

Democrats Take Leadership To Expose Administration Crimes

by Carl Osgood

Congressional Democrats are keeping their promise to provide oversight of the Bush Administration when the GOP-controlled Congressional committees refuse to do so. The Senate Democratic Policy Committee held its second hearing of the year on Feb. 14, the first having been held on Jan. 28 on the Bush Administration's plans for privatizing Social Security. The second hearing, chaired by Senate Democratic Policy Committee chairman Byron Dorgan (D-N.D.) focused on contracting abuses in Iraq, and follows up two earlier hearings held last year, on other aspects of the same subject. Dorgan described the Coalition Provisional Authority, which, for over a year after the U.S. invasion, ruled Iraq, as directly answerable to the Bush Administration. Yet, "judging from a number of scandals involving mismanagement of funds, U.S. taxpayers and the people of Iraq were often not well served."

Throughout the hearing, the leading Democrats concentrated on the issues of State—not partisan jibes—which should be of concern to all patriots, Republicans definitely included.

Senate Minority Leader Harry Reid (D-Nev.), in his opening statement, noted that "when the unemployment rate for young Iraqis still stands at over 50%, when Iraqis have to stand in line for hours for a single gallon of gasoline, when water and electricity are only sporadically available, you begin to have conditions that allow insurgencies to thrive. Many ordinary Iraqis, the 'fence sitters' as some call them, are prone to either join those fighting U.S. forces or at least give aid and support to the insurgents as the quality of their own life degrades." He added that "when we talk about an absence of contracting controls, badly qualified contractors, poor management by inexperienced officials, over-billing and profiteering, corruption, failure to deliver basic services to Iraqis, not only is this wrong and in some cases possibly criminal, but it also contributes to the poor security conditions we found

ourselves in today. . . ." Later, during the hearing, the point was made that the cost of this criminal activity is not just in millions of dollars lost, but also lives, as the insurgency responds to the resultant collapse in basic conditions of life that Reid referred to.

Rep. Henry Waxman (D-Calif.), during his opening statement, noted that while there's been a lot of attention on possible fraud in the UN-administered Oil for Food Program, "we should also be investigating our own administration's conduct." He noted that not one hearing has been held on the successor to the Oil for Food program, the U.S.-administered Development Fund for Iraq "to examine the evidence of mismanagement, overpricing, and lack of transparency. . . ." Waxman also noted reports by the Special Inspector General for Iraq Reconstruction, on the billions of dollars dispensed with almost no accounting at all. Sen. Carl Levin (D-Mich.), taking up the same issue during a hearing of the Senate Permanent Subcommittee on Investigations on Feb. 16, quoted from the report of Paul Volcker, on the UN's management of the oil for food program, which stated that there were abuses in the program, but that it is not known whether *any* of the money got to Saddam, as opposed to "middlemen and corrupt individual Iraqi officials." In fact, Levin noted, most of the money that Saddam got from oil sales came from sales arranged by the U.S. *outside* the sanctions, and therefore outside the framework of the Oil for Food program. And while neither Waxman nor Levin touched further on the program itself, testimony from UN officials and humanitarian organizations throughout the 90's, and almost up until time of the U.S. invasion, shows that, however uneven and burdened with corruption the Oil for Food program might have been, food was purchased with proceeds from Iraqi oil sales and distributed to the population through the government's distribution system.

Like the Wild West

The evidence presented at the hearing suggested that a lawless atmosphere prevailed in Iraq during the entire lifetime of the Coalition Provisional Authority (CPA). Frank Willis, who spent several months in Iraq in 2003 as the CPA's Senior Aviation Official, described a situation of utter chaos brought about largely by CPA head Ambassador Paul Bremer's own decisions. "As a consequence of our decision to disband the Iraqi army," he said, "security was simply a black hole filled, in part, by private security forces at scandalous cost, or by our armed forces. . . . Lack of security, restricted meetings, difficulty of communication, made every task longer and slower, in short, severely inhibited our ability to do our job." He also noted that Bremer's de-Ba'athification decision stripped Iraqi government ministries of their entire top and many-mid level officials, leaving low-level officials who had no experience in positions of significant responsibility. "This chaos," Willis said, "I have referred to as a 'Wild West.'"

Willis then went through in some detail, the case history of one of the firms that filled the security vacuum, a Virginia-based private mercenary firm called Custer Battles, which he used to illustrate that the inefficiencies characteristic of the CPA were avoidable, despite the circumstances on the ground. In a very short time, Custer Battles went from a firm of uncertain existence and experience to having in hand over \$100 million in U.S. government contracts, including a \$15 million contract to provide security for civilian airline flights into and out of Baghdad's airport. Of course, there never were any civilian airline flights into or out of Baghdad during the life of the CPA. Willis described how, despite working 15 hour days virtually every day, he and his colleagues found it impossible to supervise Custer Battles, to actually see if they were complying with the terms of their contracts. "I believe the 500 or so [people] at CPA headquarters should have been 5,000," he said. This would have made possible effective oversight of not only Custer Battles, but of all contracts let by the CPA in Iraq.

Evidence of Criminal Intent

The Custer Battles case is, in fact, the subject of a civil suit filed under the Federal False Claims Act in February 2004 by William D. Baldwin, a former employee of Custer Battles, and Robert J. Isakson, a former subcontractor, alleging war profiteering "resulting in tens of millions of dollars of fraudulent damage to the United States. . . ." William Grayson, the attorney for the two men, described some of the more famous scams run by Custer Battles. Besides the Baghdad airport security contract, Custer battles also charged the CPA \$157,000 for constructing a helicopter pad that actually cost \$95,000, and there was also a case in which they appropriated and repainted three forklifts formerly owned by Iraqi Airways, and charged the CPA as if they owned them. They were also paid \$4 million in brand new

\$100 bills for a contract to transport the new Iraqi dinars around the country, cash money that was handed to them directly by Willis from the vault in the basement of the CPA's headquarters.

Grayson made reference to an internal Custer Battles memo, dated Feb 28, 2004 and posted on the website of the Taxpayers Against Fraud Educational Foundation, by the company's "Corporate Integrity officer," a man named Peter Miskovich. Miskovich was in charge of reviewing the documentation regarding Custer Battles execution of the money exchange contract to distribute Iraqi dinars around the country for the purpose of closing it out. However, he found so much fraud, in the form of deliberate over-billing and fraudulent signatures that he could not do that. Invoices were submitted for work not performed, or for amounts substantially more than the actual cost of work that was performed. "Indicated in this report are enormous areas of discrepancies and irregularities that lend themselves to elements of criminal fraud," Miskovich wrote. The documents he had in his position "are prima facie evidence of a course of conduct consistent with criminal activity and intent," he added. Some of the documents in Miskovich's report were provided by Baldwin, who Custer Battles now describes as a "disgruntled former employee."

Grayson said that he and his clients estimate losses of the government to Custer Battles' fraud to be in the tens of millions of dollars. "Yet for more than a year, the Bush Administration has done nothing to recover these ill-gotten gains from Custer Battles, much less bring the wrongdoers to justice." He reported that the Bush Administration has declined to participate in the case, the reason being that the Bush Administration has decided "that cheating the Coalition Provisional Authority was not the same as cheating the United States." There might be another reason, however. "In an interview with two federal agents," Grayson reported, "Scott Custer suggested a different answer: 'Battles is very active in the Republican Party and speaks to individuals he knows at the White House almost daily.' " After all this, Waxman noted that with the Bush Administration not interested in oversight of the money it spends in Iraq, and its attempts to block the lawsuit filed by Grayson's clients, "what you're really talking about is a 'no fraud' zone in Iraq and a 'no fraud' zone wherever the Bush Administration is involved."

Grayson concluded that the fraud alleged by his clients was perpetrated by a company that the U.S. Military hired to provide security services in a war zone. "If that company never has to answer these serious allegations, then perhaps the next fraud will provide the military with bombs that explode before they are dropped, flak jackets made of cheap polyester, empty fire extinguishers, or parachutes that don't open. The False Claims Act was enacted in 1863 because, among other things, contractors back then were selling defective rifles to the Union Army. If Custer Battles can evade this law so simply, it can happen again."