

Senate Democratic Policy Committee Hearing

“An Oversight Hearing on Accountability for Contracting Abuses in Iraq”

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Good afternoon. Thank you very much for the opportunity to be here today, and to speak before this honorable committee.

My name is Alan Grayson. I am an attorney, and I represent dozens of whistleblowers in cases brought against contractors who have defrauded the Government. The Civil False Claims Act allows whistleblowers to bring cases in the name of the Government, to help the taxpayers recover money from contractors who cheat the Government. Ms. McBride is one such whistleblower.

With this week marking three and a half years since the occupation of Iraq began, it is possible to conduct an appraisal of the role that contractors have played in Iraq. It is not a pretty picture. While U.S. forces are praised for their professionalism and discipline, there have been countless reports of government contractors in Iraq undermining the mission, wasting money, and stealing money. Half of the \$18 billion in Iraq reconstruction funds are unaccounted for. Senator Dorgan has said that there is an “orgy of greed” among contractors in Iraq, and there is ample evidence to back that up.

This Committee, a modern-day Truman Commission, has uncovered many examples of this. So has the media. What you will not hear about, however, are many examples from False Claims Act whistleblowers, because the Bush Administration has systematically kept those cases out of the public eye.

Out of all of the cases filed by whistleblowers regarding fraud in Iraq, only two of them have been litigated. The Bush Administration refused to participate in either one.

In the first case, a suit that I helped whistleblowers bring against Custer Battles, the company’s own internal audit report found the company guilty of criminal fraud. The U.S. Military suspended the defendants, finding adequate evidence of that fraud. Yet the Bush Administration did literally nothing to recover the millions of dollars that the Defendants stole. We brought that case to trial, without the help of the Bush Administration, and won a jury verdict worth over \$10 million for the taxpayers. But the

judge ruled that the Bush Administration had messed up the contract paperwork, and now the issue is on appeal.

The second case is Ms. McBride's complaint against Halliburton. Her case was filed well over a year ago. The Bush Administration sat on it for that period, investigated only one of the five allegations of fraud in her complaint, and then – without explanation – refused to participate.

In both the Custer Battles case and the Halliburton case, the defendants' intimate connections with the Bush Administration are well-known.

As for all of the other whistleblower cases filed against contractors alleged to have defrauded the U.S. Government in Iraq, after three and a half years the Bush Administration perpetuates the masquerade that it is “investigating” these cases. The False Claims Act provides that these cases must be brought under seal, and gives the Administration 60 days to investigate. That 60 days became 60 weeks, and is now approaching three or more years in some cases. Obtaining one extension after another for these court-ordered seals permits the Bush Administration to keep these cases out of sight indefinitely. The last thing that the Administration wants, it appears, is more bad news coming out of Iraq, and it is willing to throw a monkey wrench into the machinery of justice to prevent that.

As a result, the Bush Administration has not litigated a single case against a contractor alleged to have defrauded the U.S. Government in Iraq. It has obtained one guilty plea from a Halliburton employee, however – but for defrauding the company, not the U.S. Government.

As one reporter on this beat recently noted, the U.S. military has been spending over \$1 billion a week in Iraq, but DoD's Inspector General has had zero inspectors on the ground since at least October 2004.

A few months ago, the Wall Street Journal was kind enough to say that I am conducting a one-man war against contractor fraud against Iraq. I keep wondering when we will see reinforcements. President Bush twice took an oath of office to see that the laws are faithfully executed. Regarding fraud in Iraq, it is plain and simple – he has violated that oath.

An earlier wartime President, Abraham Lincoln, had this to say about war profiteers, when he proposed enactment of the whistleblowers' False Claims Act, seven score and three years ago:

“Worse than traitors in arms are the men who pretend loyalty to the flag, feast and fatten on the misfortunes of the Nation, while patriotic blood is crimsoning the plains of the South, and their countrymen moldering the dust.”

As Lincoln himself said, in the Gettysburg Address, it is far above my poor power to add or detract from this. But let history note that as patriotic blood is crimsoning the plains of the Sunni Triangle, and as our countrymen lie moldering in the dust, some at Halliburton, with their Super Bowl Parties and their stock options, feast and fatten on the misfortunes of this Nation while pretending nothing but loyalty to the flag.

Thank you.