OFFICE OF THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

DEVELOPMENT FUNDS FOR IRAQ RETURNED TO THE CENTRAL BANK OF IRAQ

SIGIR 12-012

JANUARY 13, 2012

SIGIR

Special Inspector General for IRAQ Reconstruction

Summary of Report: SIGIR 12-012

Why SIGIR Did This Study

This report responds to a November 2011 inquiry from the Prime Minister, Republic of Iraq, to SIGIR about $13.1 million from the Development Fund for Iraq, which consisted of Iraqi oil proceeds used for development projects in 2003 and 2004, that SIGIR reported was returned to the Central Bank of Iraq in March 2009. The inquiry was made because former and current Government of Iraq officials wrote the Prime Minister that they could not locate any records supporting the return of the funds. SIGIR initiated this review to determine the disposition of the $13.1 million.

Because this report contains sensitive information, such as names and account numbers, the full report is being released "For Official Use Only" and is not available to the public.

What SIGIR Recommends

This report contains no recommendations.

For more information, contact SIGIR Public Affairs at (703) 428-1100 or PublicAffairs@sigir.mil

January 13, 2012

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What SIGIR Found

Federal Reserve Bank of New York (FRBNY) documents clearly show that the funds in question were transferred to a FRBNY account under the control of the Government of Iraq on March 3, 2009. The documents supporting this transfer are as follows:

1. An instruction sheet with information the FRBNY said it received from an Iraq Ministry of Finance official, directing that the funds were to be deposited in a FRBNY account identified as the Central Bank of Iraq-Development Fund for Iraq account.
2. A wire transfer form showing that on March 3, 2009, the U.S. Army Corps of Engineers transferred $13,129,168.11 to the FRBNY, for deposit to a FRBNY account under the control of the Government of Iraq and identified as the Central Bank of Iraq–Development Fund for Iraq account. A FRBNY official told SIGIR that when the funds were deposited into this account, they became comingled with other funds in the account. The wire transfer also identified the Minister of Finance Accountancy Department as the beneficiary of the returned funds.
3. A Society for Worldwide Interbank Financial Telecommunications (SWIFT) message from the FRBNY to the Central Bank of Iraq dated March 5, 2009, notifying the Central Bank of Iraq that $13,129,168.11 had been deposited into the Central Bank of Iraq's–Development Fund for Iraq account at the FRBNY. SWIFT provides a highly secure network to allow financial and non-financial institutions to transfer banking instructions, including payment instructions and account information. The FRBNY SWIFT message to the Central Bank of Iraq on March 5, 2009, served first to advise the Central Bank of Iraq that a deposit had been made to its account. In addition, it provided information directing the Central Bank of Iraq to apply the funds for credit to a specific GOI account. Typically, it would be expected that the Central Bank of Iraq would credit the funds to that same account on its own books in Baghdad, and the FRBNY would not be involved in or aware of the ultimate credit. In this case, the FRBNY's records do not establish whether the funds were physically transferred or otherwise credited to the designated account at the Central Bank of Iraq in Baghdad.

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Appendix H—Acronyms

Acronym	Description
FRBNY	Federal Reserve Bank of New York
SIGIR	Special Inspector General for Iraq Reconstruction
SWIFT	Society for Worldwide Interbank Financial Telecommunications

Appendix I—Team Members

This report was prepared and the audit conducted under the direction of Glenn D. Furbish, Assistant Inspector General for Audits, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

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Ben Comfort

Mike Welsh

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Appendix J—SIGIR Mission and Contact Information

SIGIR's Mission	Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective: • oversight and review through comprehensive audits, inspections, and investigations • advice and recommendations on policies to promote economy, efficiency, and effectiveness • deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse • information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports
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