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Pentagon Probes Halliburton Bid

Whistleblower Says A Subsidiary Unfairly Won Iraq, Balkans Work

WASHINGTON, Oct. 25, 2004

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(CBS/AP) The Pentagon's internal watchdog is looking into claims by a top Army contracting official that a Halliburton Co. subsidiary unfairly won no-bid contracts worth billions of dollars for support services in Iraq and the Balkans.

The complaint alleges that the award of contracts without competition to restore Iraq's oil industry and to supply and feed U.S. troops in the Balkans puts at risk "the integrity of the federal contracting program as it relates to a major defense contractor."

It also asks protection from retaliation for the whistle-blower, Bunnatine Greenhouse, chief contracting officer of the Army Corps of Engineers.

A letter from an Army attorney to Greenhouse's lawyer said the matter is being referred to the Department's inspector general for "review and action, as appropriate." It also said the Corps had "suspend any adverse personnel action against Greenhouse "until a sufficient record is address the specific matters" in her co

Copies of the letter and complaints, documented by The Associated Press.

Wendy Hall a spokeswoman for Houston-based Halliburton, said company subsidiary "KBR doesn't have any information on what Bunny Greenhouse may or may not have said to other Pentagon officials in early 2003. Certainly, we can't address any threats against her or she may be considering against her en

"On the larger issues, the old allegations have been recycled, this time one week before Hall said.

The Iraq contract has been a focus of the presidential campaign because Vice President Dick Cheney's former chief executive officer of Halliburton



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to receive deferred compensation from it.

Hall emphasized that a report earlier this year by the congressional Government Accountability Office concluded the Iraq contract had been properly awarded. The Balkans issue "was fully dealt with and resolved several years ago ... (and) since that time KBR has received high marks from the Army on our Balkans support contract," she added.

Greenhouse lawyer Michael D. Kohn contended in a letter to acting Army Secretary Les Brownlee that in the Balkan contract a deputy assistant secretary of the Army had ordered changes in documents to legitimate the contract "for political reasons."

Kohn's complaint said contracts were approved over Greenhouse's reservations, changes were made on the original contracts and extensions were awarded because underlings signed them with their knowledge and in collusion with senior officials.

After her superiors signed off on the Iraq contract and returned it for her necessary approval, the complaint said, Greenhouse wrote beside her signature: "I caution that extending this sole-source effort over the one-year period could convey an invalid perception that there is not strong intent for a limited-term contract."

The contracts under investigation grew out of a \$7 billion, multiple-year award to KBR to rehabilitate Iraq's oil industry after the U.S.-led invasion last year; and an 11-month extension, which cost \$165 billion for a billion services contract the Army awarded in May 1999.

The Iraq contract was awarded in February 2003, less than a month before the invasion, specifying no-bid contracts in cases of "compelling emergency." The complaint said Greenhouse objected to the five-year term, asking why the certainty that the emergency would continue that long.

Kohn said Sunday he still wants an independent probe and will ask Attorney General John Ashcroft to

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appoint investigators to conduct their own probe to ensure the investigation is complete, independent and fair to his client.

In August, Pentagon auditors urged the U.S. Army to start withholding millions of dollars in payments to Halliburton until the company justified its bills.

A published report on the findings of Pentagon auditors said last month that Halliburton did not adequately account for more than \$1.8 billion it billed the government for work in Iraq and Kuwait.

The \$1.8 billion amounts to 40 percent of the \$4.18 billion KBR has already billed the Pentagon for its work feeding and housing military troops.

Various government agencies are investigating several aspects of Halliburton's work in Iraq, including allegations of kickbacks by Kuwaiti subcontractors, faulty cost estimates on the \$2.7 billion contract to serve troops in Iraq and overcharging by \$61 million for gasoline delivered to serve the civilian market in Iraq last year.

Documents obtained by **CBS News** show an auditor repeatedly flagged improper fees for soldiers' laundry. At one site, taxpayers reportedly paid \$100 for each 15-pound load of wash - \$1 million a month in overcharges.

Halliburton said last month it will **pay \$7.5 million** to settle a Securities and Exchange Commission probe that it failed to disclose a change in its accounting procedures in 1998 when the conglomerate was run by Cheney. Besides the company's fine, former Halliburton controller, Robert C. Muchmore, Jr., will pay a \$50,000 penalty, the SEC announced Tuesday.

Federal authorities also are investigating whether Halliburton broke the law by using a subsidiary to do business in Iran and whether it was involved in an alleged \$180 million bribery scheme in Nigeria. The company admitted in 2003 that it improperly paid \$2.4 million to a Nigerian tax official.

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