awarded in 1998 did not meet...
reasonableness of fairness and transparency. The IIC reported that it will make recommendations concerning greater institutional transparency and accountability in a later report. OIOS also conducted audits of three key contracts for inspecting commodities coming into Iraq and for independent experts to monitor Iraq’s oil exports. OIOS findings in the management of two of these contracts supplemented the IIC’s information on the bidding and awarding process. The IIC found that the initial selection process did not conform to competitive bidding rules, while OIOS found lax oversight by the U.N. Office of the Iraq Program (OIP) over contractor performance.

**IIC Found Lack of Compliance with Procurement Regulations**

The IIC reviewed three major contracts awarded in 2006 to determine if their selections were free from improper influence and were conducted in accordance with U.N. regulations. These contracts were awarded to Lloyd’s Register Inspection Ltd. to inspect humanitarian goods coming into Iraq, Saybolt Eastern Hemisphere BV to inspect oil exported from Iraq, and Banque National de Paris to maintain revenues from Iraq oil sales.

In its February 2005 report, the IIC found that the United Nations initiated expedited competitive bidding processes for both humanitarian goods and oil inspection contracts. The IIC concluded that, during the bid process, the U.N. Iraq Steering Committee and the Chief of the Sanctions Branch prejudiced and preempted the competitive process by rejecting the lowest qualified bidder in favor of an award to Lloyd’s Register. The IIC found that the regular bidding process was tainted when the branch chief provided a diplomat from the United Kingdom with insider information on the bid amount that Lloyd’s Register needed to win the contract.

Similarly, the IIC found that a U.N. procurement officer allowed Saybolt to amend its bid to become the lowest bidder. The IIC characterized the bidding process for this contract as neither fair nor transparent.

OIOS also found irregularities in the award of a contract to Banque National de Paris. The decision did not conform to the U.N. requirement to award contracts to the lowest acceptable bidder, and no official justified the rejection of the lowest acceptable bidder in writing, as required by U.N. regulations.

**OIOS Found Weaknesses in Procurement and Contract Oversight**

OIOS conducted audits of the Lloyd’s Register and Saybolt contracts as well as the contract to Caterina Inspection SA, the company that succeeded Lloyd’s Register for the inspection of humanitarian goods.
In a July 1999 audit of the Lloyd’s Register contract, OIOS found contractor overcharges, unverified invoices, violations of procurement regulations, and limited U.N. oversight. For example, while the contract allowed the United Nations to inspect and test all contractor services, the auditors found that OIP had received, certified, and approved the contractor’s invoices without on-site verification or inspection reports. In responding to the auditors’ findings, OIP rejected the call for onsite inspections and stated that any dissatisfaction with the contractor’s services should come from the suppliers or their home countries.

A July 2002 audit of Supibol’s operations found similar problems, including inadequate documentation for contractor charges and payments made for equipment already included in the contractor’s daily staff cost structure. As with the Lloyd’s Register contract, OIOS found that OIP officials charged with monitoring the Supibol contract had made no inspection visits to Iraq but had certified the contractor’s satisfactory compliance with the contract and approved extensions to the contract.

In an April 2003 report, OIOS cited concerns about amendments and extensions to Cotecno’s original $4.5 million contract. Specifically, OIOS found that OIP increased Cotecno’s contract by 406,000 4 days after the contract was signed. The amendment included additional costs for communication equipment and operations that OIOS asserted were included in the original contract. In addition, OIOS found that the contract equaled the offer of the second lowest bidder through amendments and extensions during the contract’s first year. Accordingly, OIOS concluded that, one year after the start of the contract, the reason for awarding the contract to Cotecno—on the grounds that it was the lowest bidder—was no longer valid.

In addition to the three inspection contracts, OIOS reported procurement weaknesses in other areas of the Oil for Food program. For example, in November 2004, OIOS reported that almost US$1 million in procurement of equipment for the U.N. Habitat program was not based on a needs assessment. As a result, 31 generators went unused from September 2000 to March 2002, and 13 generators meant for project-related activities were converted to office use. OIOS further reported that 11 purchase orders totaling almost US$1 million showed no documentary evidence supporting the requisitions.
Effectiveness of Internal Oversight Was Limited by Budgeting and Reporting Constraints

In 1994, the General Assembly established OIOS to conduct audits, evaluations, inspections, and investigations of U.N. programs and funds. Its mandate reflects many characteristics of U.S. inspector general offices in purpose, authority, and budget. For example, OIOS staff have access to all U.N. records, documents, or other material assets necessary to fulfill their responsibilities.

We reported in 1997 that OIOS was in a position to be operationally independent, had overcome certain start-up problems, and had developed policies and procedures for much of its work. We could not test whether OIOS exercised its authority and implemented its procedures in an independent manner because OIOS did not provide us with access to certain audit and investigation reports and its working papers. However, we concluded that OIOS could do more to help ensure that the information it presents, the conclusions it reaches, and the recommendations it makes can be relied upon as fair, accurate, and balanced. The IC also made a number of recommendations in January 2000 to help provide OIOS audit division with the mandate, structure, and support it needs to operate effectively.

The IC found a need for greater reporting and budgetary independence for OIOS and its internal audit division. This division has two funding sources: (1) the U.N. regular budget, which covers normal, recurring audit activities and (2) extra-budgetary funds allocated outside the U.N. regular budget, which cover audits of special non-recurring funds and programs, such as the Oi for Food program. OIOS' internal audit division received extra-budgetary funds directly from the Oi for Food program managers it audited. It assigned 2 to 6 auditors to cover the program. The IC found that this level of staffing was low compared to OIOS' oversight of peacemaking operations and to levels recommended by the U.N. Board of Auditors.

The IC found that the practice of allowing executive directors of funds and programs the right to approve the budgets and staffing of internal audit activities can lead to critical and high risk areas being excluded from internal audit examination and review by oversight bodies. For example:

- Since its inception, OIOS has generally submitted its audit reports only to the head of the audited agency. However, in August 2000, OIOS tried to widen its report distribution by sending its Oi for Food reports to the Security Council. However, the OIP director opposed this proposal, stating that it would compromise the division of responsibility between internal and external audit. The Deputy Secretary General also denied the request.
and OOS subsequently abandoned any efforts to report directly to the Security Council.

- OOS did not examine OIP's oversight of the contracts for humanitarian goods in central and southern Iraq that accounted for almost $400 million in OIP for Food proceeds. OIP was responsible for evaluating these contracts for price and value at its New York headquarters. The Iraqi government's ability to negotiate contracts directly with commodity suppliers was an important factor in enabling Iraq to levy illegal commissions. OOS believed that these contracts were outside its purview because the Security Council's sanctions committee was responsible for their approval. However, OIP management also steered OOS toward program activities in Iraq rather than headquarters functions where OIP reviewed the humanitarian contracts.

- In May 2002, OIP's executive director did not approve the auditors' request to conduct a risk assessment of OIP's Program Management Division, citing financial reasons. We reported last year that it was unclear how certain actions involved in the OIP for Food program, including OIP, exercised oversight responsibilities over humanitarian contractors and sanctions compliance by member states. Such an assessment might have clarified OIP's oversight role and the actions it was taking to carry out its management responsibilities.

- In 2002, the U.N. Compensation Commission challenged OOS's audit authority. In its legal opinion, the U.N. Office of Legal Affairs noted that the audit authority extended to computing the amounts of compensation but did not extend to reviewing those aspects of the 'pools' work that constitute a legal process. However, OOS disputed the legal opinion, noting that its mandate was to review and appraise the use of U.N. financial resources. OOS believed that the opinion would effectively restrict any meaningful audit of the claims process. OOS identified more than $920 million in potential overpayments by the Commission. However, as a result of the legal opinion, the Commission did not respond to many OOS observations and recommendations, considering them to be beyond the scope of an audit.

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1Murphy, T. 2010.  The U.N. Compensation Commission was established in 1991 to process claims and provide compensation for losses resulting from Iraq's invasion and occupation of Kuwait.
Constraints on the internal auditors' scope and authority prevented the auditors from examining and reporting more widely on problem areas in the Oil for Food program. These limitations hindered the auditors' coverage of the Oil for Food program and its effectiveness as an oversight tool. U.N. oversight bodies did not obtain timely reporting on serious management problems and were unable to take corrective actions when needed. However, in December 2004, the General Assembly required OIOS to include in its annual and semi-annual reports titles and brief summaries of all OIFS reports issued during the reporting period and to provide member states with access to original versions of OIFS reports upon request. The IAC also recommended that OIOS and its internal audit division directly report to a non-executive board and that budgets and staffing levels for audit activities be submitted to the General Assembly and endorsed by an independent board.

**Conclusion**

The Secretary General's announcement that he intends to offer a U.N. reform agenda in September 2005 offers the United Nations an opportunity to take a more strategic approach to management reform. A systematic review of the status of the 154 reforms begun in 1997 and 2002 and information from the Oil for Food program would allow the Secretary General to develop a comprehensive, prioritized agenda for continued U.N. reform. We also encourage continued attention to our February 2004 recommendation that the United States work with other member states to encourage the Secretary General to report regularly on the status of reform efforts, prioritize short- and long-term goals, and establish time frames to complete reforms.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or the other committee members may have.

**Contact and Staff Acknowledgments**

For further information, please contact Joseph A. Christoff on (202) 512-8970. Individuals making key contributions to this testimony and the report on which it was based are Phyllis Anderson, Leland Coglianese, Lynn Cohen, Katie Harris-Berg, Jeremy Ladner, Trisco Mabah, Michael Rohrbach, and Aubrey Slis.
Mr. ROHRABACHER. Thank you very much. Obviously you have given this, and your staff has given this, a very thorough examination, and I am going to talk to you specifically about some of the things that you mentioned, in terms of problems of oversight.

And I mentioned this in my opening statement as well, and obviously I got that from your investigation. And that is that we have now a situation within the United Nations—and correct me if I am wrong—that if you are targeting a certain program within the United Nations for investigation and some sort of inspection, that in order to pay for that operation, for that inspection, they have to get the money, and the money has to be allocated from the agency itself; is that right?

Mr. CHRISTOFF. Half of the internal auditors’ budget is from the regular program budget, so they can chart their own course. The other half has to come from the audited agencies for special commissions, and the Oil-for-Food Program was one of the areas where they had to get money from the audited agency.

Mr. ROHRABACHER. And did that affect the ability to oversee the Oil-for-Food Program?

Mr. CHRISTOFF. Absolutely. If you are dependent upon an audited agency to give you money to do audits, there is an internal conflict of interest here. I can’t imagine any U.S. Federal Agency paying GAO to do an audit.

Mr. ROHRABACHER. So if we have a situation where the—I am trying to think of an analogy here, like the fox is in the hen house. It is not necessarily the fox is in the hen house.

Mr. CHRISTOFF. That was Saddam Hussein overseeing the Oil-for-Food Program.

Mr. ROHRABACHER. Right, and it was Saddam Hussein who was determining to what extent there was going to be funds available for an investigation of the Oil-for-Food Program. That does not make any sense. And has that situation been corrected?

Mr. CHRISTOFF. No, and in fact, that was one of the key recommendations of the Volcker Committee.

Mr. ROHRABACHER. Right.

Mr. CHRISTOFF. That the internal auditors have direct budgeting from the General Assembly.

Mr. ROHRABACHER. Okay. And is there movement in that direction? Do you see that is going to be corrected, or has no one even addressed it yet? What we learned from Mr. Volcker was just a few weeks ago, but has that been endorsed by any of the leadership of the U.N. now?

Mr. CHRISTOFF. The Secretary General said that he intends to implement all the Volcker recommendations.

Mr. ROHRABACHER. All right. So perhaps as we move forward we should see that corrected, and we should be looking and making sure that that is corrected. You mentioned earlier that there seemed to be a lack of sustained oversight in the United Nation’s programs. Could you give us some examples of that?

Mr. CHRISTOFF. Well, I think as we looked at the 1997 reforms, and the 2002 reforms, reform seemed to be somewhat episodic. It has ups and downs within the U.N. when there are particularly glaring problems, like the Oil-for-Food Program.
And one thing that we recommended is that the Secretary General intends to introduce a new reform package this September at his address before all member nations. Before you do that, you have really got to take a complete assessment of where you have come from, and what you have achieved with the 1997 reforms, and the 2002 reforms, and do that systematic assessment that we recommended over a year ago.

Mr. Rohrabacher. Okay. And what grade would you give the United Nations in terms of reforming itself in the last 5 years?

Mr. Christoff. I think as we reported last year, they have made some important strides in trying to streamline their office of publications, but one of the key areas where they still have not gone far enough is to begin monitoring and evaluating on whether their programs have any relevance.

Mr. Rohrabacher. That goes to another question that I was about to ask you, but would you give them a D, or would you give them a B, or an A? What would you give them?

Mr. Christoff. Oh, let us give them a B over C.

Mr. Rohrabacher. A B over C?

Mr. Christoff. Yes.

Mr. Rohrabacher. All right. That is good.

Mr. Delahunt. It sounds like my academic, right?

Mr. Rohrabacher. Right.

Mr. Christoff. It sounds like my teenagers.

Mr. Rohrabacher. Well, you just mentioned whether or not a determination on whether some of the programs or actually agencies are doing things that are actually worthwhile.

Did you find that some of the United Nations’ agencies, such as regional economic bureaus, are basically indefensible in terms of what they are actually producing, and how much it cost?

Mr. Christoff. I think the more important question is that the U.N. really does not have a system for determining itself whether or not agencies have programs that have a continued level of relevance.

If you don’t monitor and evaluate what you are trying to achieve, and you really don’t have a baseline for saying should we eliminate a program, increase its funding, or sustain it.

Mr. Rohrabacher. Let me just close and then go to Mr. Delahunt with just a little story. I don’t know if I mentioned this before here in this Committee or not, but when I was a young man, I was coming back from doing some work in Vietnam in 1967. And I had been up in the Central Highlands in Vietnam for a while, and I was miserable, but I was not in the military. Let me just note that. I am not claiming to have been in the military.

But on a flight to Bangkok, I met a fellow from UNESCO, and he told my partner and I, he said, “You are Americans, and where do you come from,” blah, blah, blah. And he said, “Why don’t you come on over and get an American home-cooked meal at my house. I am the head of UNESCO for this area.” And so I said okay. So my buddy and I went over there and sure enough, his wife cooked us a wonderful American-style meal. Now, I might add that he was picked up at the airport with a limousine, and he had a driver, and a limo.
And when we got to his house, it was not just a house, it was a mansion. I mean, it was a big, big house, okay? And he had several servants there, and I have to assume that all of this was being paid for by UNESCO, and I just assumed that.

Now, maybe he was independently wealthy, but I have also understood that this is the way that people who work for the United Nations live in certain Third-World countries. And then when we got there, in the middle of the dinner, he says, “You know, I think we have maybe run out of booze.”

He said, “Come with me,” and he grabbed me by the arm, and he dragged me into the garage. And there were all these crates stacked up that said, “UNESCO, books.” And he had me pry one of them open and it was filled with bottles of whiskey. And I have no idea if they were smuggled or what.

But I could not help but feel that here was a guy with a limo, and a big house, and lots of servants, and these boxes filled with booze that were labeled “books.” And that maybe there had been—maybe this is an indication that what we were thinking of was some real positive thing.

I mean, something dealing with children and education, and that it was not really achieving its mission, but instead had succumbed to the type of lowering of standards and makes everything irrelevant. Was that situation still happening in the United Nations or was that just a freak incident?

Mr. Christoff. I don’t know. I have been to some nice Ambassador’s residences from the United States as well. So I don’t know about the U.N.

Mr. Rohrabacher. Well, there is a difference with the Ambassadors, of course, you know, and we do expect them to entertain well. I am not sure that we expect the head of UNESCO for a given country to ship bottles of whiskey into a country as crates of books, but that is to be determined. Mr. Delahunt.

Mr. Delahunt. Thank you, Mr. Chairman. Well, if you were not in Vietnam in 1967 with the military, what were you doing in Vietnam anyhow, Mr. Chairman? Well, I don’t think I want to hear the answer to that.

Mr. Rohrabacher. It was another lifetime.

Mr. Delahunt. It was another lifetime. You know, the Chair indicated the fox in the hen house analogy, in terms of funding for sustained oversights and audits, and I agree with him on that particular need.

And some of us have expressed the same concern about the process utilized by the FDA, in terms of the approval of drugs in this country, where we have the large pharmaceutical companies providing the funding for clinical trials without the need to disclose to the American people or to the United States Government the results of those trials.

So I am sure that given his concern about the United Nations, and my concurrence with his support for this specific reform, he will take that analogy and reach his own conclusion as to what we should do to protect the American people from drugs that later on are discovered to have serious side effects.

But again thank you for your testimony here. Earlier, when Ambassador Kennedy was here, there was a reference made to the Oil-
for-Food Program, and to the notices that were provided regarding some 70 specific contracts, in terms of the need to put the consummation of those contracts on hold. Did you ever have the opportunity to get into—I wondered what happened, and why the U.S. Mission—I did not have a chance to ask Ambassador Kennedy, but, Why did the U.S. Mission not accept the recommendation made by the appropriate U.N. authorities to put a hold on those contracts, those contracts for humanitarian necessities?

Mr. CHRISTOFF. I don’t know the specifics of the 70 contracts. I know that when we talked to the Office of Iraq Program, they indicated that there were instances, these 70 perhaps, in which they found pricing irregularities, but the Sanctions Committee still approved the contract.

The U.S., over the course of the Oil-for-Food Program, put holds on $5 billion worth of contracts, mostly because they contained dual-use items that could have gone into weapons production within Iraq.

When we did our review 2 years ago, we never really heard that any holds were placed exclusively on price irregularities. It was predominantly because it contained dual-use items.

Mr. DELAHUNT. Well, again, this is about pricing irregularities.

Mr. CHRISTOFF. Right.

Mr. DELAHUNT. Did you ever inquire of the U.S. Mission as to the basis for their inaction in terms of the recommendation on the contracts related to humanitarian goods?

Mr. CHRISTOFF. When we did our review 2 years ago, the first of many reviews in the Oil-for-Food Program, the whole concern about price irregularities began in 2000. I mean, the U.S.-U.N. Mission was aware of concerns that had been raised by contractors that there were irregularities in the price.

That is when—and I don’t know what they did about it though after that. I know that consistently they focused on dual use. There was a 63-person interagency U.S. team that looked at the contracts for dual-use items, and did not hear much about looking at price.

Mr. DELAHUNT. I understand, and I am not even suggesting that they should have been proactively searching for pricing irregularities, but in these 70 cases there was actual notice of concern. Do you have any explanation for why there was no action taken?

Mr. CHRISTOFF. I don’t, but we have a mandate in which we have to look at the structure of the Oil-for-Food Program, with a particular emphasis on U.S. oversight, that we just started. So we will add that to our list of questions.

Mr. DELAHUNT. And when do you expect that study to be concluded?

Mr. CHRISTOFF. We are beginning it now, and this Committee is one of the 12 Committees that we have to report to, and we hope to have—

Mr. DELAHUNT. And this Committee is?

Mr. CHRISTOFF. House International Relations Committee.

Mr. DELAHUNT. So we are the twelfth?

Mr. CHRISTOFF. Well, we will tell you first.

Mr. DELAHUNT. Did you hear that, Mr. Chairman?

Mr. CHRISTOFF. We hope to have a preliminary report in July, and a final report in August.
Mr. Delahunt. That is terrific. In your February report, you found that of the 1997 reforms, the Secretariat had completed 70 percent of the reforms; is that correct?

Mr. Christoff. Correct.

Mr. Delahunt. While of the reforms that were recommended in 1997 that apply to the authority—that would have been undertaken pursuant to the authority of the member states about—I think it was 43 or 44 percent that had been implemented.

Mr. Christoff. Forty-four percent, right.

Mr. Delahunt. Why the discrepancy? And can you enumerate for me those reforms that would require member states to take action? Where do we stand there? What has happened, and why haven’t we been more successful?

Mr. Christoff. Well, just in terms of the reason——

Mr. Delahunt. And if you could outline some of them.

Mr. Christoff. Well, first the reason for the difference between the 70 and the 44 percent: Clearly, the 44 percent requires much more work on the part of reaching a majority within the General Assembly to try to get the resources to engage in some of those key reforms.

Some simple examples of where it is still difficult to undertake reforms is in the Public Information Office. There are hundreds, if not thousands, of publications that are required and that the U.N. has to publish, some going back to the 1950s, that cannot be eliminated unless there is a majority vote within the General Assembly.

Mr. Delahunt. Let me ask you this. All of the reforms that were recommended in 1997, the U.S. Mission, the U.S. Administration supports all of those reforms; is that accurate?

Mr. Christoff. I would assume they do, yes.

Mr. Delahunt. Okay. Have there been any advances in restructuring U.N. operations in the areas of leadership and cooperation among departments, for example, and setting expectations, and rating staff performances?

Mr. Christoff. That is clearly one of the areas where I think the U.N. has made some progress, where they actually rate their staff now on what would be considered competencies about achieving leadership, managing for results, and good oral communication skills. And they are trying to institute performance evaluation systems where they rate people more honestly.

They really did not have that kind of approach because the U.N. is a consensus-based, multi-cultural kind of organization, that prefers that its people get along rather than giving direct and important feedback about their performance, and I think that is one area where they have improved.

Mr. Delahunt. My sense is that they have not achieved that goal either. I have this sense, and this is just pursuant to a visit that I made recently to the U.N. in New York, that there is still, if you will, negotiations going among the member states as to who gets what slots.

In other words, the Americans get a certain piece of the pie, and the Russians get a piece of the pie, and the Chinese get a piece of the pie, and the French, and so on and so forth.

Now, not that I strenuously object to patronage, but I would hope that it is merit-based, because if that is the sub rosa understanding
among member states, particularly the so-called P-5, then it is just absolutely vulnerable to the appointment of incompetent personnel. Do you have any comment on that?

Mr. CHRISTOFF. The traditions are still there within the U.N. I mean, it is still a tradition that the United States is going to get the Under Secretary General for Management, or would get positions related to the controllers position.

I mean, that culture is still there, but at the professional level—and I am thinking of a level down to the director level—they are trying to institute a merit-based performance system.

Mr. DELAHUNT. And they have had some success there in your opinion?

Mr. CHRISTOFF. Yes.

Mr. DELAHUNT. Okay.

Mr. WILSON. Thank you, Mr. Chairman, and Mr. Christoff, thank you for your service, and I greatly appreciate the General Accountability Office, your efforts and GAO’s efforts to look out for the public funds of American taxpayers.

And it has just been so helpful, and I look forward to reading your full testimony today. And obviously with our interest in the Oil-for-Food Program, I would love to have your input as to any recommendations that you have on how best we should approach the vouchers, and also the purchase orders, and how they could be judged as to whether they were sweetheart deals, and whether they were legitimate transactions.

Is there any potential upon the study of these to determine either civilly or criminally as to some level of unjust enrichment, whereby funds could be recovered to indeed be provided back to benefit the people of Iraq?

And with that broad view, again, how can we study the vouchers? Is anyone looking at each voucher, and is anyone looking at each purchase order in the context of the valuation of oil of that day, and the valuation of items to be purchased as commodities that day, and not out of kilter?

Mr. CHRISTOFF. Yes, it is a difficult task. As Ambassador Kennedy said, there were 32,000 contracts that the regime signed to buy commodities. The disk that he refers to, that he is offering to give you—we have that disk, but it does not really have a lot of the supporting documents to try to figure out all the details behind the contracts.

The Volcker Committee has all that information, and I think they are intent on trying to look at important questions related to which companies benefitted, which countries were the primary beneficiaries for the Oil-for-Food Program.

So I am looking forward to their summer report that is going to have some of those details in it.

Mr. WILSON. And when you say summer report, when would that be anticipated?

Mr. CHRISTOFF. They have announced another interim report in the summer, a final report later on in the year.

Mr. WILSON. And do you believe that it will, as best possible, indeed review each voucher, or each purchase? And of course, 32,000—
Mr. CHRISTOFF. I don't know. I don't know if they are going to go through 32,000. In the testimony that I gave last year, I recommended doing a stratified random sample of 10 percent of the vouchers to try to get a sense of where they went, the degree of overpricing, et cetera.

And we met with the Volcker Committee many times, and they seem to be intent on looking at those issues.

Mr. WILSON. Well, your experience would be invaluable and I am looking to you for that. But of course there is some diminimous that are so—I am sure so small, that would not be of possible effect, but as you say, stratification would be helpful to review a broad range.

Mr. CHRISTOFF. Can I just say that it can be done. The Defense Contract Audit Agency did a good job. They looked at the contracts that were remaining at the end of the Oil-for-Food Program, and they found that 48 percent of the contracts were over-priced by 22 percent. So they had the expertise to go in there and try to determine if prices were inflated.

Mr. WILSON. And is that report available?

Mr. CHRISTOFF. Yes.

Mr. WILSON. Because that is exactly what I was looking for, and that this could be determined without mysticism, and that is to look at prices on a particular day, and within the market, and either by accounting or by persons who are in that field of business, they would almost know instantly the 22 percent overpricing.

Mr. CHRISTOFF. They did a very good job. I have read the report. It is an FOU report that anyone in the Congress could read, but they pay particular attention to the agricultural imports, and those are the ones in which I believe 87 percent of all of the contracts that they reviewed were overpriced by at least one-quarter.

Mr. WILSON. And that is what we need to know, and indeed commodities, these can be determined by day. So I appreciate you pointing that out. And as to the vouchers themselves, has there been an analysis again of underpricing, over-valuation of the value of oil? And were they negotiated with and complied with by the groups that received the vouchers? And has it—what has been the study of that?

Mr. CHRISTOFF. The vouchers are still a mystery to me, quite frankly. They were first discovered, one could say, last January, a year ago January. We had heard about surcharges on the oil, and we had heard about kickbacks and commissions. The whole voucher process is still something that I think I don't know enough about, and I know that the Volcker Committee is trying to unravel it still.

Mr. WILSON. And a final question. I see my time has just run out, but it was amazing to me to hear that the United Nations had a 661 Commission to review or monitor the vouchers, and purchase contracts, and I was not aware of that. And what level of oversight was there?

Mr. CHRISTOFF. The Sanctions Committee is the same thing as the Security Council, and so all 154 members of the Sanctions Committee were responsible for approving all of the contracts. Basically, two countries reviewed them: The United States and Great Britain.
They were the ones that had a great deal of scrutiny, and as I said before, the U.S. alone had over 60 people looking at these contracts for dual-use items.

Mr. Wilson. Thank you very much, Mr. Chairman.

Mr. Rohrabacher. Mr. Flake.

Mr. Flake. Thank you. You seemed to have looked over kind of institutional aspects of reform over the years. Is it—I would like your opinion as to whether or not the U.N. moves more quickly when there are incentives, if you will, or threats, to withhold funds?

I mean, just the example given before, where we asked for the internal audits, first in 1994, and did not get them until this year. Nine years is a long time to wait for that simple action.

Do we risk waiting that long for these other reforms, the 40 percent that have not been implemented, and the other things, unless we actually carry a bigger stick? What is your view there?

Mr. Christoff. Well, the Congress has been carrying a pretty good stick this past year, with all the attention being placed on the Oil-for-Food Program, and it got the attention of the Secretary General. The Volcker Committee has been looking, and I truly believe, earnestly at the problems.

So I think you have got the attention, and I think that this is a good year to push strongly for additional reforms.

Mr. Flake. Okay. Is it that the U.N. feels that this legislation may be coming to condition funds that has prompted faster action now?

Mr. Christoff. I do not think it is so much that, but I think just the sheer fact that eight Congressional Committees are looking at the Oil-for-Food Program has placed heightened attention within the U.N. Secretariat about their whole reform agenda.

Mr. Flake. Other than conditioning funds on reform, what other levers are there?

Mr. Christoff. What you are doing here, and what all the other Committees have been doing, and what Volcker has been doing. You have a task force that this Congress created looking at U.N. reform that is going to be reporting out in April.

You have the Heritage Foundation, and Brookings, and CSIS, and I met with them 3 weeks ago to give them our advice about U.N. reform initiatives as well. The question of withholding funds is a policy question that I would defer on, because it is a decision that you all need to make.

Mr. Flake. Thank you.

Mr. Rohrabacher. Well, I want to thank you for joining us today, and I want to thank Ambassador Kennedy as well. Basically, we have heard a lot of details, and I am just going to say that this hearing is adjourned.

Mr. Christoff. Thank you.

[Whereupon, at 1:04 p.m., the Subcommittee was adjourned.]