



SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 26, 2006

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ
DIRECTOR, IRAQ RECONSTRUCTION MANAGEMENT
OFFICE
COMMANDING GENERAL, MULTI-NATIONAL
SECURITY TRANSITION COMMAND-IRAQ
COMMANDING GENERAL, CIVILIAN POLICE
ASSISTANCE TRAINING TEAM

SUBJECT: Joint Cash Count: Iraq National Weapons Card Program (SIGIR-06-024)

The Director of the Iraq National Weapons Card Program (INWCP) requested assistance from the Treasury Attaché, U.S. Embassy-Iraq, for the transfer of INWCP funds that had been collected for weapons registration to the Iraqi Government. Consequently, the Treasury Attaché, U.S. Embassy-Iraq, requested the Special Inspector General for Iraq Reconstruction (SIGIR) to conduct a count of INWCP funds that were under the supervision of the INWCP Director. SIGIR was also asked to reconcile the funds to the extent possible, to weapons registration card records held by the INWCP Director. SIGIR was joined by a representative of the Multi-National Security Transition Command-Iraq (MNSTC-I) to conduct this review. This memorandum presents the results of our review.

Iraq National Weapons Card Program. The INWCP was created in response to concerns by the Iraqi Interim Government and the Coalition Provisional Authority (CPA) about the large number of individuals carrying and possessing weapons in Iraq without obtaining appropriate registration and authorization through the Ministries of Interior and Trade. These concerns included the unregistered weapons carried by private security companies (PSCs) and their employees operating in Iraq. To address the problem, the Coalition Provisional Authority enacted a memorandum, CPA 17, governing the possession and carrying of weapons, which required weapons to be registered with and regulated by the Ministry of Interior.¹

CPA Memorandum 17 provided a mechanism for PSCs to be registered, regulated, and vetted within Iraq. PSCs were to apply to the Ministry of Trade for a business license and to the Ministry of Interior for an operating license. With an approved operating license, the PSCs could then apply to the Ministry of Interior for weapons cards authorizing their employees to bear arms as part of their duties.

¹ Under CPA Memorandum 17; "Registration Requirements for Private Security Companies," dated Jun. 26, 2004.

Under the INWCP, the fee for registering an individual weapons card was 50,000 Iraqi dinar (ID). However, according to the INWCP Director, certain Interim Iraqi Government offices were provided with free or discounted weapons cards. For example, the Offices of the Iraqi President and Vice President, the Office of the Prime Minister, and each Iraqi Minister received 20 free weapons cards. Also, each Iraqi Deputy Minister received 10 free weapons cards. Iraqi Interim Government offices that exceeded the free allotment of weapons cards were charged 25,000 ID for each additional card. In January 2006, the responsibility for the program, including the issuance of the registration card and collection of fees, was transferred to the newly elected Iraqi government. No cash was collected by the INWCP Director after December 2005.

Records Reconciliation. We determined that the available records generally support the amount of INWCP funds in the Director's possession as of May 19 and 20, 2006. According to INWCP records, 6,247 weapons card were issued, including cards that were discounted or issued for free. According to the INWCP Director, he was the collection point for the registration fees, but did not try to reconcile amounts received against the number of weapons cards issued.

Our review of the available records found that an inventory of weapons cards was not kept as a numbered or controlled item. We also found that records were not maintained documenting the number of weapons cards printed or issued to each Iraqi ministry. Without documentation to support the number of cards printed and distributed to the various ministries, we could not determine whether the funds in the hands of the INWCP Director represented a complete accounting of all program activities. Therefore, we could not fully reconcile the funds to the available INWCP records.

Cash Count. On May 19 and 20, 2006, under the supervision of the INWCP Director, SIGIR and MNSTC-I conducted a cash count of the INWCP funds that had been collected under the responsibility of the Director through the end of December 2005 for registration of weapons cards. We determined that the INWCP Director was in possession of 305,575,000 ID, or the equivalent of \$207,882.67 in U.S. dollars². Table 1 describes the difference between the projected amount for registering all 6,247 weapons cards at full cost and the records provided by the INWCP Director. Both values are then compared with the results of the count of the actual amount of cash that was in the possession of the INWCP Director.

² Conversion rate as of May 28, 2006 (305,575,000 ID X \$0.0006803 U.S. dollar)

Table 1: Comparison of the Weapons Cards at Full Value, to the INWCP Registration Records and Actual Cash on Hand as of May 19 and 20, 2006 (in Iraqi Dinar (ID))

			Projected Full Value	INWCP Records
6,247 Weapons Cards Issued	X	50,000 ID (full fee)	312,350,000 ID	
Registration Fees Received per INWCP Records				310,000,000 ID
INWCP Expenditures ³			(4,660,000) ID	(4,660,000) ID
Sub-total			307,690,000 ID	305,340,000 ID
Results of Cash Count			305,575,000 ID	305,575,000 ID
Difference			2,115,000 ID	(235,000) ID

Source: SIGIR

We do not consider either of the differences identified in the cash count as material or unreasonable. This is because (1) both differences vary by less than one percent, and (2) some indeterminate amount of the 6,247 weapons cards were provided free or at a reduced rate. Table 2 describes the results of the cash count identified by denomination and quantity of Iraqi Dinar.

Table 2: Results of Cash Count Conducted on May 19 and 20, 2006 of the INWCP Funds Held by the Director (in Iraqi Dinar (ID))

	Denomination	Quantity	Amount
Currency	250	4 Bills	1,000 ID
	1,000	174 Bills	174,000 ID
	5,000	10,397 Bills	51,985,000 ID
	10,000	7,664 Bills	76,640,000 ID
	25,000	7,071 Bills	176,775,000 ID
TOTAL			305,575,000 ID

Source: SIGIR

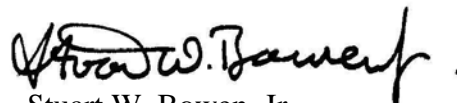
³ Expenditures were supplemental salaries to INWCP staff for June and July 2005, office supplies and shipping.

On June 7, 2006, we held an exit conference with the Treasury Attaché at the U.S. Embassy Annex in Baghdad, Iraq, to present the results of the joint cash count and to discuss transfer of the monies to the Iraqi government. The Ministry of Finance requested the funds be transported to the Rasheed Bank Branch, located in the Rasheed Hotel, where the Bank Branch Manager would take custody and deposit the money, in Iraqi Dinar (ID) denomination, into the Ministry of Finance's account at the Central Bank of Iraq.

The transfer of funds occurred on June 19, 2006, at the Rasheed Bank Branch. During the transfer and count of funds, the Bank Branch Manager identified three counterfeit bills⁴ amounting to 40,000 ID. The three bills were removed by the Bank Branch Manager from the funds being turned over to the Rasheed Bank and were returned to the custody of SIGIR. The total funds accepted and signed for by the Rasheed Bank Branch Manager was 305,535,000 ID. For the English and Arabic versions of the Transfer of Custody Document, see Appendix D. Disposition of the three counterfeit notes was discussed with the Special Agent in Charge-Baghdad of the SIGIR Investigations office. He recommended that the SIGIR audit team retain the counterfeit notes as part of the SIGIR files pertaining to this audit.

This report contains no recommendations. This review was performed under generally accepted government auditing standards. For a description of our scope and methodology, see Appendix A. For the distribution of this report, see Appendix B. For a listing of the staff members who contributed to this report, see Appendix C.

We appreciate the courtesies extended to the staff. For additional information about this report, please contact Mr. Joseph T. McDermott at (703) 343-7926, or by email at joseph.mcdermott@iraq.centcom.mil; or Mr. Clifton Spruill at (703) 343-9275, or by email at clifton.spruill@iraq.centcom.mil.



Stuart W. Bowen, Jr.
Inspector General

cc: See Distribution

⁴ The three bills consisted of one 5,000 ID note, one 10,000 ID note, and one 25,000 ID note.

Appendix A. Scope and Methodology

On May 19 and 20, 2006, we conducted a cash count (Project No. 6022) of the Iraq National Weapons Card Program (INWCP) funds in the possession of the INWCP Director. We were given access to the funds immediately and we were observed by the INWCP Director and a Multi-National Force-Iraq representative during the entire cash count. The cash count was conducted jointly by the Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction (SIGIR); the Command Auditor/Internal Control Officer for the Multi-National Security Transition Command-Iraq; and six SIGIR auditors.

The cash count was done by two teams of three auditors over a two-day period. On the first day, the cash count began at the Adnon Palace conference room, Baghdad, Iraq. The cash was then transferred to the U.S. Embassy Annex, Baghdad, Iraq. On the second day, the cash count was completed at the S-121 A Conference Room, U.S. Embassy Annex, Baghdad, Iraq. After each cash bundle was counted it was given a control number (i.e. A-1, B-1) and recorded on a worksheet with the number of bills, the denomination, the denomination total, the number of weapon cards represented (if available), and the bundle total. If the bundle total could be matched with a line item on the spreadsheet provided by the INWCP Director, it was also noted. However, not all the bundles that were counted appeared on the Director's spreadsheet. There were also a number of bundles that had come apart leaving loose cash with no identifying information. The loose cash was counted and annotated with a control number in the same manner as regular bundles.

After each day's cash count was completed, the Assistant Inspector General for Audit and the INWCP Director would identify each bundle by the control number assigned to that particular bundle (i.e. A-1), and match each bundle control number to the worksheets. Upon completion of this validation, both would sign the worksheet.

To determine the policies and procedures that initiated the INWCP, we reviewed the Memorandum 17, "Registration Requirements for Private Security Companies", dated June 26, 2004, and the Coalition Provisional Authority Order 3, "Weapons Control," dated December 31, 2003.

To reconcile the amount of cash collected under the INWCP, we reviewed the weapons cards registration fee records provided by the INWCP Director. We reviewed receipts on the bundles of cash and matched them to the INWCP records to the extent possible.

To assist with the facilitation of the transfer of cash to the Central Bank of Iraq, the audit team re-bundled the cash by denomination and conducted a recount on June 2, 2006. On June 19, 2006, the Treasury Attaché, SIGIR Audit, and the Command Auditor/Internal Control Officer for the Multi-National Security Transition Command-Iraq transferred the funds to the Rasheed Bank Branch where the money was deposited, in Iraqi Dinar (ID) denomination, into the Ministry of Finance's account at the Central Bank of Iraq.

We conducted this audit in May and June 2006, in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Appendix B. Report Distribution

Department of State

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

U.S. Ambassador to Iraq

Director, Iraq Reconstruction Management Office

Mission Director-Iraq, U.S. Agency for International Development

Inspector General, Department of State

Department of Defense

Secretary of Defense

Deputy Secretary of Defense

Director, Defense Reconstruction Support Office

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition,

Logistics, and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Director, Project and Contracting Office

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commanding General, Gulf Region Division

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central

Other Federal Government Organizations

Director, Office of Management and Budget

Comptroller General of the United States

Inspector General, Department of the Treasury

Inspector General, Department of Commerce

Inspector General, Department of Health and Human Services

Inspector General, U.S. Agency for International Development

President, Overseas Private Investment Corporation

President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations

Subcommittee on Defense

Subcommittee on State, Foreign Operations and Related Programs

Senate Committee on Armed Services

Senate Committee on Foreign Relations

Subcommittee on International Operations and Terrorism

Subcommittee on Near Eastern and South Asian Affairs

Senate Committee on Homeland Security and Governmental Affairs

Subcommittee on Federal Financial Management, Government Information and International Security

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations

Subcommittee on Defense

Subcommittee on Foreign Operations, Export Financing and Related Programs

Subcommittee on Science, State, Justice and Commerce and Related Agencies

House Committee on Armed Services

House Committee on Government Reform

Subcommittee on Management, Finance and Accountability

Subcommittee on National Security, Emerging Threats and International Relations

House Committee on International Relations

Subcommittee on Middle East and Central Asia

Appendix C. Audit Team Members

This report was prepared and the audit was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. The staff members who contributed to the report include:

Robert Gabriel

W. Dan Haigler, Jr.

Diane Recio

Ronald Rembold

Frank Slayton

Clifton Spruill

Jack VanMeter

Appendix D. Transfer of Custody Document for INWCP Funds (English and Arabic)

English Version



Office of the U.S. Treasury Department Financial Attaché
Embassy of the United States of America - Baghdad, Iraq



Date: June 19, 2006

To: Branch Manager
Rasheed Bank Branch
Rasheed Hotel
Baghdad, Iraq

Subject: Transfer of Custody of Iraq National Weapons Card Program Funds

Your Excellency,

This is to convey to the Rasheed Bank Branch for the benefit of the Ministry of Finance the custody of one locked container with currency that was gathered from the sale of weapon cards to individual Iraqis and Private Security Companies operating in Iraq. An independent cash count was conducted by the Office of the Special Inspector General for Iraq Reconstruction to validate the monies being transferred. Custody of these funds is being surrendered to the Rasheed Branch for further credit to the Ministry of Finance at the Central Bank of Iraq so that it may be used for the benefit of the Iraqi people. The designated account for these funds is the current account of the Ministry of Finance at the Central Bank of Iraq – Dinar denominated account number 70009.

The following table summarizes the denomination and the amount of the cash from the Iraq National Weapons Card Program.

	Denomination	Quantity	Amount
Currency in Iraqi Dinar (ID)	250	4 Bills	1,000 ID
	1,000	174 Bills	174,000 ID
	5,000	10,396 Bills	51,980,000 ID
	10,000	7,663 Bills	76,630,000 ID
	25,000	7,070 Bills	176,750,000 ID
TOTAL			305,535,000 ID

Special Inspector General for Iraq Reconstruction

Released from Custody

Wilson Stangor
SIGNATURE

6-19-2006
DATE

محمد هادي
SIGNATURE

Rasheed Bank Branch
Released into Custody

19-6-2006
DATE

Your assistance in this matter is much appreciated.

Sincerely,

S Pam
Jeremiah S. Pam
Treasury Attaché



Arabic Version



Office of the U.S. Treasury Department Financial Attaché
Embassy of the United States of America - Baghdad, Iraq



مكتب قسم الخزانة الامريكية- الملحق المالي
سفارة الولايات المتحدة الامريكية - بغداد, العراق

التاريخ : 19- حزيران - 06
الى : مدير فرع مصرف الرشيد

فندق الرشيد

بغداد، العراق.

الموضوع : نقل ذمة اموال برنامج بطاقة الاسلحة الوطنية العراقية .
تحية طيبة و بعد :

هذا التبليغ الى فرع مصرف الرشيد لمصلحة وزارة المالية بشأن ذمة الاموال المجموعة في خزانة
مقفلتة من بيع بطاقات السلاح الى الافراد العراقيين و شركان الامن الخاصة العاملة في العراق.

اجري احصاء مستقل للنقد من قبل مكتب المفتش العام الخاص باعادة اعمار العراق لغرض
التصديق على الاموال التي يتم تحويلها.

سلمت ذمة هذه الاموال الى فرع الرشيد لتتمكن وزارة المالية بواسطة البنك المركزي العراقي من
استعمالها لمنفعة الشعب العراقي.

توجد الاموال المخصصة لهذا الغرض في الحساب الجاري لوزارة المالية في البنك المركزي
العراقي بالدينار/ رقم الحساب 70009 .

يبين الجدول ادناه الفنة و الكمية للنقد من البرنامج المذكور اعلاه.

الكمية	المفتش العام	الذمة	العملة بالدينار العراقي
1,000 دينار	4 فواتير	250	
174,000	174 فاتورة	1,000	
51,980,000	10,396 فاتورة	5,000	
76,630,000	7,663 فاتورة	10,000	
176,750,000	7,070	25,000	
305,535,000			المجموع

Wilson D. HAIGLER
التوقيع

المفتش العام المختص باعادة اعمار العراق
برائة ذمة

6-19-2006
التاريخ

محمد فضل اسير صبرو المكي
التوقيع

فرع مصرف الرشيد
منح الذمة

19-6-2006
التاريخ

التوقيع



يرجى تقديم العون و المساعدة في هذا الامر
المخلص
S. Pan
جيرمي بام
الملحق المالي