

## **Senate Democratic Policy Committee Hearing**

### **“An Oversight Hearing on Whether the Army Corps of Engineers Retaliated Against Whistleblowers Who Objected to Iraq Contracting Abuses”**

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My name is Christy Watts. I am the former Chief of Contracting for the United States Army Corps of Engineers, Louisville District, which is located in Louisville, Kentucky. When I learned of the plight Ms. Greenhouse was suffering, I knew I had to come forward and disclose the lengths to which commanders in the Corps are willing to go to silence contracting officers. I had firsthand experience of Ms. Greenhouse’s role as the Army Corps of Engineers Principal Assistant Responsible for Contracting (“PARC”). She was the best PARC we ever had. She instilled in us that we had the right and responsibility to insert ourselves into the contracting process when commanders wanted to keep us out of the process; she demanded that the contracting process be transparent, fair and open to all; she was our role model, and she had our respect.

Like Ms. Greenhouse, I was forcibly removed from my employment with the Corps of Engineers because I repeatedly and loudly objected to improper contracting activity.

I was employed by the Department of Defense for over 18 years, 12 of which were with the Army Corps of Engineers. My annual review for 1994-95 placed me in the highest “Excellence” category and contained the following comments: “extremely dedicated to the mission and her people...Always delivers on her commitments...Superbly competent both as an administrator and technical advisor...the best I have seen in the Procurement field...A leader in her area and valuable asset to the District...Enjoys limitless potential and is absolutely qualified for positions of higher responsibility.” My 1996-97 performance review placed me in the highest “Excellence” category and was signed by Col. Rowlette — the same individual who would later terminate my employment when I attempted to correct systemic contract abuse that had occurred in the Louisville District prior to my arrival. However, before I raised such concerns, he asserted in my review that I was “extremely competent”; “an outstanding leader”; a “Superior Contracting Officer” and was “clearly the best” contracting officer he had even known, and that I possessed “unlimited potential.” Both of my performance ratings covering 1998 and 1999 placed me in the highest “Excellence” category, and notes that I was “gifted”, and “on track for greater challenges”; “loyal and fully supportive of her workforce”; “committed to building a team”; “absolutely dedicated to duty, selflessly gives of her time and attention”; “always delivers on her commitments”; “superbly competent both as an administrator and

technical advisor”; possessed “unlimited potential” and was an obvious “S[enior] E[xecutive] S[ervice] candidate.” My performance appraisal for 2000-01 again placed me in the highest “Excellence” category and noted: “Always delivers on her commitments”; and was “extremely dedicated to the mission and her people”; “superbly competent both as an administrator and technical advisor”; that I possessed “unlimited potential”; and that I was a “leader in her area and valuable asset to the District.”

I arrived at the Louisville District in June 2001 as the Chief of Contracting, and had previously held the position of Chief of Contracting at two different Districts under six different commanding officers, all of whom acknowledged that my performance was extraordinary. Soon after I arrived at the Louisville District, I realized that significant improper and illegal contracting practices had been ongoing at the District for a long period of time. I reported such contracting abuse to my District Commander’s attention. When I attempted to raise contracting irregularities during an executive board meeting held at the District, Robert Fuller, the Chief of Operations, blew up and began screaming at me. I then met in private with the District Commander and explained that the scope of contract irregularities I was uncovering were mushrooming.

On an annual basis, I was required to certify to the District Commander whether there were any material weaknesses. I concluded that weaknesses existed and issued a detailed accounting of the material weaknesses related to the contract irregularities that I had uncovered. However, the Commander failed to forward my 2002 certification of material weaknesses to Division Command, nor were they sent to Headquarters. In April of 2002, I met with the District Chief Counsel, Dale Holmes, to discuss the contract irregularities. I explained to Mr. Holmes that the contracting irregularities constituted illegal activity and discussed with him the significance and wide-spread nature of the contracting abuse and stated that the illegality should be brought to the attention of the Department of Defense (“DOD”) Office of Inspector General (“IG”) for investigation. Mr. Holmes stated that doing so could have adverse consequences for the District and that DOD should not be contacted.

In July 2002, Col. Rowlette became the commander of the Louisville District. After I expressed my concerns over contract illegalities, Col. Rowlette removed me as a member of the District’s Board of Directors. In August 2002, I transmitted a three-page summary of the known contracting irregularities to my commander, Col. Rowlette, and deputy commander, Lt. Col. Fagan, requesting that I be authorized to initiate an audit by the Army Audit Agency (“AAA”) in order to get to the bottom of the problem. This request was denied.

By September 2002, I began to experience significant retaliation for attempting to uncover and correct contract abuse that had occurred in the District. On September 16, 2002, I was issued a counseling statement claiming my performance was lacking and I was called before the Deputy Commander the following day. During the course of my counseling session, I was specifically told by the Deputy Commander that I was not free to consult with my contracting chain of command when I disagreed with contracting positions taken by the Command unless I obtained the approval of the Command.

## **Improper Interference with Contracting Officer's Ability to Seek Guidance from the Army PARC**

The following is a transcript excerpt that reflects a tape recording of the conversation I had with my Deputy Commander on September 17, 2002 as part of a counseling session:

\* \* \*

Fagan: You are not going outside of our office of counsel. On a case by case basis you can go outside after you clear it through me or the Colonel cause . . .

Watts: Are you telling me that I cannot talk to my stovepipe without talking to you first? Is that what I'm hearing?

Fagan: If you disagree with a legal opinion that our office of counsel has, no you cannot go outside of our district. You don't go to your stovepipe unless you talk to us about it and we will decide whether or not you can go outside the district.

Watts: Are you saying a legal opinion is gospel?

Fagan: I'm saying that a legal opinion is sufficient for you to do a contract or whatever.

Watts: So what you're telling me is that whatever... So what I just heard you say is that whatever legal says means I just have to sit down and shut up and sign it.

Fagan: No, I didn't say that.

Watts: That is what I just heard you say.

Fagan: . . . If you disagree. . .

Watts: Please explain to me what you just said.

Fagan: If you disagree. . . If you disagree with a legal opinion or legal sufficiency statement, then by a case by case basis you can bring it to me, the Colonel or Dr. Mullin, and we will tell you whether you can go outside the district.

\* \* \*

Watts: I have a right to ask my stove pipe for guidance.

Fagan: After you talk to the Colonel or me and we will make the decision because we are not going to go through this again. . .

\* \* \*

Watts: So you're telling me whether I can or cannot go ask my stovepipe for guidance.

Fagan: That is exactly right, we are telling you that.

\* \* \*

The interference with my ability to freely communicate with my contracting chain of command was improper and violated the June 2, 1993, directive of the then-Undersecretary of Defense, John M. Deutch, who issued a memorandum stating: "A good working relationship among all personnel involved in [the contracting] process is critical for the efficient and effective meeting of our defense needs" and that, in order to accomplish this, contracting officers must be able to "act independently without improper influence on business decisions." Preventing me from freely contacting my contracting chain of command was done in an effort to interfere with the independence contracting officers are required to exhibit, and was aimed at preventing me from providing business advice the Command simply did not want to hear.

The level of distaste that commanders who are part of the "good old boys" network have for contracting officers who have the conviction to object to improper contract activity is captured in a memo the District Deputy Commander, Lt. Col. Fagan, sent from Iraq after he learned I had to take sick leave (due to health problems I began to experience as a result of the tremendous stress and hostility I was forced to work under). In that memo Col. Fagan states: "I guess we can't do [to Christy Watts] what I did when my mare broke her leg, can we?" A copy of this memo is also attached to my testimony. The impropriety associated with the making of this comment by a superior officer, a white male tied in to the "good old boys" network, is obvious. Yet, no formal or informal disciplinary action of any kind was taken against Lt. Col. Fagan for making this statement.

### **Undue Influence on a Contracting Officer — Attempt to Obtain an Unlimited Warrant for Use in Iraq**

On May 13, 2003, I was summoned to Col. Rowlette's office to discuss the granting of an unlimited warrant to Joe Theobald, who the District planned to send to Iraq. Mr. Theobald was the former chief of contracting and was directly responsible for all of the illegal contracting actions I had uncovered. However, the protocol to obtain an unlimited warrant required the Command to obtain my concurrence. I advised the Command that I could not, in good conscience, grant an unlimited warrant to someone I knew to be responsible for a decade's worth of serious contract abuse, most of which the Command would not let me investigate. I had no alternative but to not concur to the request for an unlimited warrant. The Command then attempted to circumvent the requirement for my approval and sought to obtain approval without having to go to the Principle Assistant Responsible for Contract ("PARC"), Ms. Greenhouse. However, the warrant issue eventually went to Ms. Greenhouse. Ms. Greenhouse concluded that I "appropriately provid[ed] her statement of serious reservations about Mr. Theobald's business

acumen and judgment in correspondence to issues that the references validate that she and the District Counsel had to address within the first 6 months of her tenure and are still addressing.” Ms. Greenhouse went on to note that the “myriad of issues that were surfaced by Ms. Watts in her analysis of the health of contracting in the District should be enlightening for you as Commander to ensure that the entire Project Management Team finds remedies therefore to ensure that these issues...are eradicated and not repeated again. Some of the improprieties, even though validated by Counsel, appear not to have been aggressively fixed.”

I was summoned into a meeting at which time I was told that, if I failed to approve the warrant for Mr. Theobald, the Command would select one of my employees to go to Iraq and fire that individual when they refused to go. I was told that I could avoid this if I just approved the warrant request for Mr. Theobald. This conduct on the part of Col. Rowlette, a commissioned officer in the United States Army, clearly demonstrates an attempt to engage in the undue influence of a contracting officer.

The mindset of the Command is further depicted in a memo issued by the Deputy Commander of the Louisville District, Lt. Col. Fagan, to the District Commander, Col. Rowlette regarding the Theobald warrant issue. This memo depicted Ms. Greenhouse as someone who would “set up” the Command in that she would “stack the deck” with inspectors who could make the Command “look really bad, if all the problems are found that I think they will find.” The memo explains that “we actually had a pretty good and workable solution until our KO [contracting officer] got involved” and that *the real issue was that contracting officers could overstep the will of a commander*. The memo states: “I am bothered by the command issues here. Commanders command, and staff officers make recommendations to Commanders. We have a couple of staff officers [i.e., myself and Ms. Greenhouse] making decisions for the commanders.” A copy of Lt. Col. Fagan’s memo is attached to my testimony. In a separate memo, Lt. Col. Fagan stated that, with respect to the ability to grant or deny Mr. Theobald a warrant, “one person [Ms. Greenhouse] should not have this much control and (power?).” A copy of this memo is likewise attached.

### **Undue Influence on a Contracting Officer — Forcing a Contracting Officer to Sign Documents That He or She Cannot Sign in Good Conscience**

The Louisville District was in the process of procuring a \$500 million-plus contract related to the Olmsted Dam project. I was the contracting officer for this procurement process until I objected to Col. Rowlette’s desire to modify the solicitation. He ultimately issued a written order directing me to change the solicitation when I was not prepared to do so. It was obvious that if I did not comply with his directive to sign the document, I would be summarily relieved of duty. So I did the only thing I could do, I signed the document. At that point I found myself in a very similar position to Ms. Greenhouse when she felt obligated to include a comment on documents related to the Restore Iraqi Oil contract. Like Ms. Greenhouse, I chose to hand-write on the document next to my signature. I indicated that I was signing this document under duress. A few weeks later I was removed as the contracting officer. Ultimately, I was placed on administrative leave pending my removal, at which time the contract was awarded

without a proper evaluation being performed. I further learned that the Commander was going to personally work out the funding issues with the contractor after award. This activity by the Commander was simply improper.

### **Removal from Iraq Electrical Infrastructure Contract**

In November 2003, the District became responsible for a contract to repair the Iraqi electrical infrastructure that had been awarded to Halliburton subsidiary KBR. If I recall correctly, the value of that contract was \$1.1 billion. As the Chief of Contracting for the District, I would function as the contracting officer on all of the important contracting matters handled by the District. However, without any advanced warning, I was summoned into a meeting and told by my first line supervisor that I was being suspended for 5 days due to my handling of the Olmsted Dam project, and that I was also being removed as the contracting officer over the Iraq contracts. I was removed from the Iraq contracts because the District Command knew I would demand compliance with contracting requirements, and that my removal would alleviate the scrutiny that should have been applied.

### **Requirement That I Not Contact the Office of Special Counsel With My Concerns**

The plight I encountered as a whistleblower in the Army Corps of Engineers was nothing short of traumatic. For the first time in my life, I was forced to seek medical assistance to deal with the stress. I continued to fight as long as I could. However, I eventually had little choice but to agree to accept a confidential settlement. Against my desire, the settlement agreement the Army Corps required me to sign included a provision that prevented me from disclosing concerns to the United States Office of Special Counsel. Paragraph 14 of the agreement drafted by the Army Corps specifically states:

“Watts agrees not to contact the Special Counsel with respect to matters arising out of her employment with the Louisville District or otherwise covered by this Agreement.”

I have concluded that the act of preventing me from communicating my concerns of contract abuse and unlawful activity freely to the Special Counsel is evidence of waste, fraud, abuse and corruption. I believe I am required under Executive Order 12731, signed into law by President George H. W. Bush on October 19, 1990, to disclose this information, particularly after I received a request that I disclose such information by Senator Dorgan. My attorney, on my behalf, objected in writing to the inclusion of this language into the agreement. However, the Army Corps Command insisted that this term was essential before they would conclude a settlement with me and they refused to remove it from the final language I had to accept if I wanted to settle my claims. Having been terminated, faced with having to sell my home and being unable to cover the costs of continuing to litigate my claims, I had little option but to settle my case on condition that I had to agree not to bring my whistleblower disclosures to the attention of the Office of Special Counsel.

I had no financial motive or political gain that would cause me to put myself and family through the anguish, pain and abuse we endured in order to do all that I could to ensure that the contracting activity complied with the letter and spirit of the law. I am a life-long registered Republican who supports and voted twice for our President. I have been the recipient of numerous awards, including the *Department of Defense Productivity of Excellence Award* for my innovation in Contracting and have 17 years of exceptional performance ratings. If these issues I presented were not valid, why would I risk my career and subject myself to inhumane treatment for over 2 years? Why would the Command instruct that I could not seek advice and help from my contracting chain of command when I found it necessary to do so? And why would the Command insist that I not go to the Office of Special Counsel with my concerns?

Without question, the current command structure over the Army Corps of Engineers views contracting professionals as a drag on their ability to do what they want and, unless a contracting officer is willing to keep quiet, they can expect to be terminated.

I, like Mrs. Bunny Greenhouse (senior procurement official for the Corps of Engineers), have been the target of the senior management of the Corps of Engineers simply because I refused to ignore the blatant contracting abuses that are a habitual issue within the Corps of Engineers. These issues include the Halliburton story, yet go way beyond that and are systemic problems in the Corps of Engineers' way of "doing business."

One point I need to make very clear: in my 18 years in contracting, I had never, with any other company except Halliburton, been treated in such a demeaning and intimidating manner. When pointing out to Halliburton personnel their contractual non-compliances, I was threatened verbally and physically intimidated for performing my job.

## **Legislative Fix**

If I could draw a lesson from my experience with the Corps of Engineers, I would suggest that Congress consider removing the military commanders from the reporting process and performance reviews of the contracting officers in the Corps of Engineers. Congress has legislated in the past to protect the integrity of the procurement process. That integrity can be undermined when an unscrupulous few decide to circumvent the process, and then also have the power to punish those who try to uphold the law.

In conclusion, let me emphasize and encourage you to avoid placing the problems at the Corps of Engineers into a partisan context. The problems are systemic and have been occurring for decades – through both Republican and Democrat administrations. Please serve the interests of the American people and address this as an issue of right and wrong – nothing more, nothing less.

I thank you for the time and the opportunity to share my unfortunate experiences with you.