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New Fraud Cases Point to Lapses in Iraq Projects

By JAMES GLANZ

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Investigators looking into corruption involving reconstruction in Iraq say they have opened more than 50 new cases in six months by scrutinizing large cash transactions — involving banks, land deals, loan payments, casinos and even plastic surgery — made by some of the Americans involved in the nearly \$150 billion program.

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Some of the cases involve people who are suspected of having mailed tens of thousands of dollars to themselves from Iraq, or of having stuffed the money into duffel bags and suitcases when leaving the country, the federal investigators said. In other cases, millions of dollars were moved through wire transfers. Suspects then used cash to buy BMWs, Humvees and expensive jewelry, or to pay off enormous casino debts.

Some suspects also tried to conceal foreign bank accounts in Ghana, Switzerland, the Netherlands and Britain, the investigators said, while in other cases, cash was simply found stacked in home safes.

There have already been dozens of indictments and convictions for corruption since the 2003 invasion of Iraq. But the new cases seem to confirm what investigators have long speculated: that the chaos, weak oversight and wide use of cash payments in the reconstruction program in Iraq allowed many more Americans who took bribes or stole money to get off scot-free.

"I've had a continuing sense that there is ongoing fraud that we have not been able to nail down," said Stuart W. Bowen Jr., who leads the [Office of the Special Inspector General for Iraq Reconstruction](#), an independent oversight agency. "This spate of new cases is evidence that that sense was reasonably well placed."

The cases were uncovered during the first phase of a new, systematic inquiry into financial activities, which investigators said began in earnest last summer. A related investigation of rebuilding funds for Afghanistan began in February.

Mr. Bowen's office agreed to answer general questions on the new inquiry but declined to divulge the names of the suspects, who include private contractors, military officers and civilian officials.

Developed in the Treasury Department, the financial monitoring effort goes by the generic name of the [Financial Crimes Enforcement Network](#), or Fincen, which continually generates data on suspicious financial transactions in support of more than 275 federal and state law enforcement agencies, according to a December report by the [Government](#)

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Stephen Hudak, a spokesman at the Treasury Department for Fincen, said it generated 15 million to 16 million reports a year on suspicious financial activity or major currency transactions, including cash deposits of more than \$10,000. He said that transactions in banks, check-cashing outlets, wire services, casinos, stockbrokers' offices and insurance companies were covered.

"Basically, we follow dirty money," Mr. Hudak said. "Authorized users can access Fincen's databases to make connections in criminal investigations."

Mr. Hudak confirmed that Fincen was being used to investigate reconstruction corruption in Iraq.

Because the investigation has covered only limited areas in the United States so far, Mr. Bowen said he estimated that dozens of additional cases would be opened by the end of the year. Mr. Bowen, who spoke by phone from Baghdad, described the effort as a "concerted, focused, forensic financial review involving all the Iraq reconstruction funds."

Congress has appropriated about \$53 billion for reconstruction projects, and the rest of the money has come from Iraqi assets and international pledges. According to testimony before the Wartime Contracting Commission last month by Arnold Fields, who leads the [Office of the Special Inspector General for Afghanistan Reconstruction](#), Congress has appropriated \$51 billion to rebuild that country since 2002.

John Brummet, the assistant inspector general for audits in that office, said that the office's staff members had been studying the Iraq investigation for nearly a year and that they had started a related effort last month.

"What we're trying to do is basically replicate what they've done without having to pay the price of the learning curve," Mr. Brummet said.

Investigations involving the inspector general's office for Iraq's reconstruction have led to 35 indictments and 27 convictions for fraud in numerous forms; the number of convictions rises to 58 when cases pursued by other government agencies are included, according to figures compiled by the Justice Department.

Mr. Bowen would not comment on whether indictments had yet been written up for the new cases, which numbered 52 by last week. But he said that at least 45 of those had come directly from the forensic effort.

Wayne White, who until 2005 was a senior intelligence official with the State Department focused on Iraq and is now a scholar with the Middle East Institute in Washington, said he was not surprised that new cases were still turning up.

Since Iraq's economy collapsed after the 1991 Persian Gulf war, the country's dealings with foreign companies and contractors have been laced with bribery, kickbacks and other fraud, Mr. White said, adding that weak oversight of the reconstruction efforts almost guaranteed that those problems would not be rooted out.

"That's been very disappointing, and we've seen it in Afghanistan as well," Mr. White said.

A senior federal official said that some of the new cases appeared to be closely linked to known networks of conspiracy and fraud and were likely to extend investigators' knowledge of cases that had already ended with convictions. Many other cases seem to be entirely new, the official said.

Mr. Bowen said that many of the new cases involved bribes and kickbacks for awarding lucrative work to contractors, and that in a number of cases, spouses or other relatives of the suspects are accused of setting up fraudulent companies to hide the illicit gains.

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When people who turn up in the net are initially contacted by investigators, the reaction “runs the gamut,” Mr. Bowen said. Some deny wrongdoing and others admit to accepting small bribes, which on further investigation rise into hundreds of thousands of dollars.

One suspect, he said, made the job especially easy on investigators who arrived at his door. “I’ve been waiting for you,” the suspect said.

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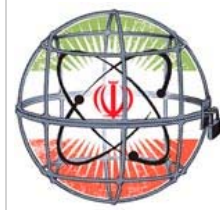
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