

Senate Democratic Policy Committee Hearing

“Abuses in Private Security and Reconstruction Contracting in Iraq: Ensuring Accountability, Protecting Whistleblowers”

Robert Isakson

Former Coalition Provisional Authority Contractor

September 21, 2007

Honored Members of the Senate:

Thank you very much for the invitation to testify here today. I am a conservative Republican, and I come from an area of conservative Republicans. I understand that you may be of a different persuasion, so I respectfully request that you not be too hard on me.

I am a former Special Agent Supervisor with the FBI, in charge of white collar crime and political corruption for the State of Louisiana. When I left public service, I established a disaster recovery business in Mobile, Alabama, that has been very successful. I am pleased to say that we have helped many people in their times of greatest need. We have traveled or worked in over 120 countries throughout the world in our disaster services.

In 2003, we recognized that there were many people in Iraq in great need. We therefore went to Baghdad in order to help reconstruct that country.

We won a subcontract working for an American company called Custer Battles. We wanted to assist the people of Iraq, do our work honestly, get paid and come back home. Unfortunately, Custer Battles had other ideas.

Custer Battles obtained a cost plus contract with the Coalition Provisional Authority that allowed it to submit its costs to the Government and get paid for all of those costs, plus twenty-five (25%) percent profit and overhead. Rather than bill for its real costs, Custer Battles decided to bill for substantially higher, fraudulent costs.

They asked me three times to help them, by preparing fake invoices and leases that they could then submit to the Government. The first time, I told them no. The second time, I told them absolutely not! And the third time, after telling them no I told them that they all were going to go to prison.

As a result of my continued refusals to cooperate in their fraud, they pointed machine guns at us – Americans kidnapping and threatening to shoot Americans, in the heart of Baghdad, in the middle of a war zone. While our brave men and women in uniform were fighting and dying for our safety and liberty, these former U. S. Army Rangers and C.I.A. officer were causing witnesses to their proposed fraud to be held at gunpoint, disarming them so they could

be conveniently killed in Iraq, by the Insurgents. Custer Battles then took away our weapons, and our identification, and left us to fend for ourselves on the streets of that city. We drove that night from Baghdad through Fallujah (the Valley of Death) and the only route to Jordan and safety. After I finally got to the U. S., I found that in addition to kidnapping us, and pointing machine guns at us, Custer Battles also refused to pay us for our work.

Later, I found out that Custer Battles had handed in \$10 million in fake invoices, for approximately \$3 million worth of work.

We informed the Government what happened. We had another witness who joined us, a good man named Pete Baldwin who had worked for Custer Battles but also, just couldn't stomach the fraud. Together, we cooperated with the FBI and the DOD CID, however, when we felt that the fraud was continuing and the investigation was going slowly, we decided the only thing we could do was seek action against them ourselves. Something had to be done to stop this multi million dollar fraud before it got bigger and bigger. My lawyer here, Mr. Grayson, then filed a whistleblower lawsuit against Custer Battles.

The FBI and DOD investigative agents were professional, thorough, and dedicated. However, as hard as they tried, they could not get prosecution initiated by the Department of Justice. The DOD ultimately suspended Custer Battles and some of the principals; however, the DOJ has, to date not indicted these people or joined in the Qui Tam matter.

Even though we were disappointed when the Government wouldn't prosecute Custer Battles or even join in the whistleblower suit we knew we were right. So we pressed ahead with the case against Custer Battles, in the name of the taxpayers. I spent hundreds of thousands of dollars, personally, on that case.

We won my breach of contract claim against Custer Battles, and Pete won his retaliation claim for the retaliatory firing and refusal by them to pay him what he earned. We then obtained a jury award for approximately \$10 million dollars on behalf of the U. S. taxpayers, which was the largest award in a whistleblower case that the Government did not join. The judge later ruled that the money that Custer Battles stole from the C.P.A. might not technically be the funds of the U. S. Government, so he suspended the jury verdict for the taxpayers. That ruling is now on appeal.

I am happy that the law gave a whistleblower like me a chance to step forward, stop ongoing fraud in its tracks, and try to get stolen money back for the U. S. taxpayers. I always felt that it was the right thing to do. But many times, I wondered – why should I have to do all this work to help the Government, when the Government will not do what is necessary to help itself? Deuteronomy 32:38 states: “Let them rise up and help you, and be your protection.” No one in the government rose up to help us or provided any protection for us in this endeavor. Not only did we have to spend our own funds and time to prosecute the case; we had to endure the unrelenting attacks and slander from our opponents. We were sued repeatedly, which suits have been dismissed after our rigorous defense, and we have been the subject of anonymous blogs and lies on the internet and anonymous persons preparing and sending fraudulent forged emails and documents.

II Corinthians 13:7 tells us that “we should do no evil” and “we should do that which is honest.” That is how I have run my life and that is the underlying principal of how we run our business. This is the fourth time since I have been in private business that I observed fraud against the Government and the fourth time that I have reported it. One of those resulted in the conviction of a very high ranking Government executive for bribery, another the firing of a senior government executive for fraud, and this one in a successful Qui Tam jury verdict. However, each time, instead of being complemented for doing our civic duty we are then ostracized by individuals inside the affected agency for years to come; have become the subject of false allegations by the very agencies we have tried to assist or were left to personally fend off the unrelenting attacks of the persons whom we reported; who were using the very funds they stole from the U.S. Government to fund their attacks on us.

I loved being a police officer and an FBI agent. I love being a citizen of this great country. I know there are a lot of people still working for the Government who feel that fraud and corruption in Iraq should be stopped in its tracks. I just wish that they were given a chance to do something about it.

Thank you.