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Archive for Friday, October 29, 2004

Halliburton Contracts Bypassed Objections

By T. Christian Miller

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U.S. Army Corps of Engineers commanders awarded a lucrative contract extension to Halliburton Co. this month by circumventing the organization's top contracting officer, who had objected to the proposal, according to documents obtained by the Los Angeles Times.

Bunnatine Greenhouse, the Corps of Engineers' chief contracting officer, questioned a decision by commanders to award a contract extension to Halliburton, the oil services company run by Dick Cheney until he became vice president, without the competitive bidding designed to protect U.S. taxpayers.

The FBI is seeking to question Greenhouse, her lawyer said Thursday, marking an expansion of the bureau's ongoing investigation of other Halliburton contracts.

"I cannot approve this," Greenhouse wrote on one version of the proposal that is filled with her handwritten scrawls such as "Incorrect!"; "No! How!"; and "Not a valid reason."

Greenhouse, who was threatened with demotion after raising objections to the Halliburton contract, sent her complaints to acting Army Secretary Les Brownlee. Portions of her letter to Brownlee were obtained by Time magazine last week.

The Times has obtained previously undisclosed documents describing the nature of her objections to the Halliburton contract and e-mail discussions among Army Corps officials.

Despite Greenhouse's objections, the Army Corps on Oct. 8 awarded Halliburton the \$165-million extension allowing Halliburton's subsidiary KBR to continue providing logistics services to troops stationed in the Balkans.

The final approval did not carry Greenhouse's signature, as normally required by contracting regulations. Instead, it was signed by her assistant,

Lt. Col. Norbert Doyle, according to the documents.

The FBI is seeking to question Greenhouse on her allegations that Army Corps commanders deliberately sidestepped her contracting authority. The FBI's query expands an existing investigation into another Halliburton contract to supply fuel to Iraq, according to the documents and Greenhouse's lawyer, Michael Kohn.

Top Army Corps commanders criticized by Greenhouse for ignoring federal contracting rules declined to be interviewed, citing the investigation.

However, the e-mails suggest that the commanders felt Greenhouse's objections were unnecessarily delaying vital services for U.S. troops.

"To ensure that a fair investigation can proceed, the Army Corps will not provide further comment on the specifics of the matter," said Carol Sanders, an Army Corps spokeswoman.

Halliburton officials blamed politics.

"On the overall issues, the old allegations have once again been recycled, this time one week before the election," said Wendy Hall, a Halliburton spokeswoman, in a statement.

Halliburton has become an election-year issue, with Democratic candidate Sen. John F. Kerry criticizing the billions of dollars' worth of work in Iraq awarded to Halliburton without competitive bidding.

But the previously undisclosed documents are part of a growing body of evidence indicating unusual treatment was given to government contracts won by the Houston-based firm.

Career civil servants repeatedly raised objections to contracting decisions that benefited Halliburton, only to be overruled by higher-ups.

A no-bid contract worth as much as \$7 billion awarded in secret to Halliburton to protect Iraq's oil assets has been the subject of the most sustained criticism by government employees.

In fall 2002, a group of top Pentagon civilian officials began meeting to plan how best to prevent the destruction of oil wells and infrastructure in the days after an invasion.

They decided to give Halliburton a job worth \$1.9 million as part of an existing contract to draw up a plan to protect the oil infrastructure. An Army lawyer at the time objected to the decision, saying it was outside the scope of the contract.

The lawyer was overruled by a higher-up in the Pentagon's Office of General Counsel. But the Government Accountability Office, Congress' investigative arm, later determined the lawyer was correct, according to testimony given before Congress.

Once Halliburton had drawn up the plan, the Army Corps decided in March 2003 to award Halliburton the contract to carry it out. Greenhouse objected, saying it was against usual contracting procedures to award a job to the company that had drawn up plans for it, Kohn said.

Greenhouse also objected to the presence of KBR officials at meetings where Army Corps officials were discussing the award of the contract, according to the documents. Later, she objected when the government proposed making the "sole-source" contract – awarded without bidding –

for five years instead of a more limited period.

Once Halliburton entered Iraq, it became clear that little damage had been done to the oil wells. Instead, the purpose of the contract shifted so that Halliburton was required to truck in gasoline, kerosene and other fuels for Iraqis to use in their daily lives.

Over time, contracting officials grew concerned that Halliburton was paying too much for the gasoline, which was being supplied by a Kuwaiti company called Altanmia Commercial Marketing Co. Halliburton replied that Kuwait's oil company was preventing it from buying oil from other suppliers.

In December, an Army Corps contracting official said she had located at least two other companies that could supply the fuel, potentially allowing for better prices. Halliburton, however, asked her to allow it to continue buying only from Altanmia.

"Since the U.S. government is paying for these services, I will not succumb to the political pressure from the [Kuwaiti government] or the U.S. Embassy to go against my integrity and pay a higher price for fuel than necessary," wrote Mary Robertson, an Army Corps contracting officer, in a December 2003 letter to KBR obtained by The Times. State Department officials have denied applying undue pressure on the contract.

Pentagon auditors reviewing the fuel contract later determined that Halliburton may have overcharged as much as \$61 million. Both the Pentagon's inspector general and the FBI opened criminal investigations into the matter.

The most recent controversy concerns another KBR contract, which was for supplying food, fuel and logistics to U.S. troops stationed in Kosovo, Macedonia, Bosnia and Hungary for peacekeeping missions.

The contract was originally competitively awarded to KBR in 1999 and expired in May. The Army Corps was in the middle of a competition to award a follow-up contract when it abruptly canceled the process this summer. The reasons are unclear.

Instead, Army Corps commanders decided to award an extension to Halliburton to continue the services until April 2005, a decision that had to be justified by a contracting officer.

In July, William Ryals, the Army Corps' director of contracting, decided that Greenhouse, as chief contracting officer and his superior, should review the proposal to justify the extension because of the political sensitivity surrounding Halliburton, according to an e-mail obtained by The Times.

The e-mail expressed concern about the political sensitivity of renewing a Halliburton contract without competitive bidding a few weeks before the election.

"If it had been any other firm, we would have done this and moved forward without any further consideration. We would not send it to" Army Corps headquarters, Ryals wrote. "Given that this firm is [KBR] and that we are in an election year and coming up to the peak in the election season soon, I sent it to [Greenhouse at headquarters] for concurrence."

Once she saw the proposal, Greenhouse objected, according to the documents. The extension would have dramatically increased the size of the contract to cover all of Europe, instead of just the Balkans.

Greenhouse also sharply questioned why the competitive bidding process had suddenly been stopped, and by whom.

“Why has five years not been long enough?” to conduct a competition for the contract, she asked in the margins of an early version of the proposal, dated Aug. 2.

Greenhouse and contracting officials traded several other versions, with Greenhouse objecting each time to the proposed justification for the extension. Finally, on Oct. 6, Greenhouse learned that Ryals had altered the proposal without consulting her. She protested to Lt. Gen. Carl Strock, the commander of the Army Corps.

Strock acknowledged her concerns, but warned that the proposed extension had to be approved.

“If we do not get it approved by tomorrow there is a risk that our support of deployed soldiers could be interrupted. That is absolutely unacceptable,” Strock wrote.

One day later, Army Corps commanders attempted to demote Greenhouse from her position as chief contracting officer, her lawyer Kohn said. The day after that, they awarded the contract to KBR.

Greenhouse since has received assurances that her job would be protected, Kohn said. The Army has referred her complaints to the Pentagon’s inspector general for further investigation.

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