

Halliburton Hit with Multiple Lawsuits

by David Phinney, Special to CorpWatch
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Companies working in support of U.S. troops in Iraq are hauling Houston-headquartered defense contractor, Halliburton, into U.S. federal court with claims that the company stiffed them for a sum totaling hundreds of millions of dollars after they provided essential services in the war effort.

The latest lawsuit, filed October 26, charges that **Halliburton** subsidiary, Kellogg, Brown & Root (KBR), has refused to pay \$20.4 million for food services and other work near the city of Tikrit provided in 2003 by the Kuwait Company for Process Plant Construction & Contracting (KCPC) and the Morris Corporation of Australia for several months after the invasion of Iraq.

The complaint follows swiftly on the heels of an October 15 lawsuit on behalf of the Kuwaiti construction company, La Nouvelle, which demands of more than \$224 million for similar services the firm performed in Iraq and Kuwait as a subcontractor to KBR.

Both lawsuits are individually filed in the U.S. District Court of Eastern Virginia.

La Nouvelle is represented by the law firm of Hogan & Hartson. KCPC and the Morris Corporation are represented by Akin Gump Strauss Hauer and Feld.

More Troubles on the Way

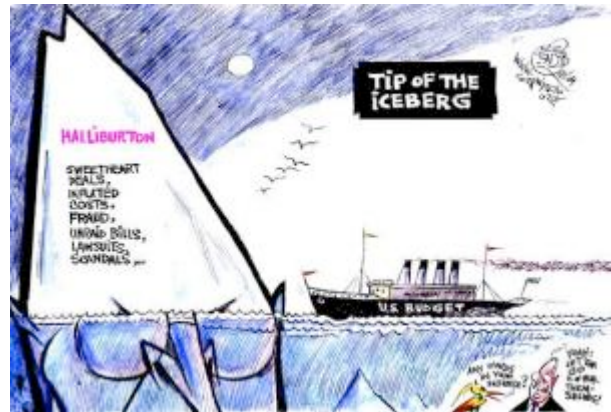
Halliburton may face similar legal actions from other subcontractors in the coming weeks, according to several sources who worked under KBR's sweeping multibillion dollar, 10-year Army agreement to supply logistics services to the U.S. military in Iraq and the Balkans.

"There are hundreds of subcontractors in the same situation," said one former contractor who claims his company is owed tens of millions of dollars.

Other lawsuits are also expected to be filed soon by truck drivers and their families who say **Halliburton** placed them in unnecessarily dangerous circumstances in Iraq that led to injuries and even death.

The legal challenges only add to the mounting problems of the besieged company once headed by Vice President Dick Cheney, which is performing work in Iraq at an estimated value of \$10 billion or more.

The FBI also recently expanded a criminal probe of the company's contracts following recent allegations made by a senior Army Corps of Engineers contract executive, Bunnatine Greenhouse, who is accusing high-level Army officials of violating federal law and giving preferential treatment to **Halliburton** when they secretly awarded a \$7 billion agreement to the firm in 2003 to rebuild Iraq's oil industrial base.



Cartoonist: Khalil Bendib

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[Greenhouse lawyers letter](#)

[Greenhouse supporting documentation](#)

KBR racked up \$2.5 billion in billings under that secret oil contract before it was replaced with a new \$1.2 billion contract at the beginning of this year following an outcry of criticism over the original award.

Additionally, the company has received work under a separate agreement for Army logistics and support orders totaling \$7.8 billion and has been paid \$4.5 billion to date for that work, according to Army spokesman Dan Carlson. Pentagon auditors acknowledged last August that they were questioning as much as \$1.8 billion of billings by Halliburton for possible overcharges and insufficient documentation, according to the Wall Street Journal.

Halliburton said at that time that any auditing would soon determine its accounting books to be sound. "We have extraordinary documentation for the tasks our employees and subcontractors have performed on behalf of the troops," Hall told the Wall Street Journal.

Such audits are nothing new to KBR. The company's Iraq business has been under fire by a number of investigations by the Pentagon and the U.S. Justice Department, including for \$186 million in charges for meals that were apparently never served and \$61 million in overcharges on fuel imported from Kuwait.

Regardless of what those investigations determine, the companies that have not been paid by KBR for services rendered, apparently have no recourse but to take their claims to court, say military officials. "KBR subcontractors are paid by KBR," Pentagon spokeswoman Marine Lt. Col. Rose-Anne Lynch said.

La Nouvelle Lawsuit

KBR has already been paid for the services provided by La Nouvelle, but the company continues to refuse payment according to the Kuwaiti firm's lawsuit.

La Nouvelle has been in existence since 1997, providing services to multinationals ranging from Pizza Express to Starbucks in the Middle East. The U.S. Army hired originally hired the company directly to provide logistical support to thousands of Marines flying in from Twenty Nine Palms in California to hastily constructed Camp Coyote in Kuwait about 30 miles from the Iraqi border – known as "the tip of spear" in the March 2003 invasion.

Despite that standing agreement, La Nouvelle was then placed under the supervision of KBR, which signed dozens of small sub-contracts with La Nouvelle for the provision of "food services, laundry services, tents, generator power and equipment" to U.S. troops in Kuwait and Iraq.

Billing for these services took center stage last summer during several congressional hearings when former KBR contract manager Marie deYoung testified that a KBR laundry contract rocketed to as much as \$1.2 million a month after it was agreed to pay La Nouvelle as much as \$100 for every 15-pound bag of washing.

DeYoung, who worked for KBR in Kuwait for the first five months of 2004, said she also discovered that La Nouvelle billed KBR for 37,200 cases of soda at a cost of \$1.50 a case but that supporting documents proved that the Kuwaiti company only delivered 37,200 cans at a cost that actually totaled \$45 a case.

At the time, KBR supervisors seemed unconcerned about the high prices on laundry and soda, and after repeatedly pressuring KBR managers to acknowledge the problem, she was taken off the La Nouvelle accounts, she said.

"I had been advised by subcontract administrators who quit the company (KBR) that employees get moved around when they get too close to the truth," she said under sworn testimony. "I personally observed and experienced this as a routine company practice."

A public relations spokeswoman for the legal team representing La Nouvelle, Jennifer Thomas, declined to make any La Nouvelle employees familiar with the laundry and soda contracts available.

"They don't want to talk to the press," she said, adding that La Nouvelle denies accusations of overcharges.

De Young stands by her findings, noting that her charges are substantiated by La Nouvelle billing documents and sworn testimony in Congress.

Morris Corporation Lawsuit

Allegations that KBR accepted overcharges have led to unsubstantiated rumors by some involved in the contracting process that KBR managers selected subcontractors after the Iraq invasion for reasons other than competitive cost, including favors for personal gain and kickbacks.

The possibility of kickbacks among subcontractors was first reported May 21 in the Sydney Morning Herald after a shortlived agreement held by the Morris Corporation of Australia collapsed. KBR agreed to pay Morris and its joint venture partner, KCPC of Kuwait, up to \$100 million to build and maintain mess halls at three camps around Tikrit in the battle-torn Sunni Triangle.

Hired on June 17, the joint venture was expected to be up and running in three weeks but Morris and KCPC fell behind schedule because problems caused by poor security and the U.S. military. Citing poor performance, KBR fired the team on July 31 and immediately whipped up a legal storm that soon sparked allegations that a Halliburton employee had requested a \$3 million kickback during the original contract negotiations.

"We're not talking about a paper bag," a source told the Sydney Morning Herald. "They wanted kickbacks of 3 percent to 4 percent, which pushed up the prices because then the subcontractors would add the price of the kickbacks to their costs."

Halliburton declined comment at the time of the report and no subcontractor has come forward since with public claims of kickbacks.

But KBR's legal problems continue. In its October 26 lawsuit, Morris and KCPC allege that KBR has yet to pay an outstanding bill of \$20.4 million as part of a negotiated settlement agreement. reached on May 19 with a team led by KBR procurement vice-president William Jonas, following the contract's termination. The complaint also alleges that KBR refused to return 135 "reefers" (40-foot refrigerated trailers with equipment and supplies) brought to the Tikrit sites by Morris/KCPC, but has instead given them to a new subcontractor.

KBR agreed to pay the disputed amount by July 18, the lawsuit says, but "has since failed to make the payment." Instead on July 23, KBR "requested that the joint venture provide additional documentation in support of its claim," the lawsuit says.

Whistle blower deYoung told CorpWatch she isn't surprised by the lawsuits seeking payment from KBR. La Nouvelle may have gold plated its prices, but KBR managers accepted the bills without complaint, she said.

Willful Contract Violations

Meanwhile, Halliburton must now also wrestle with the fallout from allegations made by a top-ranking contract officer with the Army Corps of Engineers (USACE), Bunnatine Greenhouse, who now claims that Pentagon officials skirted the law and willfully violated federal acquisition regulations when awarding the \$7 billion oil contract to Halliburton.

The media and members of Congress have often raised this matter, but this is the first time a senior official directly involved in these contracts has made such accusations.

In a 12-page letter sent to the Army on Oct. 21, Greenhouse alleges that she repeatedly objected to the handling of a number of Halliburton contracts, but that other Pentagon officials regularly dismissed her concerns.

Her complaint cites a sworn declaration made by a former USACE commander who stated that Greenhouse "strictly followed the Federal Acquisition Regulation (FAR) for contracting and approached her work with high ethical standards," but that pressure from individuals "associated with favorite companies" resulting in "Greenhouse's strict and ethical application of the FAR work(ing) against her when it should have been viewed with high regard."

"(R)esistance" and "interference" to her protests over the contracts peaked just before the invasion of Iraq, says the complaint, and specifically over the five-year, \$7 billion Restore Iraqi Oil (RIO) agreement; the \$1.2 billion follow-on contract to the RIO agreement; and a \$165 million extension to an contract for military support services in the Balkans.

Each of these contracts included serious violations to acquisition regulations and ignored competition requirements, the complaint says. After Greenhouse pointed out these concerns, she frequently wrote her objections to contracts when asked to sign official documents.

Greenhouse was asked by USACE Deputy Commander Major General M.G. Griffin to stop the practice.

Griffin's request was improper, the complaint says, and a clear interference of Greenhouse's official duties as the principal assistant responsible for contracting and competition advocate, a position equal to a one star general and yet USACE commanders again violated regulations by asking a Greenhouse subordinate for signatures in order to keep her "in the dark."

"This interference was largely focused on multi-billion-dollar contract issues pertaining to [Halliburton](#) subsidiary, Kellogg Brown and Root," the letter reads. "This conduct has violated specific regulations and calls into question the independence of the USACE federal procurement process."

Company spokeswoman Wendy Hall told CorpWatch that [Halliburton](#) lacks specific information of Greenhouse's dealings with her commanders during the awarding and management of contracts and is unable to address them. Ironically Greenhouse is charging that [Halliburton](#) officials sat in on key closed door decision-making meetings.

"On the larger issues, the old allegations have once again been recycled, this time one week before the election," said Hall. "We look forward to the end of the election, because no matter who is elected president, [Halliburton](#) is proud to serve the troops just as we have for the past 60 years for both Democrat and Republican administrations."

Additionally, Hall noted that the General Accountability Office determined last summer in an investigation of the Iraq contracting process for restoring Iraq's oil wells, pipelines and refineries, was properly awarded under emergency circumstances.

Greenhouse's attorneys, Michael D. Kohn and Stephen M. Kohn believe that the contract officer's allegations go to the highest levels of the government.

Stephen Kohn told CorpWatch that any investigation must not end at the Pentagon because the role of current and former [Halliburton](#) and Pentagon employees must also be thoroughly explored.

"There is a clear need for a special independent counsel to be appointed," he said. "The public has the right to a full and account of those who profited off the war in Iraq and why."

Democrats are also renewing their call for further hearings based on Greenhouse's allegations.

"The new charges are serious," said Rep. Henry Waxman, who fought for several [Halliburton](#) hearings last year as the top Democrat on the House Government Reform Committee. "The Bush Administration has spent more than a year and a half claiming that Halliburton's contract was awarded by civil servants without any political influence. The senior career contracting official at the Corps of Engineers is now saying that [Halliburton](#) received special treatment and that her judgments were overruled."

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