

# Cheney's Halliburton Paradigm for Fraud

by Carl Osgood

The evidence that the Office of the Vice President was directly involved in arranging government contracts with his former company, Halliburton, is now undeniable: A new report issued by Rep. Henry Waxman (Calif.), the ranking Democrat on the House Government Reform Committee, "Dollars, Not Sense: Government Contracting Under the Bush Administration," documents that Halliburton, the company run by Dick Cheney before he appointed himself Vice President, is, in fact, the paradigm for the wholesale privatizing, by government contract, of entire chunks of what are properly the activities of the U.S. government itself.

Just days before Waxman's report was released in June, Judicial Watch released e-mails from the U.S. Army Corps of Engineers, that it had acquired through a Freedom of Information Act lawsuit, showing that the oil reconstruction contract (known as RIO, for Restore Iraqi Oil) that Halliburton was awarded just before the U.S. invasion of Iraq, was coordinated with the Office of the Vice President, contrary to the assertions of Cheney himself, as well as numerous other Bush Administration and Pentagon officials.

Reinforcing the case against Cheney, was an April 2003 episode of the CBS-TV program "60 Minutes," in which the chief counsel of the Army Corps of Engineers attempted to deflect repeated questions about the role of Cheney in awarding the RIO contract to Halliburton.

According to the Waxman report, Federal contracting grew from \$203 billion a year in 2000 to \$377.5 billion in 2005, an increase of 86%. "Under President Bush," the report says, "the federal government is now spending nearly 40 cents of every discretionary dollar on contracts with private companies, a record level." Nearly half the growth in discretionary spending during this period was accounted for by the growth in contracting. The Pentagon, not surprisingly, accounted for most of this growth: \$133.5 billion spent on contracts in 2000, rose to \$270 billion in 2005. The top five contractors in 2005 accounted for \$80 billion, or 21% of all Federal procurement spending, with Lockheed Martin at the top of the heap, at \$25 billion. The fastest growing contractor, however, is Dick Cheney's Halliburton, which raked in \$763 million in 2000, to nearly \$6 billion in 2005, an increase of an astounding 672% over the five years. Abuse of the contracting process also climbed, with

an even faster rate of growth of non-competitive contracts, which grew 115%, from \$67.5 billion in 2000 to \$145 billion in 2005.

The cost to the taxpayers for this windfall, which benefits a relatively small segment of the private sector, has been enormous as well. The report identifies 118 contracts, collectively worth \$745.5 billion, issued over the five-year period, that have experienced significant surcharges, wasteful spending, or mismanagement. The report identifies three major contracting “binges” since 2001: Iraq reconstruction, homeland security, and Hurricane Katrina. “Each initiative has been characterized by extensive waste, fraud, abuse, and mismanagement in contract spending,” the report says.

### Use of Non-Competitive Contracts Zooms

The growth in the use of non-competitive contracts is just one indicator of the mismanagement of contracts under the Bush Administration, but it is a major indicator of the paradigm. Federal acquisition law provides for exemptions from competitive sourcing requirements under certain circumstances, such as an emergency, or if there is only one source for the required service. Under the Bush Administration, however, the growth of such contracts has been faster than the overall growth of contracts, rising from 33% of Federal contract dollars in 2000, to 38% in 2005.

According to the report, Hurricane Katrina provides a case study of how the exemptions have been stretched to the breaking point. In the immediate aftermath of the storm, it made sense to award contracts non-competitively in order to meet urgent needs. In the month after Katrina, 51% of contract dollars awarded by the Federal Emergency Management Agency were awarded non-competitively. One would expect that that percentage would decline after that; however, in October of 2005, that percentage zoomed up to 93%, and was still at 57% in December.

So far, prosecutions of those involved in this corruption have resulted in 13 convictions, guilty pleas, or indictments of various government officials, and employees of Halliburton. The most famous case, so far, is that of former Rep. Randy “Duke” Cunningham (R-Calif.) who pleaded guilty last November, to accepting \$2.4 million in bribes from two military contractors. The Special Inspector General for Iraq Reconstruction, Stuart Bowen, reports that there are 70 corruption investigations underway in Iraq, 23 of which involve allegations of contract fraud, overcharging, product substitution, or false claims. Another 50 cases have been brought by whistleblowers under the False Claims Act, alleging fraud by contractors operating in Iraq. One of those cases has resulted in a conviction, but the Department of Justice is blocking the remaining cases from going forward by delaying the decision whether or not to participate in these cases. Hurricane Katrina has opened up an even bigger can of worms, with a reported 785 cases of criminal activity, including procurement fraud and abuse, currently under investigation

### Cheney and Halliburton’s Iraq Oil Contract

In 2004, Judicial Watch had uncovered a March 5, 2003 e-mail from an Army Corps of Engineers official in Kuwait reporting that then-Deputy Secretary of Defense Paul Wolfowitz and Undersecretary for Policy Doug Feith had approved execution of Halliburton’s RIO contract; that Feith had approved it contingent on informing the White House, and that, “We anticipate no issue, since action has been coordinated with VP’s office.” E-mails in the latest release suggest that Corps of Engineers officials lied about the involvement of Cheney’s office after the contract became public.

On April 22, 2003, CBS’s “60 Minutes” taped an interview with Robert Anderson, chief counsel of the Army Corps of Engineers, in which he was asked repeatedly about the role of Cheney in the awarding of the RIO contract to Halliburton. Carol Sanders, who was the chief of public affairs at Corps headquarters, reported in an e-mail the next day to the Assistant Secretary of the Army for Civil Works, that Anderson “asked that we get a note to the Office of the Vice President that during the 60 Minutes interviews, he was asked several times about the connection to the Vice President and he kept reiterating that the decision was made by career civil servants.” The assistant secretary (whose name is redacted in the documents) replied that he had forwarded Sanders’ message to Dana Perino, a White House official who then forwarded it to Jennifer Millerwise, Cheney’s press secretary.

The Waxman report, in fact, documents numerous cases in which decisions by career contracting officials were overridden by political appointees. In the case of the RIO contract, a Defense Department official in Feith’s office by the name of Michael Mobbs (who also was associated with policy on the treatment of detainees at Guantanamo Bay, Cuba), decided in November of 2002, that Halliburton should be awarded a task order—a decision made after consulting with Cheney’s then-chief of staff Lewis Libby. That task order gave Halliburton the inside track on getting the RIO contract when that was awarded in February of 2003. A career attorney with the Army Material Command objected to the task order because it was outside the scope of the logistics contract. Mobbs overruled the attorney, but the Government Accountability Office later found that the lawyer’s position was correct and that the work “should have been awarded using competitive procedures.”

Nor was the career Army lawyer the only official steam-rolled on the way to giving Halliburton the RIO contract. Bunnatine Greenhouse, the chief contracting official at the Army Corps of Engineers also objected numerous times, because of the contract’s five-year duration, the magnitude of changes Halliburton proposed to the contract, and her observation that the line between Halliburton and government officials had “become so blurred that a perception of a conflict of interest existed.” Greenhouse was not only overruled, she was removed from her position and reassigned to a lower-level position with no contracting responsibilities.