

Senate Democratic Policy Committee Hearing

“Contracting Abuses in Iraq: Is the Bush Administration Safeguarding American Taxpayer Dollars?”

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Good afternoon, Mr. Chairman. My name is Barry Halley and I am grateful for the opportunity to speak before you about my experience as a contractor in Iraq. This is the first time a U.S. government authority has given attention to what I have witnessed: taxpayer money wantonly wasted in Iraq.

As we all know, contracting in Iraq offered a huge opportunity for people to make a lot of money – sometimes quite honestly and with the best intentions for our country, but there also was a total breakdown in the leadership and management of American contractors working in Iraq. I saw widespread fraud, inflated billing, black market procurement of weapons, reckless disregard for procurement laws, and the operation of a prostitution ring by a contractor. It is my hope that in speaking before you today something will be done to hold American contractors accountable to the American taxpayers.

I have worked in the technology sector as a consultant for over 8 years for several companies, including Halliburton/KBR, Anadarko Petroleum, Shell Oil, BMC Software, Dynegy and other Fortune 500 companies, mostly in the petroleum industry. My family has a history of U.S. military service and I previously served in the Marine Corps and my son is currently in the U.S. Air Force.

I worked in Iraq from the fall of 2003 through the summer of 2004. During that time, I worked for Worldwide Network Services (WWNS), The Sandi Group, and CAPE Environmental Management. Whenever I reported discrepancies in billing or questioned illegal activity in Iraq by DynCorp, CAPE or other contractors, I was told not to worry about it or it would be taken care of by others.

After informing CAPE of my findings, I was locked in a room for days, held at gunpoint by private security guards, and physically beaten.

Ever since, I have suffered ongoing medical problems and I have more than \$100,000 in outstanding medical bills.

I am not the only one.

I believe I am one of thousands of Americans and workers from other countries who willingly went to Iraq with the best of intentions for their families, the nation, and the Iraqi people who are in the same situation. We were injured in the line of duty, but now are being denied the full insurance coverage, disability and death benefits as

required by U.S. law. This, too, is contract fraud begging for investigation. Someone needs to be held responsible.

Let me now tell you what I witnessed during my year in Iraq.

I arrived in Iraq with WWNS in early Fall 2003. I was based in the Red Zone in Baghdad as a Project Manager for WWNS under the direction of DynCorp. WWNS had a subcontract with DynCorp to provide communications and technology support for the DASM contract. I later learned that a DynCorp Vice President was a silent partner in WWNS. If a question arose about a cost proposal or a billing issue, the DynCorp headquarters would intervene to support the proposal or kill the question. High-profit billing and the lack of performance by WWNS on the DynCorp contracts made me wonder how WWNS was able to continue as a subcontractor for DynCorp.

During the course of my duties, I worked closely with DynCorp's Site Manager, field managers, and office staff, and participated in daily and weekly meetings related to work with DynCorp. I was the liaison for cost proposals regarding support equipment and estimates. Through this work, I reviewed many contracts between WWNS and DynCorp.

When I began working at WWNS, I did an inventory of equipment and material on site but was unable to reconcile this against the inventory that had been billed. There were missing repeaters, and DynCorp charged for radio antennas that did not exist on site. When I brought this to the attention of WWNS executives and DynCorp's site manager, I was told not worry about the missing items and the inaccurate inventory. During my attendance at staff meetings, I became aware that armored cars, weapons, and medical supplies did not exist even though DynCorp had been paid for these items.

A classic example of the type of overcharging that was common in Iraq was the provision of laptops to DynCorp by WWNS. On one occasion, around 300 laptops were ordered by WWNS to be delivered to DynCorp. WWNS bought the laptops from Dell for less than \$1,400 but charged DynCorp over \$2,800 for each laptop plus the additional shipping, support and maintenance of the laptops. That is at least a 100 percent markup on the cost of each laptop. It seemed to me that no matter how ludicrous the billing was no one questioned the costs. The DynCorp headquarters told the DynCorp site manager that the charges were approved and not to question the bill.

One project I was working on involved a major defense contractor. I was managing technicians that were assigned to install equipment at 10 camps that this contractor was supposed to have built throughout Iraq. When these technicians arrived at the camps, they called me to tell me that the only marker that they could find signaling a camp was a stick in the ground. When I told management that the technicians could not find the camps and that the camps did not exist, I was told "you're not looking hard enough" because the camps do exist. After that encounter, I knew that I should not push any further on why the camps did not exist. At the time I left the project, to my knowledge only 3 of the 10 camps had been properly equipped.

I know of several examples of excessive billing by this same major defense contractor for its services. The company had purchased satellite bandwidth that it billed on one project and then turned around and sold the same bandwidth to 30 different users. This would be like a phone company charging the government for one phone line and then charging an additional 30 people for their use of the same phone line. The IT manager for the contractor always enjoyed telling me that this scam was a fantastic money maker.

In another example, this defense contractor was charging the government for its employees that were staying at hotels in Baghdad. Even though the hotels were not always full and would have between 20 percent and 30 percent vacancy, the government was billed as though there was 100 percent occupancy. Since one of these hotels was only supposed to be occupied by employees on the DASM contract, it was a problem that other employees with this contractor and other subcontractors were also staying at the hotel.

While I was working with this same defense contractor, the site manager was involved in bringing prostitutes into hotels operated by the contractor. A co-worker unrelated to the ring was killed when he was traveling in an unsecure car and shot performing a high-risk mission. I believe that my co-worker could have survived if he had been riding in an armored car. At the time, the armored car that he would otherwise have been riding in was being used by a manager to transport prostitutes from Kuwait to Baghdad. There were other employees involved in the prostitution ring as well. Although the activities had been going on for some time, nothing was done to stop it until the contractor's home office was informed about the prostitutes. Instead of firing the ring leader, however, the contractor merely transferred him to another project in Haiti.

I left WWNS in March 2004 to work as the Vice President of IT and Telecommunications for The Sandi Group. The Sandi Group was a subcontractor for DynCorp and other companies in Iraq providing housing, security, and life support for contractors. During the course of my work with The Sandi Group, I met a Vice President at CAPE Environmental, who was trying to win contracts in Iraq. I was hired by CAPE in June 2004 as the Operations and Security Manager. I had oversight responsibilities for certain CAPE contracts and security that was provided to CAPE employees.

When I began working for CAPE, the company was new to Iraq. While CAPE had experience doing environmental clean up work, the company was in Iraq trying to secure reconstruction contracts. Nevertheless, the company was able to secure a contract with the Air Force Center for Engineering and the Environment (AFCEE) to build bridges in Ramadi and Bubriz. CAPE had no experience at that time with bridges.

When the military issued an order preventing American contractors from working at the bridge sites, I began alerting senior management that we needed to reduce the number of security personnel that we were using. We had only 6 employees working in the Green Zone and yet CAPE was paying 18 security staff to guard them. I was

concerned about this from an audit perspective because the workforce was excessive. Later an additional American security worker and 11 Iraqi security guards were unnecessarily added to the project.

To my knowledge, these bridges were not completed. Some of the cement was poured, but the specifications of the contract were not met. I know of three instances after I left when the military tried to cancel these bridge contracts because the work was not being completed. Somehow the contracts were not canceled.

It was clear to me that once you knew the right people in Iraq, projects could be created with little emphasis on contract performance. For example, I knew of one road project that CAPE had been awarded for \$7 million. However, no roads were built or modified. The contracting process that existed at the time was flawed from the beginning when the RFP was submitted to the performance of contract oversight. From my experience and from what I have read in the news, contracts would be paid in full by the government even though the required work was not complete.

I know of another example of a company being able to secure contracts in Iraq without much experience. A co-worker of mine set up a security company, OSG, to provide security to CAPE when it began operations in Iraq. This co-worker had no experience in the provision of security services. Yet CAPE hired OSG and wrote out a check for over \$500,000 so that OSG could mobilize in Iraq. CAPE encouraged us to “maximize the billing” that was submitted to the Air Force for the mobilization costs.

When a disagreement occurred between CAPE management and the leadership of OSG, the business relationship between the two ended. Within only a few days of the mobilization of OSG into Iraq, the management of CAPE’s Iraq team threatened the life of my co-worker if he did not remove himself from the security contract. After his departure, CAPE’s management generated invoices and payments were made out to OSG. I know that the owner of OSG did not cash those checks after his departure. I assume that someone associated with CAPE and working with the OSG staff was pocketing the money with CAPE’s approval.

I told my supervisor at CAPE that a new security company was not allowed to take over for OSG under the contract because the new security company did not have ownership in OSG. In addition, the invoices were being altered in a fraudulent manner. I was told that I should not be involved in the matter and my concerns were ignored. I became especially alarmed when the contract was shuffled over to a new security company, Edinburgh Risk, because this company had procured weapons on the black market and had not registered as a security company in Iraq. Edinburgh did not have the proper weapons permits and as the person responsible for security at CAPE, I was concerned that CAPE would be held responsible for Edinburgh’s illegal weapons activity. When I protested to senior CAPE officials, I was told that this was necessary in order to move forward on the contract.

While I was working at CAPE, I also became aware that even though CAPE was being paid by the U.S. government to provide housing and food for its employees, CAPE employees were signing in and eating at a KBR facility. This meant that CAPE was being paid by the government to feed its employees, but its employees were eating for free at KBR. KBR was then billing the government for the three meals a day that it served to the CAPE employees. The government was paying for twice the amount of meals provided. When I brought up this double billing to management at CAPE, the employee laughed at my concerns and told me that he hoped that this would not be noticed. As far as I know, CAPE never reimbursed the government.

Near the end of my time in Iraq, I became aware of threats against the life of one of my co-workers by security forces working for CAPE. My friend was literally held at gunpoint when he stopped by the house where CAPE management lived. I was able to intervene and my friend was able to leave. After this I notified CAPE security that this was unacceptable behavior and criminal. A Senior VP at CAPE told me that he would handle the threats. A written complaint about this incident was submitted to the U.S. Embassy Regional Security Officer (RSO). However, this threat was not investigated because the RSO had a working relationship with the security workers who threatened my friend.

My numerous complaints to CAPE management about operations in Iraq finally came to a head in August 2004. As I tried to leave my room on a Friday night, I encountered an armed guard outside my door who told me that I had to remain in my room. I woke up on Saturday morning and saw OSG/Edinburgh Risk armed security personnel standing in my room pointing their weapons at me under the direction of CAPE's in-country manager. They told me that I was under guard. I was held until Monday morning, and given a letter from the Construction Manager at CAPE ordering me to return to the U.S. immediately. I asked to be taken to the U.S. Embassy because I did not want to leave the Green Zone with anyone from CAPE. The other three CAPE employees were ordered to leave and were driven away in spite of my request that they remain. A friend came to rescue me with his armed security team.

Luckily, I was provided sanctuary by my former employer who provided me with security guards and medical assistance. After this incident I was fired by CAPE. I notified the U.S. Embassy that I was stranded and had no way to leave Iraq. The Embassy did not provide me with assistance. While I was planning my return to the United States, I received death threats and a picture of my family which I took to be a threat against my family. It was necessary to send a friend to watch over my family in Texas. Since my return to the United States, I have suffered serious medical problems as a result of the beating. Although CAPE provided the required insurance, I continue to be denied medical benefits and have been denied medical treatment. I have been paying for my own medical care and currently have over \$100,000 in outstanding medical bills. Despite CAPE's obligations under the Defense Base Act, I am still being denied medical treatment and benefits.

I have spoken with investigators from the DoD, USAID and the FBI about my experience in Iraq, but nothing has resulted from these investigations. I have also directly contacted the contract officers handling CAPE's bridge contracts. I was told not to call back. There is an interesting matrix of affiliations between people working in Iraq. There are very tight connections between many people in Iraq and it was my experience that contractors protect each other in Iraq.

I believe the American taxpayer should have their hard earned dollars spent wisely and get the most "bang for the buck" from their tax dollars. However, the lack of oversight has allowed waste and fraud to run rampant in Iraq. It is true that Iraq is referred to as the "Wild West" and that is for good reason. Anything seems to go in Iraq and most are powerless to prevent it.