

Highlights of [GAO-06-330](#), a report to congressional committees

# UNITED NATIONS

## Lessons Learned from Oil for Food Program Indicate the Need to Strengthen UN Internal Controls and Oversight Activities

### Why GAO Did This Study

In 1996, the United Nations (UN) Security Council and Iraq began the Oil for Food program to address Iraq's humanitarian situation after sanctions were imposed in 1990. More than \$67 billion in oil revenue was obtained through the program, with \$31 billion in humanitarian assistance delivered to Iraq.

The 2005 Defense Authorization Act mandated that GAO review the Oil for Food program. GAO reviewed how the UN adhered to five key internal control standards in its stewardship of the program. GAO assessed (1) the program's control environment and (2) key elements of the other internal control standards. GAO also reported on the UN Compensation Commission's progress in paying reparations from Iraq's invasion of Kuwait.

### What GAO Recommends

GAO recommends that the Secretary of State and the Permanent Representative of the U.S. to the UN work with member states to encourage the Secretary General to (1) ensure that UN programs with considerable financial risk apply internationally accepted internal control standards and (2) strengthen internal controls throughout the UN, based on lessons from the Oil for Food program. State and the UN responded that they are taking steps to strengthen internal controls at the UN.

[www.gao.gov/cgi-bin/getrpt?GAO-06-330](http://www.gao.gov/cgi-bin/getrpt?GAO-06-330).

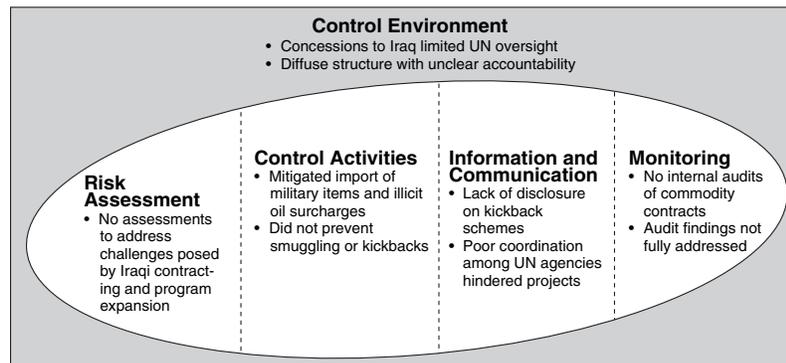
To view the full product, including the scope and methodology, click on the link above. For more information, contact Joseph Christoff at (202) 512-8979 or [christoffj@gao.gov](mailto:christoffj@gao.gov).

### What GAO Found

The UN Oil for Food program would have benefited from an internationally accepted internal control framework to provide reasonable assurance in safeguarding assets and meeting program objectives. Although the program averted a humanitarian crisis while limiting Iraq's ability to purchase military-related items, internal control problems allowed the former Iraqi regime to manipulate the program and circumvent sanctions to obtain billions of dollars in illicit payments. In particular, weaknesses in the control environment of the Oil for Food program compromised oversight and made it vulnerable to fraud and abuse. For example, Iraq negotiated contracts directly with companies purchasing its oil and selling commodities. In the absence of UN oversight, Iraq manipulated contract terms and obtained kickbacks. Moreover, the program had a complex structure with unclear lines of responsibility and authority. This diffusion among various entities meant that no single entity was accountable for the program in its entirety.

The Oil for Food program also had weaknesses in the four key internal control standards—risk assessment, control activities, information and communication, and monitoring—that facilitated Iraq's ability to obtain illicit revenues ranging from \$7.4 billion to \$12.8 billion. In particular, the UN did not provide for timely assessments to address the risks posed by Iraq's control over contracting and the program's expansion from emergency assistance to commodities for 24 sectors.

#### Internal Controls Framework in the Oil for Food Program



Source: GAO.

The UN Security Council established the UN Compensation Commission (UNCC) in 1991 to process claims and pay victims of Iraq's invasion of Kuwait. Security Council resolution 986 provided that a portion of proceeds from Iraq oil sales would go to the compensation fund. The commission approved awards of \$52.5 billion to more than 1.5 million claimants and has paid more than \$20 billion of this amount; however, Iraq still owes almost \$32.2 billion in unpaid awards. Future payments for these awards could extend through 2020. These unpaid awards are in addition to the \$51 billion that Iraq owes to international creditors.