

GARY L. ACKERMAN, NEW YORK
ENI F.H. FALEOMAVAEGA, AMERICAN SAMOA
DONALD M. PAYNE, NEW JERSEY
BRAD SHERMAN, CALIFORNIA
ROBERT WEXLER, FLORIDA
ELIOT L. ENGEL, NEW YORK
BILL DELAHUNT, MASSACHUSETTS
GREGORY W. MEEKS, NEW YORK
DIANE E. WATSON, CALIFORNIA
ADAM SMITH, WASHINGTON
RUSS CARNAHAN, MISSOURI
JOHN S. TANNER, TENNESSEE
GENE GREEN, TEXAS
LYNN C. WOOLSEY, CALIFORNIA
SHEILA JACKSON LEE, TEXAS
RUBÉN HINOJOSA, TEXAS
JOSEPH CROWLEY, NEW YORK
DAVID WU, OREGON
BRAD MILLER, NORTH CAROLINA
LINDA T. SÁNCHEZ, CALIFORNIA
DAVID SCOTT, GEORGIA
JIM COSTA, CALIFORNIA
ALBIO SIRE, NEW JERSEY
GABRIELLE GIFFORDS, ARIZONA
RON KLEIN, FLORIDA
BARBARA LEE, CALIFORNIA

ROBERT R. KING
STAFF DIRECTOR

PETER M. YEO
DEPUTY STAFF DIRECTOR

DAVID S. ABRAMOWITZ
CHIEF COUNSEL

ONE HUNDRED TENTH CONGRESS
CONGRESS OF THE UNITED STATES
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

TELEPHONE: (202) 225-5021
HTTP://WWW.FOREIGNAFFAIRS.HOUSE.GOV/

CHRISTOPHER H. SMITH, NEW JERSEY
DAN BURTON, INDIANA
ELTON GALLEGLY, CALIFORNIA
DANA ROHRBACHER, CALIFORNIA
DONALD A. MANZULLO, ILLINOIS
EDWARD R. ROYCE, CALIFORNIA
STEVE CHABOT, OHIO
THOMAS G. TANCREDI, COLORADO
RON PAUL, TEXAS
JEFF FLAKE, ARIZONA
MIKE PENCE, INDIANA
JOE WILSON, SOUTH CAROLINA
JOHN BOOZMAN, ARKANSAS
J. GRESHAM BARRETT, SOUTH CAROLINA
CONNIE MACK, FLORIDA
JEFF FORTENBERRY, NEBRASKA
MICHAEL T. MCCOUL, TEXAS
TED POE, TEXAS
BOB INGLIS, SOUTH CAROLINA
LUIS G. FORTUÑO, PUERTO RICO
GUS M. BILIRAKIS, FLORIDA
VACANT

YLEEM D.S. POBLETE
REPUBLICAN STAFF DIRECTOR

MARK C. GAGE
REPUBLICAN SENIOR POLICY ADVISOR

DOUGLAS C. ANDERSON
REPUBLICAN CHIEF COUNSEL

June 27, 2008

The Honorable Henrietta Fore
Administrator
U.S. Agency for International Development
Office of the Administrator, Room 609
1300 Pennsylvania Avenue, N.W.
Washington, DC 20523

Dear Ms. Fore:

As you know, USAID recently briefed my staff on a notification for \$45 million for Cuba democracy programs. The programs receiving “Section 109 funding” under the 1996 Helms-Burton amendment were the subject of a troubling Government Accountability Office report in late 2006. That study found that the program was poorly managed and that “Internal controls—both over the awarding of Cuba program grants and oversight of grantees—do not provide adequate assurance that the grant funds are being used properly and that grantees are in compliance with applicable laws and regulations.”¹

In a letter dated June 6, 2008 to Assistant Secretary for Legislative Affairs Bergner, I asked that the funding be held until your agency provided written answers to a set of questions, including one on the status of the Felipe Sixto case. Mr. Sixto, the chief of staff of a USAID grantee, reportedly embezzled hundreds of thousands of dollars from the program. USAID volunteered to brief House Foreign Affairs Committee (HCFA) on that specific case on June 23rd, 2008.

In the June 23rd briefing with Jose Cardenas, Acting Assistant Administrator for Latin America and the Caribbean, HCFA learned that: From 2003 to August 2007, Mr. Sixto was chief of staff to Frank Calzon, executive director of the Center for a Free Cuba (CFC). CFC has been a Cuba democracy funding grantee for over 10 years, and its

¹ GAO-07-147 “U.S. Democracy Assistance for Cuba Needs Better Management and Oversight,” November 2006, <http://www.gao.gov/new.items/d07147.pdf>

The Honorable Henrietta Fore

June 27, 2008

Page 2

current grant was \$7.3 million over three years. In February 2008, CFC --not USAID-- discovered an amount between \$500,000 and \$700,000 missing from its grant funding and reported it to your agency. Mr. Cardenas could not provide my staff with the exact amount of money that went missing. In March 2008, USAID suspended what remained of CFC's grant; Sixto resigned from the White House where he was serving as a special assistant to the President for intergovernmental affairs; and the Department of Justice (DOJ) initiated a criminal investigation into this matter.

My staff also learned at the briefing that without having seen the results of any USAID Inspector General investigation, and without knowing the status of the DOJ investigation, USAID was nevertheless prepared to lift the suspension immediately on the stolen funds as well as the remaining funding in the grant. Your staff could not quantify the funds remaining in the grant and what those funds and the stolen funds would be used for if the suspension was lifted. Mr. Cardenas explained that Mr. Calzon recovered ["put back"] the stolen funds, and that these funds currently sit in an escrow account controlled by CFC, not USAID. Mr. Cardenas said that he was not aware whether the account was gaining interest -- which I understand would be illegal -- but promised to look into the matter. Your staff also informed us that they did not know what Mr. Sixto used the stolen funds for, or how they were recovered. It was nevertheless urgent to lift the suspension, your staff explained, because the grant funds expire at the end of this month. We were told Jim Kunder, USAID's Acting Deputy Administrator, backed the decision.

My staff later spoke to the Chief of Staff of USAID's IG's office and learned that the IG is assisting the DOJ investigation, but there has been no formal IG investigation. USAID additionally believes Mr. Sixto has not been charged with any crime.

It appears the Committee which I chair cannot place a hold on these funds because they have already been notified to Congress and obligated. But HCFA would be falling far short of its oversight obligation to the U.S. taxpayer if it did not express its deep concern about USAID lifting the suspension on this grant without waiting for the results of the investigations, and knowing more clearly answers to a series of outstanding questions about what happened. It is my understanding, for example, that no one at USAID IG has spoken to Mr. Sixto. The decision to lift the suspension appears even more questionable given the transparency and management issues that the GAO identified with the overall Section 109 funding, and would thus seem to deserve a higher level of scrutiny and caution than USAID already attaches to its grant programs.

For this reason we welcome USAID's 11th hour decision to maintain the suspension until August 15th, 2008. At that time, we will review USAID's findings as well as those of USAID IG to more clearly determine what happened in this case, the scope of the malfeasance, and the integrity of the safeguards CFC has in place to protect and properly spend U.S. taxpayer money.

Furthermore, I have asked Congressman Bill Delahunt, Chairman of the HCFA's Subcommittee on International Organizations, Human Rights and Oversight, to follow this matter closely and keep me apprised. HCFA maintains the hold on the \$45 million

The Honorable Henrietta Fore

June 27, 2008

Page 3

Cuba funding recently notified to Congress until we have received satisfactory answers to the already requested questions, and had a chance to discuss these with USAID. Finally, we hereby advise that we place a hold on any additional funding from the \$45 million that may go to CFC until HCFA's concerns outlined in this letter have been resolved. If HCFA's concerns are resolved, we will not oppose continued participation of the CFC in the Cuba democracy program.

Sincerely,



HOWARD L. BERMAN
Chairman

Cc: Cong. William Delahunt