

Cheney Targeted In Halliburton And War-Profiteering Scandals

by Carl Osgood

Senate Democrats, long frustrated at a Republican majority more committed to protecting Vice President Dick Cheney and other Bush Administration criminals, than serving as the Constitutionally-mandated check and balance on an Executive Branch gone wild, took off the gloves last week, and put a bold spotlight on Cheney's "former" company, Halliburton. An indication of this was an extraordinary Feb. 13 hearing of the Senate Democratic Policy Committee, chaired by Sen. Byron Dorgan (D-N.D.). The committee heard testimony from a former Halliburton employee who described the business practices of Halliburton subsidiary Kellogg, Brown and Root (KBR) in Kuwait and Iraq; from the recently retired head of the Defense Energy Support Center; and from two think-tankers who are experts on government contracting.

The targeting of Cheney began with Sen. Frank Lautenberg (D-N.J.), who noted that he had commissioned a Congressional Research Service report which found that the deferred salary Cheney continues to receive from Halliburton, constitutes an ongoing financial interest in the company. He also reported that his staff had acquired documentation showing that Halliburton, through off-shore cutouts, was doing business with Iran during Cheney's tenure as CEO, in violation of U.S. law.

Nor are the Democrats letting the Congressional GOP off the hook. Sen. Richard Durbin (D-Ill.) emphasized that the Republicans have simply refused to hold hearings on Iraq contracting. "Why are we here on Capitol Hill," he asked, "if it's not to serve as an oversight of these activities?" Durbin invoked Harry Truman's 1942-44 Senate investigation into World War II contracting as an example of how Congress should act. "A Democratic Senator from Missouri, with a Democratic Congress and a Democratic President, who wasn't afraid to tell the truth," he said, "and, yet, we find with a Republican president, and a Republican congress, no Republican is willing to step forward and ask the hard questions." Lautenberg reported that he had made three requests to the Senate Governmental Affairs Committee, over the past nine months, to hold hearings, but "I didn't even get a response, so we couldn't do a Truman-like hearing because there is no such interest in a bipartisan review."

The lead-off witness was Henry Bunting, a procurement officer who worked in Halliburton's procurement office in Kuwait for 15 weeks, until August 2003. He described busi-

ness practices that had little interest in controlling costs. Bunting reported, for example, that under the rules, all procurement officers had to seek a second price quote for purchase orders over \$2,500. To avoid having to seek a second supplier, requisitions were frequently split up to keep them under \$2,500. For purchase orders that could not be kept below \$2,500, higher quotes were sought so that the quote from a preferred supplier was the lowest.

'It's Cost-Plus, Don't Worry About Price'

"There were frequent instructions by procurement supervisors and management to keep material requisitions under the \$2,500 threshold to avoid competitive bidding," Bunting said. The common comment was "it's cost plus, don't waste your time finding another supplier." The result of such practices, Bunting said, was that opportunities to reduce costs and save taxpayer money were ignored. He reported that at one point, he took it upon himself to find a second source for office furniture, which was otherwise being procured from a preferred Kuwaiti supplier. "I received quotes from several suppliers resulting in cost savings of \$30 per office desk and \$10 per office chair," he said. "I estimate these savings as \$5,000-6,000 per year." He gave another example of a requisition for towels that he had to fill for a recreation facility for U.S. troops in Baghdad. The original price of 2,500 towels was \$1.60 per towel. After they were monogrammed with a KBR logo, the price tripled to \$5.00 per towel, with no benefit except to KBR.

Jeffrey Jones, who until November 2003 was the director of the Defense Energy Support Center—the Pentagon agency that procures and manages the supply of petroleum fuels used by the military all over the world—confirmed that "some of the outsourcing of Federal jobs is tied to the same philosophy as" the way in which "this contract is operating," particularly in the lack of transparency in the way contracts are awarded. He contrasted the supplying of gasoline into Iraq by KBR with similar operations overseen by DESC, saying "I can't imagine why gasoline should cost \$2.65 per gallon in Iraq."

Rep. Henry Waxman (D-Cal.) discovered late last year, that KBR was charging such a price to deliver gasoline from Kuwait into Iraq, forcing the Pentagon to respond with an audit of KBR's gasoline deliveries: \$61 million in overcharges were found. Jones pointed out that during his 3-year

tenure at DESC, there were times when the agency had to pay sole source suppliers for fuel, but never as much as \$2 per gallon. Later, in response to a question, Jones said that DESC was able to move jet fuel into Afghanistan from Pakistan for under \$1 per gallon, even though that was a much more difficult environment than southern Iraq.

Jones identified three major issues on contracting in Iraq and Kuwait. The first, he said, is terrible communications among U.S. organizations in Iraq and Kuwait. The second is the lack of organic resources for managing contractors. "When you outsource the people who can tell whether the job is being done right," he said, "then you don't have any control over the situation." He reported that DESC is one of those agencies that, itself, is being looked at for outsourcing. "I can only imagine what would happen," he said, "if we weren't around and this problem came up. . . ." The third issue, Jones said, is the overall lack of transparency on the contracting process. "Without it," he said, "you undermine the confidence of the American people" in the process, and even the confidence of the government employees required to carry out the process.

When the hearing opened up for discussion, Sen. Durbin took a cue from William Hartung of the World Policy Institute, one of the two final witnesses, who argued that what is at stake isn't simply taxpayer dollars but the safety and security of American troops in Iraq. Every dollar wasted on contractor overcharges is a dollar not available for acquiring equipment necessary for protecting soldiers' lives. The amount of money that was wasted on the overpriced towels could have bought 12 sets of Interceptor body armor, of which there still is not enough to equip every soldier in Iraq. Worse than the towels, is the \$7,500 per month Halliburton is paying to lease hundreds of vehicles, mostly SUVs, vans and trucks, in Kuwait and Iraq. Four months of one of those leases could pay for one up-armored Humvee. Soldiers are now dying regularly, in Iraq, from roadside bombs and improvised mines that tear apart the unprotected Humvees they're forced to drive around in.

Waxman, Dingell Up the Pressure

The day before the Senate hearing, Waxman and Representative John Dingell (D-Mich.), the ranking Democrats on the House Government Reform Committee and the Energy and Commerce Committee, respectively, sent a letter to William H. Reed, the director of the Defense Contract Audit Agency, reporting the abuses described by Bunting and another whistleblower who is remaining anonymous. The second whistleblower had worked in the same office as Bunting as a procurement supervisor. "What is most disturbing about these allegations from the whistleblowers," they wrote, "is the regular and routine nature of the overcharging." They "describe a company that paid inflated prices for goods and services on a daily basis and then passed these overcharges on to the U.S. taxpayer. An approach of 'Don't worry . . . it's cost-plus' may be lucrative



Vice President Cheney's last moment in the Sun may have been this Jan. 4 rant at the Davos Conference. Now, after an 18 months' impeachment drive by Lyndon LaRouche, the Congress and the media are finally hammering Cheney—particularly on the many economic crimes of Halliburton.

for Halliburton, but it should be of great concern to the government and the tax-payer."

Waxman and Dingell described additional examples of abuse besides those cited above, but the heart of the problem, besides the corporate ethos of Halliburton—which was raised at the Senate hearing by Hartung—is the cost-plus contract. "Under this arrangement," they wrote, "the U.S. government reimburses Halliburton for its costs and then pays the company an additional fee, which is a percentage of costs. The higher Halliburton's costs are, the larger its profits will be. Because there is little incentive for the company to control costs, this type of contract is notoriously prone to abuse." Waxman and Dingell concluded their letter by urging Reed to investigate the whistleblowers' allegations "and to initiate action to recover any overpayments to Halliburton."

Scandal Escalates in the Press

Nor does interest among House Democrats in Halliburton's scandals stop with Waxman and Dingell. The same day Waxman and Dingell sent their letter to DCAA chief Reed, Rep. William Delahunt (D-Mass.) released a letter, signed by 32 other Democrats, calling on Attorney General John Ashcroft to appoint a special prosecutor to look into the allegations of Halliburton's 1990's dealings with Iran, which had also been aired on the Jan. 25 edition of CBS's 60 Minutes. "Since this corporation used to be headed by the current Vice President, who still receives compensation from Halliburton," Delahunt said, "a proper review requires the appointment of a special prosecutor. The Attorney General has the power, today, to name such a special prosecutor to look into these charges, just like he's done in the case of the White House revealing the name of a CIA agent." Delahunt's letter followed reports that the Treasury Department had sent a

letter to Halliburton asking for information and informing the company that an inquiry had been reopened regarding the 1990's dealings with Iran.

The Senate Democratic hearing received widespread coverage in the press, adding further fuel to the fires now burning around Dick Cheney. Not only did C-Span broadcast it in full, but the *Washington Post* ran a prominent story with a picture showing Bunting exhibiting one of the monogrammed towels. There was also other coverage both from wire services and other newspapers. The *New York Times* ran a story asserting that Halliburton is likely to be a campaign issue in the fall elections. *The New Yorker*, in its Feb. 16 and 23 issues, published a lengthy expose by journalist Jane Mayer, focusing on the role Cheney played in gaining government largesse for Halliburton, both while he was Secretary of Defense and then as Halliburton's CEO.

The investigations are also continuing to escalate as well, in Nigeria and Kuwait. In Nigeria, the House of Representatives voted to begin an investigation into allegations that Halliburton, as part of a partnership with French and Australian firms, paid \$180 million in bribes relating to a natural gas project in Nigeria. French authorities have been investigating the same matter since last December. In Kuwait, the parliament voted to form a commission to investigate the price gouging by Halliburton in the gasoline shipments to Iraq, because of the involvement of two Kuwaiti firms. The parliamentarians want to find out whether or not Kuwaiti officials or officials of Kuwait Petroleum Corporation or Tannia Commercial Marketing Company—from whom Halliburton was acquiring the gasoline—were involved in the overcharges, which could endanger Kuwait's close relationship to the United States.

In addition to the instances of contracting fraud by Halliburton, the Democrats are also not ignoring the issue of war-profiteering, which is not illegal under current law. At the Senate hearing, Durbin recounted that during the debate on the second Iraq war supplemental appropriations bill last year, the Senate agreed to an amendment that would outlaw profiteering from war, but it was defeated in conference committee by House Republicans, who refused even to discuss it. The idea, Durbin said, of the House GOP was that "we're going to protect our friends." Sen. Patrick Leahy (D-Vt.), who was a co-sponsor of the amendment, announced that he would renew the push for legislation, introduced last November, which would criminalize the deliberate overcharging for goods and services by contractors in Iraq. "U.S. taxpayers are being called upon to bear the burden of reconstruction contracts under a system that has awarded contracts with little competition and even less accountability," Leahy said in a Feb. 13 statement. "That's a recipe for waste and fraud. The taxpayers deserve this protection."

Having been the Secretary of Defense—before he became the CEO of Halliburton—and now having maneuvered the United States into the Iraq war, there is a lot of room for war-profiteering investigations of Cheney.

Bush-Cheney Prepare To Steal 2004 Election

by Edward Spannaus

As part of their efforts to put a nationwide vote-fraud capability in place which could enable them to steal the 2004 Presidential elections, the Bush-Cheney Administration has systematically sabotaged the development of security standards and other guidelines for electronic voting machines—leaving the field wide open for what amounts to a privatized, deregulated election system.

As we reported in *EIR*, Feb. 20, the unconstitutional Help American Vote Act (HAVA), rammed through Congress in October 2002, provides Federal subsidies to the states to replace their old punch-card or other voting systems, with touch-screen devices. To be eligible for Federal monies, states were to submit their plans to install touch-screens by early 2004.

But the Administration then stalled on creating the new Election Assistance Administration (EAC), which was supposed to oversee the development of standards for voting equipment, including security standards. And now, the Administration has even cut the budget for the EAC and also for the agency which was specifically mandated to develop these standards and guidelines.

Two HAVA Hoaxes

Two fraudulent pretexts were used to get HAVA passed, along with heavy lobbying by GOP-linked voting machine companies and defense contractors. The first pretext, was that the use of "modern" touch-screen devices would avoid the type of chaos that occurred around the 2000 elections in Florida, with the fiasco around recounting punch-cards with their famous "hanging chads."

The second pretext was that touch-screen machines would allow disabled persons to vote in privacy. Thus, by 2006, every polling place used in a Federal election is required to have at least one Direct Response Electronic (DRE) device, or another device "equipped for individuals with disabilities."

Among those active in bringing lawsuits to compel localities to install touch-screen machines even sooner, has been Hogan and Hartson, the law firm of John Keeney, Jr.—who told the Supreme Court, in the 2000 Presidential election case of Lyndon LaRouche's exclusion from winning Democratic Party primary delegates—that it should wipe out the 1965 Voting Rights Act, so that the Democratic Party could return to the gold old days of being a discriminatory private club.

The Hogan & Hartson suit gave Washington, D.C. the



A Washington, D.C. citizen trying to vote in Presidential delegate caucuses held on Feb. 14, confronts one of Sequoia Corporation's black boxes, which supposedly is going to count her vote. Many voters trying to vote for Lyndon LaRouche's delegates were unable to do so.

excuse to rush into installing touch-screen machines on an emergency basis. Originally, the D.C. primary was scheduled for May 15, 2004, but it was then moved up to January 13, in an attempt to make the District “the first in the nation,” even before New Hampshire.

For Example: Washington, D.C.

The fly in the ointment was the candidacy of Lyndon LaRouche. The LaRouche Youth Movement sent a small army into the nation’s capital, who out-organized all of the other candidates’ campaigns in the streets, the neighborhoods, and even the buses and subways. On election eve, private polls showed LaRouche to be running even with Al Sharpton.

In mid-December, a bill had been passed by the D.C. Council, declaring “the existence of an emergency,” and providing that the District’s contract with Sequoia Voting Systems be implemented immediately. With election officials unfamiliar with the new touch-screen machines, the Board of Election put out a call for “computer-savvy volunteers” to help.

Although the touch-screen machines were installed for voters with disabilities, others were permitted and even encouraged to use them. It was reported that about 15,000 of 42,000 voters on Jan. 13 used the touch-screen devices; the others used optican-scan machines, which are also susceptible to programming errors.

The result was chaos on election night, and the disappearance of many thousands of votes for LaRouche.

Among other problems, the private vendor, Sequoia, who set up the machines, had programmed them wrong, so that they discounted write-ins and blank ballots. The machines had to be re-programmed on election night, and poll workers had to report results by hand rather than electronically. Voter turnout was initially being reported at 8-10% percent throughout the evening, and then it jumped suddenly to 16%, as 15,000 votes suddenly materialized after midnight.

Council members proclaimed the whole affair “highly embarrassing,” and even the head of the Board of Elections called for an investigation—a call which seems to have been dropped as soon as LaRouche supported it.

Touch-screen devices were again used for the Democratic delegate-selection caucuses on Feb. 14—with many reports of machine breakdowns and malfunctions.

States Caught in a Bind

HAVA set two key deadlines for the states. In order to obtain Federal subsidies for replacing old voting equipment, states were required to submit implementation plans by January 2004, and each plan must indicate that the state will replace all of its punch-card and lever machines by the 2006 elections.

Additionally, as we noted, some jurisdictions were forced by lawsuits to replace old equipment earlier.

Under pressure of HAVA deadlines, and anxious to avoid a Florida-type situation with their punch-card systems—and with salesmen from the big three companies, Deibold, Sequoia, and Elections Systems and Software, banging down their doors—many states rushed to get DRE systems installed.

Meanwhile, the Administration stalled and delayed in creating the Election Assistance Commission (EAC), which was charged under HAVA with developing voting system guidelines, overseeing the testing and certification or decertification of voting systems and hardware, and conducting studies of “methods of identifying, deterring, and investigating voter fraud.”

The EAC was supposed to have been created by February

2003, but President Bush didn't submit his nominees to Congress until last October, and they were not approved until December; the Commission only got started in January.

Under the HAVA law, the EAC was supposed to have submitted a detailed report to Congress by Jan. 31, 2004, describing all of its activities, its grants and payments, information on voting system guidelines, etc.

But as of mid-February, the EAC still has no offices or phone listing; it's borrowing space from the Federal Election Commission. Its first formal meeting is scheduled for March 23. Its budget for the current fiscal year was cut drastically—on the excuse that it didn't exist—and in the Administration's proposed budget for next year, its budget is cut 96%!

Money Without Standards

That's not all.

Under HAVA, the National Institute of Standards and Technology (NIST) was designated to play the leading role in developing standards for voting equipment, and assisting state and local officials in implementing new voting systems. The Director of NIST is the chairman of the Technical Guidelines Development Committee, a subcommittee of the EAC, which is charged with making recommendations to the EAC on standards and guidelines on voting machines.

Last week, the NIST announced that it has ceased all its HAVA-related activities because of a \$22-million budget cut in Fiscal 2004. "We have terminated all our activities under the Help America Vote Act for lack of funding," said NIST's acting chief of staff, Nat Heyman. An NIST spokesman confirmed to *EIR* that it is being forced to end its HAVA activities, and to substantially reduce its work on cybersecurity, much of which deals with critical infrastructure, such as power plants, water-supply systems, and utilities. NIST has been evaluating computerized voting systems since 1975, and has substantial expertise in security evaluations of complex computer systems.

The four members of the EAC made their first public appearance at a meeting of the National Association of Secretaries of State on Feb. 16. According to the *Washington Post*, the commission members found themselves besieged by state officials who "want guidance on the thorniest problem in elections today, voting security," particularly as regards touch-screen systems and electronic voting. Said the Wyoming Secretary of State: "I'm scared to death to buy any machines without direction."

But that's what they're not going to get, according to EAC chairman DeForest "Buster" Soaries, who claimed it would make no sense to put standards into place before the Commission starts handing out money to the states to buy new voting machines. Soaries, a former New Jersey Secretary of State, announced that the EAC will pass out \$2.3 billion to the states by this May, to help them buy new voting equipment.

Want an Enron To Count Your Vote?

What all this amounts to, is a multi-billion dollar subsidy to the Bush-Cheney allied voting machine companies—with the Administration abandoning any effort to develop security standards or guidelines in time for the 2004 elections.

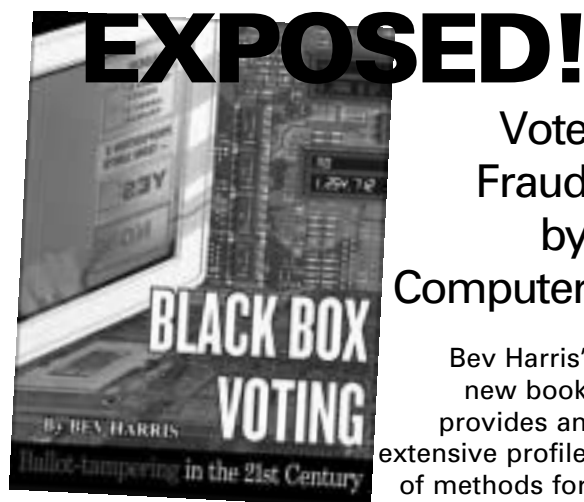
Already, in states such as Georgia which have switched over to touch-screen machines, state election officials have ceded the field to private companies such as Diebold, who carry out the set-up and programming of the machines, and who count the vote.

Worse, state elections officials are not allowed even to examine software and source-code which runs the program which counts the votes. The software is considered proprietary, a "trade secret," by the voting machine companies—and it can be a felony to try to examine it.

When computer security experts from Johns Hopkins and Rice Universities conducted an analysis of Diebold's source code—which had become public, after being left on an unprotected server—they discovered numerous, "stunning" security flaws, which would allow the casting of multiple votes and the altering of results. They also found that the program could be altered from a remote location.

Now, the Federal government is handing out over \$2 billion to spread more of this around the country—to accelerate the drive toward privatized, deregulated elections.

Congress should undo the damage, now, by repealing HAVA and banning electronic voting.



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