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Oct. 29: The FBI wants to interview a Pentagon whistleblower who came forward in the investigation of Iraq rebuilding contracts with Halliburton, Vice President Cheney's former company.

Army staffer: Halliburton case 'worst abuse'  
 FBI widens investigation, company sees election ploy in allegations

Nightly News  
 NBC, MSNBC and news services  
 Updated: 6:55 p.m. ET Oct. 29, 2004

WASHINGTON - An Army contracting officer who led the FBI to widen its investigation of Pentagon contracts to Halliburton told NBC News that she had never seen a worse case of contracting abuse.

"It was the worst abuse of the procurement and contracting system that I have seen," Bunnatine Greenhouse, the Army Corps of Engineers' chief contracting officer, told NBC in an exclusive interview.

Halliburton dismissed the allegations as election politics. Sen. John Kerry's campaign has seized on the allegations to accuse the Bush administration of playing favorites. Vice President Dick Cheney headed Halliburton before taking office.

FBI agents this week sought permission to interview Greenhouse after she alleged that her agency unfairly awarded KBR, a Halliburton subsidiary, no-bid contracts worth billions of dollars for work in Iraq.

The line of inquiry expands an earlier FBI investigation into whether Halliburton overcharged taxpayers for fuel in Iraq, and it elevates to a criminal matter the election-year question of whether the Bush administration showed favoritism to Cheney's former company.

### **Whistle-blower protection sought**

Greenhouse's lawyers said Thursday their client will cooperate but that she wants whistle-blower protection from Pentagon retaliation.

"I think it (the FBI interview request) underscores the seriousness of the misconduct, and it also demonstrates how courageous Ms. Greenhouse was for stepping forward," said Stephen Kohn, one of her attorneys.

"The initiation of an FBI investigation into criminal misconduct will help restore public confidence," Kohn said. "The Army must aggressively protect Ms. Greenhouse from the retaliation she will encounter as a result of blowing the whistle on this misconduct."

FBI agents also recently began collecting documents from Army offices in Texas and elsewhere to examine how and why Halliburton, a Houston-based oil services conglomerate, got the no-bid work.

"The Corps is absolutely cooperating with the FBI, and it has been an ongoing effort," said Army Corps spokeswoman Carol Sanders. "Our role is to cooperate. It's a public contract and public funds. We've been providing them information for quite a while."

The FBI declined to comment Thursday, but a law enforcement official, speaking on condition of anonymity, said the investigation does not involve anyone in the White House — including Cheney's office.

### **Halliburton's response**

Wendy Hall, a Halliburton spokeswoman, said the company is cooperating with various investigations,

but she dismissed the latest revelation as election politics. She noted Congress' auditing arm, the Government Accountability Office, found the company's no-bid work in Iraq was legal.

"The old allegations have once again been recycled, this time one week before the election," Hall said. "The GAO said earlier this year that the contract was properly awarded because Halliburton was the only contractor that could do the work.

"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," she said.

Cheney spokesman Kevin Kellems, asked if investigators had contacted the vice president or his office about the contracts, said they had not.

Democrats have tried to make Halliburton an election-year issue, and vice presidential candidate John Edwards quickly seized upon the latest development.

Sen. Frank Lautenberg, a Democrat on the Senate Governmental Affairs Committee who has been investigating Halliburton's contracts, said his office was told the FBI recently sought documents from various government offices. The requests focused on how and why Halliburton got the Iraq contracts.

"This multibillion-dollar no-bid contract to Halliburton was suspicious from Day One, and now our worst suspicions are confirmed," Lautenberg said. "The FBI doesn't get involved unless there are possible criminal violations."

### **E-mail ties Cheney office to contract**

In a formal whistle-blower complaint filed last week, Greenhouse alleged the award of contracts without competition to KBR puts at risk "the integrity of the federal contracting program as it relates to a major defense contractor." The contracts were to restore Iraq's oil industry.

Among the evidence cited in the complaint was an internal 2003 Pentagon e-mail that says the Iraq contract "has been coordinated" with Cheney's White House office.

The vice president, who continues to receive deferred compensation from when he was Halliburton's chief executive in the late 1990s, has steadfastly maintained he has played no role in the selection of his former company for federal business.

The Army last week referred Greenhouse's allegations to the Defense Department's inspector general. Documents show FBI agents from Quad Cities, Ill., asked Tuesday to interview Greenhouse.

Greenhouse alleged in her complaint that after her superiors signed off on the Iraq business in February 2003, a month before the war began, and returned it for her necessary approval, she specifically asked why the work was being extended for several years.

Beside her signature, Greenhouse wrote: "I caution that extending this sole-source effort beyond a one-year period could convey an invalid perception that there is not strong intent for a limited

competition," the complaint said.

The oil restoration work was given to KBR without competitive bidding through 10 separate work assignments called "task orders." The orders were issued under an existing contract between Halliburton and the U.S. military that was awarded competitively in December 2001.

While the Corps was authorized to spend up to \$7 billion for the oil restoration work, the actual cost so far has been \$2.5 billion. Halliburton is still working on the oil facilities, but it is now operating under a new, competitively awarded contract.

*The Associated Press contributed to this report.*

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