

Congress of the United States
Washington, DC 20515

September 27, 2006

The Honorable Condoleezza Rice
Secretary of State
U.S. Department of State
2201 C St. N.W.
Washington, DC 20520

Dear Secretary Rice:

We are writing to express our concerns about the financial integrity of U.S. taxpayer dollars used to support programs currently managed by the United Nations (UN) under its agency, United Nations Relief Works Agency (UNRWA). As you know, this agency was charged with the mission of providing services, including education, health, relief and social services to over 4.3 million registered Palestinians in the Middle East. In the increasingly hostile environment of the Middle East, recent audits clearly show the United Nations must upgrade its financial controls, management and enforcement of U.S. law that bars any taxpayer dollars from supporting terrorists.

Recently the UN's own auditors reported that UNRWA fails to properly account for more than \$100 million annually, all donated by U.S. taxpayers. The United States stands as UNRWA's top donor and UNRWA uses U.S. support to run a large \$400 million organization employing over 25,000 people.

Despite its size and several hundred million dollar budget, UNRWA does not permit outside, independent audits of its books. UNRWA recently released a copy of its 2005 Biennium Report of the UN Board of Auditors. We attached a copy for your review. As you will read, the auditors issue a harsh assessment of UNRWA's management, efficiency and security. We reviewed the audit in exhaustive detail, and note that few Chief Executive Officers of an equally-sized international non-profit would survive a critical assessment of this document.

No Plan to Implement Past Recommendations By Auditors

According to the UN's Board of Auditors, UNRWA failed to implement a number of recommendations that the Board of Auditors made more than 5 years ago.¹ When we asked UNRWA Commissioner-General Karen AbuZayd to outline a plan to implement the recommendations during a September 8, 2006 meeting, she told us she had no such plan.

Presentation and Disclosure of Financial Statements

The Board of Auditors reported that UNRWA did not fully disclose its financial information. Only after the Board raised serious questions about significant errors did

¹ UNRWA Report of the Board of Auditors for the biennium ended 31 December 2005 pg 5, para 7

UNRWA resubmit some additional data². UNRWA's leaders could provide no detail on why information provided to the Board of Auditors was incomplete and we remain troubled that such inaccurate information was presented to the UN's own auditors who are only allowed to review books every other year.

Poor Quality, Inexperienced Staff with Little Training or Procurement Expertise

The Board reported that many UNRWA staff are poorly qualified with little training. Many staff members are hired and put to work without any training at all³. We find it difficult to understand how UNRWA can be good stewards of more than \$100 million in taxpayer funds when their staff does not have the necessary training to adequately perform their duties.

Little Human Resources Management

With a staff of more than 25,000 employees, UNRWA does not have a human resources plan to efficiently manage their organization. Without such a plan, UNRWA's management cannot determine if it is under or overmanned and under or overpaid. UNRWA's leadership team has not conducted any analysis to determine how many people to hire, the level of skill of required employees, or the competencies of current employees⁴.

No Results-based Management

UNRWA does not make management decisions based on results, lessons learned, or performance. Rather, UNRWA is a large organization run without a coherent strategy or clearly defined responsibilities for its employees⁵.

Little Data Collection

UNRWA does not collect data in a consistent manner. Many of the field offices operate manually, while the main office uses computer spread sheets which contain data that does not correspond to actual payments by UNRWA. Often information is not validated. According to the Board, much of UNRWA's financial data is unreliable⁶.

Financial Records Do Not Match

UNRWA financial accounts are not updated on a timely basis and records do not match. Consequently, auditors could not meaningfully inspect UNRWA's books. Without a financial management system that works, UNRWA was unable to properly manage its

² Ibid pg 8, para 18-20

³ Ibid pg 12, para 42

⁴ Ibid pg 14, para 55-56

⁵ Ibid; pg 17, para 81-83

⁶ Ibid; pgs 17-18 para 85-86

organization, and continued to be wrought by ineffective decision making and poor results⁷.

Area Staff Provident Fund

Nearly 26,700 UNRWA employees contribute to the "Staff Provident Fund." Staff members contribute 7.5% of their salary to the fund while UNRWA adds an additional 15 percent. Over 75% of UNRWA staff receive loans from this fund, totaling \$46.5 million.⁸ Auditors could not illustrate how are these loans approved or dispersed. We do not know who is eligible to receive these loans or exactly how much is owed.

No Idea Who is Editing UNRWA's Financial Books

Perhaps most egregious, the Board reported that UNRWA does not track who records, deletes, renames, or in any way manipulates financial information, and has no way of detecting foul play.⁹ By failing to employ a security mechanism to identify who is altering financial data, UNRWA is unable to report on its finances, beneficiaries or compliance with U.S. law.

UNRWA Staff Became HAMAS Candidates

You have designated HAMAS as a terrorist organization, responsible for the murder of over 20 American citizens. A number of UNRWA staff ran for election as official HAMAS candidates. As such, they became part of a U.S. officially-designated terrorist organization. We asked for the names of UNRWA staff that left their positions to run for parliament. We wanted to compare their names to the lists of official candidates to ensure they are not rehired by an organization so heavily supported by U.S. taxpayer dollars. UNRWA's leaders assured us that no staff members who ran as official HAMAS candidates have been rehired. We asked for their names but were told the United States has no right to this information. Without those names, we cannot confirm that UNRWA complies with U.S. law.

No Data Collected to Comply with U.S. Anti-terrorism Law (301(c) Compliance Reports)

Under U.S. law (Section 301(c) of the Foreign Assistance Act), UNRWA must formally certify twice each year that it takes all possible measures to assure that "no part of the U.S. contribution shall be used to furnish assistance to any refugee...who is part of any other guerilla organization or who has engaged in any act of terrorism." However, in our meeting with UNRWA's Commissioner General, she admitted that UNRWA does not check beneficiaries with a list of known terrorists provided by the Palestinian police or Israeli government. When asked why not, the Commissioner General replied that it would

⁷ Ibid; pg 18, para 87

⁸ UNRWA Report of the Board of Auditors for the biennium ended 31 December 2005 pgs 25-26, para 128-135

⁹ Ibid; pg 32, para 163-164

be too difficult because Arab last names "sound similar." We consider this a direct violation of United States federal law.

Conclusion

Six months ago, we recommended that the State Department retain an independent international auditing firm to ensure the integrity of U.S. taxpayer dollars used in support of UN programs managed by UNRWA. The State Department asked to refrain and read the incoming audit by the Board of Auditors. We have now read the auditor's report and now must insist that an independent, international audit be conducted to correct a documented record of UNRWA's lack of financial integrity, poor management and failure to comply with U.S. anti-terror law.

Additionally, we would like to hear from you a detailed analysis of these items and what UNRWA is doing to address these concerns. As Members of the Foreign Operations Appropriations Committee, it would be difficult for us and other members to continue funding UNRWA at current levels until we can be assured that US taxpayer dollars are not subject to the type of mismanagement highlighted in this report.

Thank you for your consideration of this bipartisan letter.

Sincerely,



Mark Steven Kirk
Member of Congress



Steven R Rothman
Member of Congress

cc: Chairman Jim Kolbe
Congresswoman Nita Lowey

Enclosure