

***Congressman Charlie Bass accepted thirty-five thousand dollars from defense contractor PACs.***

<b>Contractors</b> (Source: <i>PoliticalMoneyLine</i> )	<b>Contribution</b>
Brownbuilders PAC of Brown & Root, Inc Employees	\$500
Halliburton Company PAC	\$2,000
Fluor Corporation PAC	\$1,000
Harris Corporation Federal PAC	\$2,000
Lucent Technologies, Inc. PAC	\$2,000
Northrop Grumman PAC (Vinnell Corporation Subsidiary)	\$500
Weston Solutions, Inc. (formerly Roy F. Weston, Inc.	\$1,500
Motorola Inc. PAC (formerly Motorola Civic Action Campaign Fund)	\$3,500
Raytheon Company PAC (Raytheon Technical Services)	\$22,000
<b>Total</b>	<b>\$35,000</b>

- [Sources: PoliticalMoneyLine and “Windfalls of War,” The Center for Public Integrity [<http://www.publicintegrity.org/wow/bio.aspx?act=pro>]

***Then he opposed penalties for defense contractors...***

- Higgins, D-N.Y., motion to recommit the bill to the Judiciary Committee with instructions to add language that would impose stricter criminal and civil penalties on corporations who **intentionally overcharge** the federal government for the provision of goods and services in response to a presidentially declared major disaster, emergency or military action, **including in Iraq** and Afghanistan. [[HR 1751, CQ Vote 584, 11/9/05](#)]<sup>1</sup>

Other provisions to increase penalties for or stop profiteering that Rep. Bass voted against:

- Tierney, D-Mass., motion to recommit the bill to the House Judiciary Committee with instructions to include language that would prohibit profiteering and fraud in connection with the war and reconstruction efforts in Iraq. [HR 1279, CQ Vote 167, 5/11/05]
- Tierney, D-Mass., amendment that would provide \$5 million to establish a select committee to investigate reconstruction efforts in Iraq and Afghanistan, including contracting procedures, protection against money laundering, and the allocation of contracts to foreign companies and small businesses. [HR 1268, CQ Vote 72, 3/15/05]
- Waxman, D-Calif., amendment that would prohibit the awarding of a contract by the secretary of the Army to any contractor if the Defense Contract Audit Agency

has determined that more than \$100 million of a contractor's costs involving work in Iraq were unreasonable. [HR 4939, CQ Vote 60, 3/16/06]

... *like Halliburton, who overcharged the military in Iraq.*

- A March 28, 2006 15-page report cites findings by the Pentagon's Defense Contract Audit Agency that Halliburton<sup>2</sup> **overcharged** – “**apparently intentionally**” -- on the contract by using hidden calculations, and attempted in one instance to bill the government for \$26 million in costs it did not incur. Auditors also challenged \$45 million in other costs, labeling them as “unreasonable or unsupported,” the report said.<sup>3,4</sup>
- The Pentagon's Project and Contracting Office evaluating Halliburton's request for award fees found that Halliburton repeatedly overcharged the taxpayer, apparently intentionally. In one case, “[c]ost estimates had hidden rate factors to increase cost of project without informing the Government.” In another instance, **Halliburton “tried to inflate cost estimate by \$26M.”** In yet a third example, Halliburton **claimed costs for laying concrete pads and footings that the Iraqi Oil Ministry had “already put in place.”**<sup>5</sup>
- **Other Companies Have Engaged in Similar Questionable Practices** - The Air Force found that another U.S. government contractor, Custer Battles, set up shell subcontractors to inflate prices. Those overcharges were passed along to the U.S. government under the company's cost-plus contract to provide security for Baghdad International Airport. In one case, the company allegedly took Iraqi-owned forklifts, re-painted them, and leased them to the U.S. government. [Department of the Air Force, Memorandum in Support of the Suspension of Custer Battles LLC, et al., 9/20/04]
  - According to Government Executive magazine, a jury “ordered Custer Battles, a military contractor, to pay \$10 million for fraudulently billing the government on Iraq reconstruction contracts. ... The jurors in the federal courthouse in Alexandria, Va., found Thursday that Custer Battles and its owners, Scott Custer and Michael Battles, had overcharged the government on a contract to replace old Iraqi currency with new bills. [Government Executive, 3/10/06]
- **Companies Aren't Being Held Accountable** – According to Congressional Quarterly, U.S. Comptroller General David M. Walker told the House Government Reform subcommittee “that the lack of progress in rebuilding Iraq was in part due to the failure of the executive and the legislative branch to hold Defense contractors accountable for mismanagement and waste. ... Walker mentioned security as a key reason for the failure to restore basic services to the

Iraqi people. But he said the Pentagon's inability or reluctance to hold contractors accountable also had contributed to the problems." [CQ, 4/25/06]

***At a time when soldiers didn't have enough body armor.***

- The *New York Times* reported on January 7, 2006 that "a secret Pentagon study" found that "as many as 80 percent of the marines who have been killed in Iraq from wounds to the upper body could have survived if they had had extra body armor. Such armor has been available since 2003, but until recently the Pentagon has largely declined to supply it to troops despite calls from the field for additional protection, according to military officials."<sup>6</sup>

***Tom DeLay, Dick Cheney. And now Charlie Bass. Another Republican caught red handed.***

Example of Tom DeLay Caught Red-Handed

On September 29, 2005, Tom DeLay was "indicted in a Texas finance probe."<sup>7</sup>

- DeLay "stepped aside as majority leader" after he was indicted in Texas.<sup>8</sup>
- After winning his GOP primary in March, he announced he would "resign from Congress in the coming weeks."<sup>9</sup>

According to the *Associated Press*, "while the state case moves on, a continuing U.S. Justice Department probe into Washington corruption has netted guilty pleas from two of DeLay's former aides and former lobbyist Jack Abramoff, once a key DeLay ally."<sup>10</sup>

Ex-Rep. DeLay voted against Higgins, D-N.Y., motion to recommit the bill to the Judiciary Committee with instructions to add language that would impose stricter criminal and civil penalties on corporations who **intentionally overcharge** the federal government for the provision of goods and services in response to a presidentially declared major disaster, emergency or military action, **including in Iraq** and Afghanistan.[HR 1751, CQ Vote 584, 11/9/05]

Defense Contractors Contributions to ex-Rep. Tom DeLay:

<b>Contractors</b> (Source: <i>PoliticalMoneyLine</i> )	<b>Contribution</b>
Halliburton Company PAC	\$13,000
Brownbuilders PAC of Brown & Root, Inc Employees	\$19,828
Fluor Corporation PAC	\$51,200
Washington Group International PAC	\$5,000
Shaw Group Inc. PAC	\$100
Bechtel PAC Committee	\$10,100
CH2M Hill Companies LTD PAC	\$5,250
Lucent Technologies, Inc. PAC	\$200

Northrop Grumman PAC (Vinnell Corporation Subsidiary)	\$37,700
Motorola Inc. PAC	\$7,500
Raytheon Company PAC (Raytheon Technical Services)	\$17,500
<b>Total</b>	<b>\$167,378</b>

### Bass' Connection to ex-Rep. Tom DeLay

- Bass Took \$7,500 from DeLay's ARMPAC.<sup>11</sup>
  - The FEC reports donations from DeLay's Americans for a Republican Majority (ARMPAC) to Bass for Congress on September 26, 2000 (\$5,000) and March 20, 2000 (\$2,500).<sup>12</sup>
- After NH Rep. Jeb Bradley "decided to give back the \$15,000 in campaign money" from DeLay, Bass's spokesman said he'd keep the \$7,500 gift that DeLay gave him.<sup>13</sup>
  - Bass gave back money he had received from ex-Rep. Duke Cunningham but refused to give back DeLay's PAC money saying: "I thought the proper thing to do was to return (Cunningham's) support and I did because the time frame bore some relationship. I want it clearly understood that's very different than what existed with (DeLay's) PAC."<sup>14</sup>
- Bass Gave \$1,000 to Tom DeLay's Legal Defense Fund.<sup>15</sup>

### Example of Dick Cheney Caught Red-Handed

*Cheney appears to have been incorrect in stating that he did not have ties to Halliburton even while his office was coordinating no-bid rebuilding contracts in Iraq for Halliburton.*

Cheney said September 21, 2003 on NBC that since becoming vice president, "I've severed all my ties with the company, gotten rid of all my financial interest. I have no financial interest in Halliburton of any kind and haven't had, now, for over three years."<sup>16</sup>

A report by the Congressional Research Service undermines Vice President Dick Cheney's denial of a continuing relationship with Halliburton Co.<sup>17</sup>

- The report says "deferred salary or compensation received from a private corporations in the reportable year is considered as among the 'ties' retained in or 'linkages to former employers' that may 'represent a continuing financial interest in those employers, which makes them potential conflicts of interest."<sup>18</sup>

- Cheney's 2003 Executive Branch Personnel Public Financial Disclosure Report indicates that he received an "Elective Deferred Compensation Plan" from Halliburton.<sup>19</sup>
- In March 2003, the Pentagon awarded a subsidiary of Halliburton a no-bid contract worth \$7 billion to help rebuild Iraqi oil fields. According to court documents obtained by *Time Magazine*, an internal Pentagon e-mail said "action" on the contract was "coordinated" with the Vice President's office.<sup>20</sup>
- According to the *Washington Post*, "in the fall of 2002, a senior political appointee in the Defense Department chose oil services giant Halliburton Co. to secretly plan how to repair Iraqi oil fields, and then briefed Vice President Cheney's chief of staff and other White House officials about the sole-source contract before it was granted."<sup>21</sup>

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<sup>1</sup> **Congressional Record Language of the Amendment** [[Congressional Record, 11/9/05](#)]

SEC. \_\_. PROHIBITION OF PROFITEERING AND FRAUD IN CONNECTION WITH MILITARY ACTIONS AND DISASTER RELIEF.

(a) IN GENERAL.--Chapter 63 of title 18, United States Code, is amended by adding at the end the following: ``§1351. Profiteering and fraud in connection with military actions and disaster relief

``(a) PROHIBITION.--Whoever, directly or indirectly, in any matter involving a contract with the Federal Government or the provision of goods or services to or on behalf of the Federal Government, in connection with military action, or relief or reconstruction activities in Iraq or Afghanistan or any other foreign country, or relief or reconstruction efforts provided in response to a major disaster declaration under section 401 of the Disaster Relief Act of 1974, or an emergency declaration under section 501 of the Disaster Relief Act of 1974, knowingly and willfully--

- ``(1) executes or attempts to execute a scheme or artifice to defraud the United States;
- ``(2) falsifies, conceals, or covers up by any trick, scheme, or device a material fact;
- ``(3) makes any materially false, fictitious, or fraudulent statements or representations, or makes or uses any materially false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry; or
- ``(4) materially overvalues any good or service with the specific intent to excessively profit from the federal disaster or emergency;

shall be fined under subsection (b), imprisoned not more than 30 years, or both.

``(b) FINE.--A person convicted of an offense under subsection (a) may be fined the greater of--

- ``(1) \$1,000,000; or
- ``(2) if such person derives profits or other proceeds from the offense, not more than 3 times the gross profits or other proceeds."

(b) CLERICAL AMENDMENT.--The table of sections at the beginning of chapter 63 of title 18, United States Code, is amended by adding at the end the following new item:

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“1351. Profiteering and fraud in connection with military actions and disaster relief.”

**<sup>2</sup> Document refers to Kellogg, Brown, and Root, a fully-owned subsidiary of Halliburton.**

According to the Halliburton website, in 1961, Halliburton acquired Brown & Root. [[http://www.halliburton.com/about/history\\_entrep.jsp](http://www.halliburton.com/about/history_entrep.jsp)]

According to the Halliburton website, in March 2002, Halliburton announced plans to separate our business groups into two wholly-owned operating subsidiaries: Halliburton's Energy Services Group, and KBR, the engineering and construction group.

[[http://www.halliburton.com/about/history\\_new\\_phase.jsp](http://www.halliburton.com/about/history_new_phase.jsp)]

According to the Center for Public Integrity, Kellogg, Brown & Root is the engineering and construction arm of the Halliburton Company, which calls itself "the world's largest diversified energy services, engineering and construction company" with operations in more than 100 countries and 2002 sales of \$12.4 billion. [[Center for Public Integrity](#)]

<sup>3</sup> Los Angeles Times, 3/29/06

<sup>4</sup> Here's the full timeline on Halliburton's audits for overcharging:

### **Restore Iraqi Oil (RIO) Contract Timeline**

On March 8, 2003 the U.S. Army Corps of Engineers awarded Halliburton subsidiary KBR a no-bid monopoly contract to restore and operate Iraq's oil infrastructure. Under the contract, the DOD issued ten task orders to Halliburton for oil related work in Iraq.

On December 11, 2003, the DCAA announced at a press conference that it had completed a preliminary draft audit of Halliburton's fuel importation work and found that Halliburton had overcharged the government by as much as \$61 million for gasoline imported from Kuwait to Iraq. The audit was preliminary and only covered the period until September 30, 2003. [U.S. Department of Defense, New Briefing, 12/11/03]

In 2004 and 2005, DCAA completed audits of each of the ten task orders and identified \$219 million in "questioned" costs under the entire RIO contract. [DCAA Audits on the 10 RIO contract task orders]

- DCAA also identified \$60 million in "unsupported" charges under the RIO contract. [DCAA Audits on the 10 RIO contract task orders]
- According to the DCAA Contract Audit Manual, "questioned costs" are costs "on which audit action has been completed" and "which are not considered acceptable." Questioned costs may be determined unacceptable for several reasons: they may be "unallowable" under the

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contract terms; they may not be “allocable” because they are not “incurred specifically for the contract,” or they may be “unreasonable in amount.” Costs are considered unreasonable in amount when they “exceed that which would be incurred by a prudent person in the conduct of a competitive business.” DCAA classifies charges as “unsupported” when “the contractor does not furnish sufficient documentation to enable a definitive conclusion” about the acceptability of the charges.

Revised audits lowered the total amount of questioned and unsupported costs to \$263 million. [New York times, 2/27/06]

The Pentagon's Defense Contract Audit Agency “questioned \$263 million in costs for fuel deliveries, pipeline repairs and other tasks that auditors said were potentially inflated or unsupported by documentation. ... **The Army decided to pay all but \$10.1 million of those contested costs.**” [New York times, 2/27/06]

- DCAA says Halliburton’s cost proposals were “not acceptable for negotiation of a fair and reasonable price.” [[DCAA Audit on RIO order no. 10, 8/31/2004](#)]

The Army Corps rejected the auditors’ findings and paid Halliburton for \$253 of the challenged costs. That represents over 96% of the \$263 million in costs challenged by the auditors. [New York times, 2/27/06]

### **Restore Iraqi Oil 2 (RIO 2) Contract Timeline**

On January 16, 2004 the Army Corps of Engineers announced the awarding of a pair of RIO 2 contracts to Parsons Corporation (\$800 million) and Halliburton (\$1.2 billion). [U.S. Army Corps of Engineers, Press Release, 1/16/04]

- The contract is overseen by the Project and Contracting Office (PCO), which is operated by the Defense Department. A private contractor, Foster-Wheeler, assists the PCO in overseeing both RIO 2 contracts.

On May 29, 2004, the PCO provided Halliburton with a detailed description of the cost reporting it expected from the company. [Letter from CPA, Program Management Office to KBR Contracts Manager, 5/29/04]

On July 15, 2004, Halliburton was informed by the PCO that its “reporting needed to slow changes which have been made in the last six months to visibly demonstrated we are not repeating past mistakes of the RIO contract.” [KBR, Minutes of Meeting, 7/15/04]

On August 28, 2004, the PCO sent Halliburton a sharply worded “letter of concern,” saying “you have universally failed to provide adequate cost information as required.” [Letter from Project and Contracting Office to KBR, 8/28/04]

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- According to the PCO, its “own failed attempts to get [Halliburton] to provide adequate cost information under this contract” and adverse audit findings “reflect profound systemic problems.” [Letter from Project and Contracting Office to KBR, 8/28/04]
  - The PCO also said Halliburton was “accruing exorbitant indirect costs at a rapid pace.” [Letter from Project and Contracting Office to KBR, 8/28/04]

An October 29, 2004 report by Foster-Wheeler found that “unacceptable unchecked cost reports [were] being issued by Halliburton. [Foster-Wheeler, Cost Review Meetings at KBR Offices, Basra – 25-29 Oct 4, 10/29/04]

- The report also said there was a “lack of cost control... in Houston, Kuwait, and Iraq” under on task order. [Foster-Wheeler, Cost Review Meetings at KBR Offices, Basra – 25-29 Oct 4, 10/29/04]

On November 11, 2004, the PCO stated that Halliburton’s recent monthly cost report “does not meet minimum standards.” [Memorandum from Project and Contracting Office to KBR, 11/11/04]

- The PCO also said that Halliburton “failed to provide an adequate costs report in the nine months since contract award.” [Memorandum from Project and Contracting Office to KBR, 11/11/04]
- The PCO warned that continued “substandard cost reports could result in a cure notice. [Memorandum from Project and Contracting Office to KBR, 11/11/04]

A November 22, 2004 cost review found that Halliburton’s description of the progress made on an oil field project to be “misleading” and “distorted.” [Foster-Wheeler, Follow-Up Cost Review – Qarmat Ali Water Inejction, 11/22/04]

On January 29, 2005 the PCO issued a “cure notice.” The letter notified Halliburton that its RIO 2 contract could be terminated if the ongoing problems were not cured. The contracting officer stated that Halliburton’s “failure to deliver a useable, accurate cost report” was “endangering performance of the contract.” [Letter from Project and Contracting Office to KBR, 1/29/05]

- The cure notice also stated that Halliburton’s “lack of cost containment and funds management is the single biggest detriment to this program.” [Letter from Project and Contracting Office to KBR, 1/29/05]

A March 7, 2005 letter to from the PCO said that they were concerned that “it appears as though KBR is billing the Government on estimated hours versus actual costs incurred.” [Letter from Project and Contracting Office to KBR, 3/7/05]

A March 21, 2005 analysis of Halliburton’s February cost report said; “Baseline schedules are continually changing from one month to the next, making it

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impossible to evaluate the slippage against the original plan.” [Foster Wheeler, SPCOC Critique – KBR Feb 2005 Monthly Report, 3/21/05]

## **RIO 2 Contract Cost Overruns**

Halliburton claimed costs for laying concrete pads and footings that the Iraqi Ministry of Oil “had already put in place.” [Project and Contracting Office, KBR Award Fee Board, Up to 29 Jan 05]

Halliburton “tried to inflate [a] cost estimate by \$26 million by paying “Turkish suppliers above the actual costs incurred.” [Project and Contracting Office, KBR Award Fee Board, Up to 29 Jan 05]

Halliburton on another project “could never justify quotes. When the Government pressed the issue and an actual quote was produced, the quote was 50-75% lower.” [Project and Contracting Office, KBR Award Fee Board, Up to 29 Jan 05]

## **DCAA Audits of RIO 2 Contract Revealed Questioned and Unsupported Costs**

The DCAA provided four initial audits to the House Government Reform Committee that examined \$111 million in Halliburton costs under three task orders. The DCAA **challenged \$57 million in costs as questioned or unsupported.** [DCAA RIO 2 Task Order Audits]

- The DCAA repeatedly found that Halliburton “was unable to provide adequate justification of price reasonableness for proposed equipment, material, subcontract and other direct costs. ... **We do not believe the contractor’s proposal is an acceptable basis to negotiate a fair and reasonable price due to the significant inadequacies in the cost and pricing data.**” [DCAA RIO 2 Task Order Audits]

In a briefing to the House Government Reform Committee, the DCAA said that eight additional audits had been completed and three were ongoing which may supersede the initial four audits. **The DCAA identified \$41 million in questioned costs and \$4 million in unsupported costs for a total of \$45 million in costs that have been challenged.** [Briefing by Defense Contract Audit Agency for Committee on Government Reform staff, 3/3/06]

<sup>5</sup> United States House of Representatives Committee on Government Reform — Minority Staff Special Investigations Division, 3/28/06, <http://www.democrats.reform.house.gov/Documents/20060328142928-38362.pdf>

<sup>6</sup> New York Times, 1/7/06, <http://www.nytimes.com/2006/01/07/politics/07armor.html?ei=5088&en=bf219647cae4821&ex=129429000>

<sup>7</sup> Washington Post, 9/29/05

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<sup>8</sup> Associated Press, 4/19/06

<sup>9</sup> Associated Press, 4/19/06

<sup>10</sup> Associated Press, 4/19/06

<sup>11</sup> FEC Disclosure, [http://query.nictusa.com/cgi-bin/can\\_give/1999\\_H0NH02017](http://query.nictusa.com/cgi-bin/can_give/1999_H0NH02017)

<sup>12</sup> FEC Disclosure, [http://query.nictusa.com/cgi-bin/can\\_give/1999\\_H0NH02017](http://query.nictusa.com/cgi-bin/can_give/1999_H0NH02017)

<sup>13</sup> The Keene Sentinel, October 2, 2005

<sup>14</sup> Nashua Telegraph, January 22, 2006

<sup>15</sup> Public Citizen, [http://www.citizen.org/documents/DeLay\\_Apr2005\\_FINAL.pdf](http://www.citizen.org/documents/DeLay_Apr2005_FINAL.pdf)

<sup>16</sup> Associated Press, 9/26/03

<sup>17</sup> Memorandum, Official's Stock Options In and Deferred Salary From a Corporation as a "Financial Interest" of an Executive Branch Official in Such Corporation, Congressional Research Service, 9/22/03, <http://www.halliburtonwatch.org/news/crs.pdf>

<sup>18</sup> Memorandum, Official's Stock Options In and Deferred Salary From a Corporation as a "Financial Interest" of an Executive Branch Official in Such Corporation, Congressional Research Service, 9/22/03, <http://www.halliburtonwatch.org/news/crs.pdf>

<sup>19</sup> Vice President Dick Cheney's 2003 Executive Branch Personnel Public Financial Disclosure Report, [http://www.opensecrets.org/pfds/pfd2003/N00006237\\_2003.pdf](http://www.opensecrets.org/pfds/pfd2003/N00006237_2003.pdf)

<sup>20</sup> Time Magazine, 5/30/04,

<http://www.cnn.com/2004/ALLPOLITICS/05/30/cheney.halliburton/>

<sup>21</sup> Washington Post, 6/14/04

<http://www.washingtonpost.com/wp-dyn/articles/A39073-2004Jun13.html>