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U.S. Cuba Transition Funds Suspended

by LADB Staff

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A hold has been placed on US spending for democratization and related transition projects in Cuba because, according to reports, the people who get the money to do good works keep misappropriating it. Congress put the US Agency for International Development's (USAID) US \$45 million program on hold after a series of audits uncovered massive fraud, The Miami Herald reported. Rep. Howard Berman (D-CA) ordered the funds frozen in response to the disclosure of a US\$500,000 embezzlement at the Center for a Free Cuba in Washington. Berman is chair of the House Foreign Affairs Committee.

Zealous to get the programs underway again, USAID deputy assistant administrator Stephen Driesler issued a memo on July 18 to Congress members to provide them with details of the status of the program. "As you know," went the memo, "we have encountered challenges in the implementation of this important program." The challenges were in the form of misappropriation and fraud uncovered in audits of USAID's Cuba programs by the Government Accountability Office (GAO) in 2006 and USAID's Office of the Inspector General (OIG) in 2007.

A solution for the problem was found in June 2008 when the agency awarded a contract to monitor and audit contracts "to facilitate enhanced oversight of grantees' management of USAID funds." Then, the OIG would enhance its oversight of the auditors. After that, the Latin America and Caribbean Bureau (LAC) would hold "quarterly portfolio reviews of existing grantees to review status and results of the grants, and to highlight potential problems and outstanding issues."

Another loose end was tied up, according to the memo, when the Grupo de Apoyo a la Democracia (GAD), one of the Miami nongovernmental organizations (NGOs) benefiting from a share of the US\$45 million Cuba democratization fund, returned US\$11,000 one of its employees rang up on a credit card for "personal items." USAID said it still has the case open and expects the unauthorized expenses to go higher.

In the meantime, the OIG suspended GAD's grant. That was good enough for Berman. He issued a statement, saying, "Yesterday I received assurances that USAID and the State Department are seized with the gravity of the problems in these programs and that they are actively working to correct the problems." So he released the hold on the funds, "except that funds will not be extended to those program participants that are under investigation."

In the case of the Center for a Free Cuba, the organization's director Frank Calzon said that, the US \$500,000 embezzlement aside, the more important issue was that members of Congress who were against the Cuba policies of the administration of US President George W. Bush were manipulating the media to smear him. "I think it's great that Congress lifted the hold on the funds. Unfortunately, previous news stories have not said that I recovered the money." Actually some did, and even

reported that he returned it with interest. His center remains suspended from USAID funding pending an audit.

The Center for a Free Cuba was suspended in March. Its grant was for US\$2.3 million. The individual alleged to have embezzled the money, Felipe Sixto, had left the center to work as a White House staff employee assigned to Cuba issues. He resigned that position in March when the problems at the center, and the missing US\$500,000, came to light. USAID mismanagement of Cuba grants precedes the US\$45 million allocation for transition on the island.

The historical trail going back to 2006 is littered with video games, leather coats, cashmere sweaters, Godiva chocolates, and other items skimmed from some US\$74 million in USAID contracts, nearly all of which was awarded to would-be democratizers without benefit of competitive bid or oversight. But now there is oversight, about which Rep. Berman said, "I applaud this expanded oversight." Driesler, meanwhile, intimated that the experience has taught his agency, and perhaps the whole administration, a valuable lesson. They have begun to make these grants to international advocacy groups rather than to the Miami-exile organizations. "When we have problems with two institutions within six months, out of 11 active grantees, you say, 'We hope this is not a pattern. But we better pause and check and make sure.'"

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