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.

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. dollars\(^2\). 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.

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\(^2\) 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))

<table>
<thead>
<tr>
<th>Projected Full Value</th>
<th>INWCP Records</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,247 Weapons Cards Issued X 50,000 ID (full fee)</td>
<td>312,350,000 ID</td>
</tr>
<tr>
<td>Registration Fees Received per INWCP Records</td>
<td>310,000,000 ID</td>
</tr>
<tr>
<td>INWCP Expenditures(^3)</td>
<td>(4,660,000) ID</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>307,690,000 ID</strong></td>
</tr>
<tr>
<td>Results of Cash Count</td>
<td>305,575,000 ID</td>
</tr>
<tr>
<td>Difference</td>
<td>2,115,000 ID (235,000) ID</td>
</tr>
</tbody>
</table>

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))

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Quantity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>250</td>
<td>4 Bills</td>
<td>1,000 ID</td>
</tr>
<tr>
<td>1,000</td>
<td>174 Bills</td>
<td>174,000 ID</td>
</tr>
<tr>
<td>5,000</td>
<td>10,397 Bills</td>
<td>51,985,000 ID</td>
</tr>
<tr>
<td>10,000</td>
<td>7,664 Bills</td>
<td>76,640,000 ID</td>
</tr>
<tr>
<td>25,000</td>
<td>7,071 Bills</td>
<td>176,775,000 ID</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>305,575,000 ID</strong></td>
</tr>
</tbody>
</table>

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 bills\(^4\) 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.

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\(^4\) 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.

<table>
<thead>
<tr>
<th>Currency in Iraqi Dinar (ID)</th>
<th>Denomination</th>
<th>Quantity</th>
<th>Amount</th>
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<tbody>
<tr>
<td>250</td>
<td>4 Bills</td>
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<tr>
<td>TOTAL</td>
<td></td>
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<td>305,535,000 ID</td>
</tr>
</tbody>
</table>

Special Inspector General for Iraq Reconstruction
Released from Custody

[Signature]

Date: 6-19-2006

Rasheed Bank Branch
Released into Custody

[Signature]

Date: 6-19-2006

Your assistance in this matter is much appreciated.

Sincerely,

Jeremiah S. Pam
Treasury Attaché

9
الموضوع:
نقل دفعة أموال برنامج بطاقة الأسلحة الوطنية العراقية.

تحية طيبة وبعد:

هذا التبلغ إلى فرع مصرف الرشيد لمصلحة وزارة المالية بشأن دفعة أموال المجمعة في خزانة مقاتلة من بيع بطاقات السلاح في الأعراف العراقيين وشركاء الأدنى الخاصة العام في العراق. 

لإجراء احصاء متسلسل للدفعة من قبل مكتب المقاتلين العام الخاص بإعادة أعمار الدفعة من فترات التدفق على الأموال التي يتم تحويلها.

سلمت هذه الأموال إلى فرع الرشيد تتمكن وزارة المالية بواسطة البنك المركزي العراقي من استعمالها لمصفحة الشعب العراقي.

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

بين الجدول أدناه القائمة والكمية للدفعة من البرنامج المذكور أعلاه.

<table>
<thead>
<tr>
<th>الدفعة بالدينار العراقي</th>
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<th>دفعة دفعة</th>
<th>دفعة دفعة</th>
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المستقبل العام المخصص بإعادة أعمار العراق

برائة دفعة

التاريخ:
6-19-2006

فرع مصرف الرشيد

مع دفعة

التوقيع

فرع مصرف الرشيد

التوقيع

برمجة تقدم النعمة والمساعدة في هذا الأمر

المستقبل

جمعي باء

المستحق المالي

التوقيع

التوقيع