

Copyright 2006 The Federal News Service, Inc.
Federal News Service

September 18, 2006 Monday

SECTION: PRESS CONFERENCE OR SPEECH

LENGTH: 15939 words

HEADLINE: SENATE DEMOCRATIC POLICY COMMITTEE MEETING

SUBJECT: ACCOUNTABILITY OF CONTRACTORS IN IRAQ

CHAired BY: SENATOR BYRON DORGAN (D-ND)

WITNESSES: FORMER HALLIBURTON EMPLOYEE JULIE MCBRIDE; FORMER HALLIBURTON TRUCK DRIVERS EDWARD SANCHEZ AND SEAN LARVENZ; ALAN GRAYSON, AN ATTORNEY REPRESENTING FORMER HALLIBURTON SUBSIDIARY EMPLOYEES; SCOTT ALLEN, AN ATTORNEY FOR HALLIBURTON TRUCK DRIVERS

LOCATION: 538 DIRKSEN SENATE OFFICE BUILDING, WASHINGTON, D.C.

BODY:

SEN. DORGAN: I'm going to begin the hearing today. I'm Senator Byron Dorgan. I'm chairman of the Democratic Policy Committee. I'm joined by Senator Bingaman, and we will be joined shortly by several other senators as well. But in the interest of time, I want to begin this hearing.

Let me state at the outset, as I have at other hearings, the policy committee of both parties -- in this case the Democratic Policy Committee, of which I am chairman -- are created by law in 1947 -- the creation of that, including the law that creates and anticipates the holding of hearings. We have not traditionally, over the years, held oversight hearings until about three years ago when we began to hold some oversight hearings in this committee, the Democratic Policy Committee, because we felt that there were virtually no oversight hearings being held in the regular standing committees of the United States Senate.

We have held many oversight hearings now, especially with respect to the issue of contracting in Iraq. I have always - and have an open invitation -- invited the Republicans to join us. I believe on only one occasion were we joined by a Republican Congressman Jones from the U.S. House of Representatives, but we have a standing invitation. These hearings are necessary, I believe, because there must be accountability and must be oversight with respect to contracting in Iraq.

A number of these hearings have involved the company called Halliburton or its subsidiary KBR, Kellogg, Brown & Root, but it has not been exclusive. We have had hearings about other contractors: Custer Battles, Parsons, Bechtel. And it does focus some on Halliburton only because Halliburton received the largest sole-source, no-bid contracts. And by definition, many of the whistleblowers who have come forward to describe the waste and abuse and, I believe in some cases, fraud have been whistleblowers who had worked for Halliburton or Kellogg, Brown & Root.

This will be the 10th hearing that our committee has held to conduct oversight of contracting practices in Iraq. We have invited witnesses to the hearings. The specific abuses that we will hear about today involve Halliburton or Kellogg, Brown & Root. I do want to tell you that we have previously invited the chief executive officer of that company to come and testify at one of our hearings, and they have declined that invitation.

At the outset, I say we have not singled out this particular company. We've had hearings with respect to others as well. But I believe when the majority party which controls all three benches of Congress shows and demonstrates they have no real interest in oversight hearings and do not hold these hearings in the regular committees, I believe it's appropriate for us and important for us to do what we can to provide that kind of oversight.

I want to just talk about some of the patterns that we've seen. A hearing of June 27th of last year -- we released a report showing that there was \$1.4 billion in charges to the U.S. government by the Halliburton Corporation that it had not been able to substantiate. One of the top civilian contracting officials in this country, Bunnatine Greenhouse, who rose to become the highest civilian contracting official in the Corps of Engineers, testified, quote, "I can unequivocally state that the abuse related to contracts awarded to KBR, the subsidiary of Halliburton, represents the most blatant and improper contract abuse I have witnessed during the course of my professional career." For that, this woman who had been given outstanding job ratings her entire career and who was judged by people outside of the Pentagon who know about purchasing and procurement to be one of the tops in our government -- for that statement she was demoted and has lost her job.

The former director of the Defense Energy Support Center, who spent 30 years in the Pentagon supplying fuel for our troops in battlefield conditions, says that we were charged twice what we should have been charged for fuel delivered by Halliburton in Iraq.

We had a soldier -- a former soldier -- describe to us that he saw \$85,000 new trucks abandoned or torched beside the road in Iraq if they experienced minor problems, including not having the proper tools with which to fix a flat tire. So an \$85,000 new truck is left beside the road to be torched because, after all, the taxpayers are paying for that and a contractor can buy a new one and charge it again. Forty-five dollars paid for a case of Coca-Cola; \$7,500 a month to lease an SUV -- that's a month; ordering 50,000 pounds, 25 tons, of nails -- they're the wrong size so they're dumped some place in the sands of Iraq -- doesn't matter, the taxpayer pays for all that. Food ordered for the troops, served to the troops despite the fact that the date stamp says this food is expired. It is pretty unbelievable. Contaminated water -- water that is more contaminated than the water directly from the Euphrates River being served to troops at virtually every Army installation, every military installation in Iraq. And we have the reports by the person in charge of that water delivery for Halliburton in Iraq. It's all denied by Halliburton and the Defense Department. And we have the reports by the person that wrote the report in Iraq -- still working for Halliburton -- says it was a near-miss, could have caused mass sickness or death -- water more contaminated than raw water from the Euphrates River.

Well, the fact is none of this should be happening, and I think it's almost unbelievable that the oversight and the accountability is not there and no one seems to give a damn, nobody seems to want to hold accountability hearings or oversight hearings, and so we're doing it.

Today, we're going to hear from some folks who have worked for Halliburton and who want to tell their story publicly. We'll hear from Julie McBride, who was hired in 2004 by Halliburton. She was a coordinator for welfare and recreation at Camp Fallujah in Iraq. Her employment was terminated by Halliburton a year later. And as has been the case in so many circumstances, she is one who complained to her supervisors at Halliburton about what she saw with respect to the hoarding of supplies and the use of supplies that were ordered for troops and then used by Halliburton employees instead and Halliburton executives. She will talk about over billing for services provided and what she saw that she believes disserved the American taxpayer and the American soldiers.

Today, we'll also hear from some folks who have previously worked for Halliburton, who will tell us a story not so much about the issue of waste of money, which has been the focus of so much of our previous hearings, but this is with respect to the accountability for the safety of contract employees. My understanding that many of the employees that are hired by Halliburton and its subsidiary are actually hired through a subsidiary that exists in the Cayman Islands. You can talk a little about that later today.

But nonetheless, the question is, what about accountability for the safety of workers? That, too, is an issue, and I know that there is an issue of litigation with respect to some of these issues. It is not our intent today, in any Senate hearing, to litigate these issues. It is our interest, however, to listen to these stories and try to understand what kind of accountability exists for the safety of contract workers in Iraq. And so we appreciate very much today that we will hear from Ed Sanchez, a rancher from Silver City, New Mexico, a civilian truck driver, a member of the Halliburton fuel convoy in Iraq that was attacked in April 2004 and was shot twice during that attack. We will hear from Sean Larvenz, a former police officer, also a Halliburton truck driver in Iraq. Scott Allen represents the survivors of that convoy and, as I indicated, Julie McBride and then Alan Grayson. Alan Grayson is an attorney who represents Ms. McBride in a false claims act suit.

I want to thank all of those who have come to participate today, and I want to call on my colleague, Senator Bingaman, who has been a partner in many of these oversight hearings that we've been holding and, I think, believes as I do that there's something dreadfully wrong here with respect to the way money has been spent and the lack of accountability for that expenditure.

Let me say this: I think what I have learned for a long period of time now is that what has been happening by some of these contractors undermines our troops and injures our troops and deceives and cheats our taxpayers. And I believe we ought to put a stop to it.

And the best to do that, I think, is to expose it to the sunlight and disinfect it, and demand -- literally demand -- that those who are responsible for overseeing and supervising these contracts take action -- Immediate action.

Senator Bingaman.

SEN. BINGAMAN: Thank you very much, Senator Dorgan, for holding this hearing and for holding this whole series of hearings on this important set of issues about contractor practices and contracting abuses in Iraq.

I do think that the issue is particularly important in connection with this conflict for two reasons that seem to me. One is the enormous amount of money that is going into this conflict, and it's the -- I think most Americans are amazed to see that we're spending upwards of \$2 billion I guess each week. I think it's \$2 billion a week at this conflict. So there's a lot of money that is being spent, a lot of taxpayer dollars. And secondly, at least in my experience and knowledge, this conflict has -- in this conflict, we have relied more on contractors to do much of the essential work that needs to be done, much more so than we have in previous military conflicts. I'm not aware of the extensive use of contractor personnel to do an awful lot of this that we've seen in this case. So those are two reasons why I think this set of hearings is extremely important.

Oversight by the Congress is essential. We have not had that in the last couple of years. Senator Dorgan is trying to fill that need with this policy committee hearing, and I commend him for it. Oversight by our own Pentagon, also, of what is going on and what standards are being met by the contractor community I think has been lacking. So I commend you for this. I look forward to the testimony. I particularly thank all of you for being here. I know Ed Sanchez is from my home town of Silver City, New Mexico, and I particularly welcome him here, but all the rest of you as well, and look forward to your testimony.

Thank you.

SEN. DORGAN: Senator Bingaman, thank you very much.

Today, first we will hear from Julie McBride, who is a former KBR-Halliburton employee. Born and raised in the Midwest, Ms. McBride received her bachelor's degree at Bradley University, her master's degree at Northeast Missouri State University, and her law degree at the University of Missouri in Columbia, Missouri. She's worked as a teacher, a coach, social services worker, attorney and telemarketer. Ms. McBride served in Iraq as a KBR morale, welfare, and recreation coordinator. She now lives in Los Angeles, California.

Julie McBride, thank you for being here.

And let me say before all of you start: It is not easy, we understand and recognize, to come and tell your story publicly. But I think it is a public service, a service to our country, to our troops, to the American people, and I appreciate very your being here. So we will hear from you, and we appreciate your attendance today.

If you will pull that forward very closely, I'd appreciate it.

MS. MCBRIDE: Good afternoon. It is truly a privilege for me to be here today and to speak to this honorable committee. I would like to thank the members for taking the time to investigate how American tax dollars are being spent in Iraq. I was over there, and I will share with you some of my observations and concerns.

I am a divorced mother with two sons. I wanted to both support my family and serve my country during this time of war. Since I was too old to enlist, I was thrilled to discover that I could try to help the military by working for Halliburton. I left my family, home and job to be stationed at Camp Fallujah, Iraq during the battle for Fallujah in November of 2004. I was hired as an MWR coordinator. MWR stands for morale, welfare and recreation. MWR facilities organized recreational activities for off-duty troops. I became the camp mom to many of the troops while I was there, and that meant a great deal to me. The two MWR facilities at Camp Fallujah were a fitness center and an Internet cafe. The fitness center had gym equipment, pool and ping-pong tables, video games, and a large room for movies, fitness classes and dances.

The Internet cafe housed telephones and computers and a library.

At Camp Fallujah, I became concerned about several Halliburton practices. The first concerns procedures use to compile the head count for the MWR department. Funding for the MWR department was evidently based in part on the head count that Halliburton reported. Each off-duty soldier who entered the fitness center or the Internet cafe signed in. This was referred to as the "boots in the door" count. Halliburton MWR employees were directed to utilize the following methodology to intentionally inflate this count: To begin, each hour on the hour, Halliburton staff were instructed to record the number of soldiers in each of the five rooms of the fitness center and in the Internet cafe library. In addition, each person who used any equipment in the fitness center was required to sign a form. This included balls, pingpong paddles, pool cues, board games, video games, et cetera. Further, a record was kept of the number of troops who attended fitness classes or other activities.

Halliburton instructed that at the end of each calendar day, MWR coordinators prepare a situation report -- or a sit-rep -- to record what was purported to be the MWR head count for the day. To inflate the figure, the coordinators began by adding together the boots in the door count and the hourly totals for each room in the fitness center throughout the day, and also in the library. For example, I was present in Iraq on February 27th, 2005, when the boots in the door count at the MWR facility in Fallujah was about 330 troops. The hourly count that day for each room was over 1,300. These totals were then combined for a fitness center head count in excess of 1,600, or five times the actual number of troops that had come into the facility that day.

Next, Halliburton would often add the number of troops who attended a fitness class or activity, although each person had already been counted when he or she came in the door and again during the hourly head counts. On top of that, often they would also add the total number of equipment items that were checked out that day. Sometimes they would even add the number of towels checked out by the troops. One day in February 2005, for example, 179 towels were added to the MWR head count. One day in January 2005, they added 240 bottles of water used by the troops that day in the MWR head count. Sometimes they used a sum total for the head count that was higher than the boots in the door, hourly room counts, activity count, equipment count and towel counts combined. After adding together all of the numbers to arrive at a sum total, coordinators were instructed to throw away the original boots in the door sign-in sheets. The larger sum total was then designated as the MWR head count for that day. This figure was then e-mailed to Halliburton administrators who compiled the numbers for all MWR facilities. There are many other Halliburton MWR coordinators who can verify this procedure.

This fraudulent head count can then equate to millions of dollars in unnecessary funding. By inflating the number of users, Halliburton can rationalize a greater need for facilities, equipment, staffing and administrators than actually exists. The additional staffing does not benefit the troops, but it does benefit Halliburton. Under its contract, the more facilities, equipment, staff and administrators Halliburton can show a need for, the more profit Halliburton makes. As the mantra at Halliburton camps goes, "It's cost plus, baby."

I also have observed that through their control of the MWR and dining facility requisition procedure, Halliburton employees requisition many items for their personal use, claiming that they were for the troops. I have personally observed cases of soda stacked on top of each other in Halliburton administrative offices, which Halliburton employees obtained in this way.

They drank at will from them, not only obtaining free soda, but generating an undeserved profit for Halliburton.

By contrast, United States soldiers, who make about a quarter as much or less, must go to the PX to purchase their soda with money from their own pockets. Halliburton employees also exploit requisitions to obtain luxuries that are not afforded to the troops. One example of this was a Super Bowl party for Halliburton employees only at taxpayer expense. Halliburton requisitioned a big screen TV and lots of food for the private use of Halliburton employees. Halliburton made money on this too. Those same employees then arranged a live television connection for that big screen TV so that they could watch football games.

In my experience, many Halliburton employees, frankly, don't seem to care much about the military. They often ignored troop requests or treated them like an annoyance. Those same employees, however, indulged their own whims at taxpayer expense.

There are many other areas in which Halliburton is overcharging the United States government. Halliburton employees refer to illegal activity in Iraq as "drug deals." I heard of more than one drug deal while working for Halliburton in Iraq.

Halliburton discourages employees from speaking out about these issues. It's not easy to stand up to Halliburton. After I voiced my concerns about what I believe to be accounting fraud in writing, Halliburton placed me under guard and kept me in seclusion. My property was searched, and I was specifically told that I was not allowed to speak to any member of the United States military. I remained under guard until I was flown out of the country.

During my time at Camp Fallujah, I came to love the young men and women in the military who serve our country so well. It was an honor for me to help them in any way. I will never forget their kindness, and it's their courage that has inspired me to speak out now on their behalf.

I hope that this information is helpful to you and that the government will investigate these issues. Thank you again for this opportunity.

SEN. DORGAN: Ms. McBride, thank you very much. We will have some questions, but I want to hear from the other witnesses first. But thank you very much for your testimony and for being with us today.

Next we will hear from Alan Grayson. He is the director of Grayson and Kubli. He is a graduate of Harvard Law School -- Harvard College and Harvard Law School and the John F. Kennedy School of Government. Taxpayers Against Fraud named him the 2006 Lawyer of the Year for winning the first Iraq contract fraud case in trial by jury.

Mr. Grayson, thank you for being with us. You may proceed.

MR. GRAYSON: Thank you very much, Senator. Good afternoon. Thank you for the opportunity to be here today and to speak before this honorable committee. Thank you, Senator Dorgan and Senator Bingaman.

My name is Alan Grayson. I'm an attorney, and I represent dozens of whistleblowers in cases brought against contractors who have defrauded the government. The Civil False Claims Act allows whistleblowers to bring cases in the name of the government to help taxpayers recover money from contractors who cheat the government. Ms. McBride is one such whistleblower.

With this week marking three and a half years since the occupation of Iraq began, it is possible to conduct an appraisal of the role that contractors have played in Iraq. It is not a pretty picture. While U.S. forces are praised for their professionalism and their discipline, there have been countless reports of government contractors in Iraq undermining the mission, wasting money and stealing money. Half of the \$18 billion in Iraq reconstruction funds are unaccounted

for. Senator Dorgan has said that there is an orgy of greed among contractors in Iraq, and there is ample evidence to back that up. This committee, a modern-day Truman Commission, has uncovered many examples of this. So has the media. What you will not hear about, however, are many examples from False Claims Act whistleblowers because the Bush administration has systematically kept those cases out of the public eye.

Out of all the cases filed by whistleblowers regarding fraud in Iraq, only two of them have been litigated. The Bush administration refused to participate in either one of those. In the first case, a suit that I helped whistleblowers to bring against Custer Battles, the company's own internal audit report found the company guilty of criminal fraud. The U.S. military suspended the defendants, finding adequate evidence of that fraud. Yet the Bush administration did literally nothing to recover the millions of dollars that the defendants stole. We brought that case to trial without the help of the Bush administration, and won a jury verdict worth over \$10 million for the taxpayers. But the judge then ruled that the Bush administration had messed up the contract paperwork, and now the issue is on appeal.

The second case is Ms. McBride's complaint against Halliburton. Her case was filed over a year ago. The Bush administration sat on it for that period, investigated only one of the five allegations of fraud in her complaint, and then, without explanation, refused to participate in that case as well. In both the Custer Battles case and the Halliburton case, the defendants' intimate connections with the Bush administration are well known.

As for all the other whistleblower cases filed against contractors alleged to have defrauded the government in Iraq, after three and a half years the Bush administration perpetuates the masquerade that it's investigating all these cases. The False Claims Act provides that these cases must be brought under seal and gives the administration 60 days to investigate.

That 60 days became 60 weeks and it is now approaching three or more years in some cases. Obtaining one extension after the other for these court-ordered seals permits the Bush administration to keep these cases out of sight indefinitely.

The last thing that the Bush administration wants, it appears, is more bad news coming out of Iraq and it's willing to throw a monkey wrench into the machinery of justice to prevent that. As a result, the Bush administration has not litigated a single case against a contractor alleged to have defrauded the U.S. government in Iraq. It has obtained one guilty plea from a Halliburton employee, however, but not for defrauding the government, rather for defrauding Halliburton.

As one reporter on this beat recently noted, the U.S. military has been spending over \$1 billion a week in Iraq for years, but DOD's inspector general's had zero inspectors on the ground since at least October of 2004.

A few months ago, The Wall Street Journal was kind enough to say that I'm conducting a one-man war against contractor fraud in Iraq. I keep wondering when we'll see some reinforcements.

President Bush twice took an oath of office to see that the laws are faithfully executed. Regarding fraud in Iraq, it's plain and simple: he has violated that oath.

An earlier wartime president, Abraham Lincoln, had this to say about war profiteers when he proposed enactment of the Whistleblowers False Claims Act seven score and three years ago. Abraham Lincoln said, "Worse than traitors in arms are the men who pretend loyalty to the flag, feast and fatten on the misfortunes of a nation while patriotic blood is crimsoning the plains of the South, and their countrymen molder in the dust."

As Lincoln said in the Gettysburg Address -- it's far beyond my poor power to add or detract from what he said -- but let history note that as patriotic blood is crimsoning the plains of the Sunni triangle, and as our countrymen lie moldering in the dust, some people in Halliburton, with their Super Bowl parties and their stock options, feast and fatten on the misfortunes of this nation while pretending nothing but loyalty to the flag.

Thank you very much.

SEN. DORGAN: Mr. Grayson, thank you very much.

Next we'll hear from Edward Sanchez. He's from Silver City, New Mexico. He was a civilian truck driver in Iraq -- a member of the Halliburton fuel convoy that was attacked in April of 2004. Mr. Sanchez was shot during that attack.

Mr. Sanchez and Mr. Larvenz and Mr. Allen, who will testify next, I'd like you to -- if you've submitted lengthy testimony, go through as much of it as you can. I would like you to summarize portions if you can.

Mr. Sanchez, why don't you proceed.

MR. SANCHEZ: Thank you, Senator Dorgan.

Thank you for inviting me here today. My name is Edward Sanchez. I am from Silver City, New Mexico. In late 2003, I was hired by Halliburton to drive a fuel truck to Iraq. On Good Friday, April 9th, 2004, I was part of a fuel convoy hauling JP8 fuel from Camp Anaconda to Baghdad International, otherwise known as BIAP.

Although we did not know at the time that our convoy was sent by Halliburton down a road where they knew there had been ongoing battles and many other attacks on many Halliburton convoys for two days. As a result, seven of my friends who worked for Halliburton were brutally murdered.

On April 8th 2004, we attended our usual 7:00 p.m. meeting where we received our assignments for the following day. At the meeting my fellow driver, Jack Montague (sp), asked the foreman whether the war had resumed. The foreman sarcastically replied, "I don't have CNN." Sadly, my friend Jack Montague (sp) died the next following day on Good Friday massacre.

The morning of April 9th we were informed that we were going to Baghdad International -- otherwise known as BIAP. Very few of us had been to BIAP before. Prior to leaving, the soldier drew a map of our route on the ground with his boot. I was the 12th KBR truck in the convoy. Prior to departing the gate, a soldier, PFC Gregory Goodrich, was placed in my truck. I had never driven with a soldier in my truck before.

Our convoy left the gates of Camp Anaconda driving military, camouflaged fuel tankers, not KBR Halliburton white trucks. I don't know why. There were 17 fuel trucks, two trucks without trailers, called bobtails, at the rear. When we turned onto MSR Sword, near Abu Ghraib prison, there was no traffic. One of the drivers ahead of me radioed that he was having mechanical trouble. We did not know at the time, but his engine had been shot by insurgents.

We passed under a bridge and the black flags were hanging from the bridge. There was a white KBR Halliburton tanker from another convoy on the right side of the road on fire. One of our trucks went to the right of the truck on fire and was hit with an IED. At about that time, all hell broke loose.

I cannot possibly describe for you the noise and the nature of the attack. We began taking rounds -- small arms fire from both sides. The shots were coming like a hailstorm. PFC Goodrich was firing on both sides of my truck. The black smoke from the burning fuel was so thick it was difficult to even see the road in front of me.

My fuel tanker began leaking fuel like a water sprinkler from the holes that were being shot into it. The road became very slippery from the fuel spewing onto the road and it was very difficult to see and control the truck.

Early on in the battle, I took a round in the buttocks. I could hear other drivers pleading for help over the radio. I heard one of the drivers crying on the radio, "I'm hit! I'm hit!" I heard another driver screaming, "I'm burning! I'm burning!" Then the radio went silent. I passed one of the trucks, although the black smoke, I could barely see one of the drivers kneeling by the truck holding his handheld radio. I heard him cry, "You son of a bitch, you passed me!" to another driver who could not see him due to the smoke.

I passed other trucks from our convoy on fire with the driver slumped over in their vehicles. As we reached the top of the bridge on the road, I saw my fellow Halliburton drivers, Ray Sinard (ph) and Michael Resevey (ph) on the side of the road. They ran toward my truck and jumped on the running board on the driver side of the truck. My tanker had caught fire. The gunfire intensified. A bullet struck and lodged in the center of Michael Resevey's (ph) helmet. Michael and Ray rolled off the running board and PFC Goodrich and I escaped the truck as rounds were coming through the doors.

We began low-crawling on the pavement. The deafening noise from our RPGs, small-arms fire and IEDs and other weapons continued. The military humvee passed but did not stop for us. A second humvee approached and thankfully stopped. As we were getting in the humvee, Private First Class Goodrich was shot in the chest before our very own eyes.

Inside that crowded humvee were other Halliburton drivers: Nelson Howell (sp), Steven Fisher (sp), Solder (sp), Jared Walsh (sp). Steven Fisher (sp) had been wounded and was bleeding profusely from his arm. Fisher (sp) was parched with thirst and begging for water. Fisher (sp) asked us to tell his family that he loved them and gave us his personal messages for his family members. Nelson Howell (sp) replied: "But you can't die. You're a Marine."

I placed Mike's fist into the chest wound of Private First Class Goodrich in an attempt to stop the bleeding. Blood soaked the floor of the humvee. All the while, we were under heavy attack, Nelson Howell (sp) and I began shooting weapons at the enemy, including the humvee 50 caliber. Eventually, the humvee engine died while we were still taking fire.

We were rescued by a Bradley Fighting Vehicle. Fisher (sp) and Goodrich died shortly after being taken from the humvee. Once inside the gate of BIAP, a soldier came up to me and said the words, to the effects: "Who are you guys? What are you guys doing out here? The roads are closed. We have been fighting those guys for over 48 hours. They own that road out there." Another Halliburton convoy commander, Mr. Rick Udell (sp), told several of us that he could not believe that we had been sent down the road since he had been attacked on the same road earlier that day after leaving Camp Anaconda. He told Halliburton not to send anyone else down that road due to hostilities.

One question haunts me: Why did Halliburton send unarmed, noncombatant civilians in military tankers down a closed road where there was an ongoing battle? Halliburton conducted an investigation but refuses to share the results with me or with the families of the men that died that tragic day. Why?

I think my fellow drivers, their families and I deserve to have Halliburton give us their investigation and give us their answers. They refuse. I ask you, please, help us. I want to know, and I think the families deserve to know.

I thank you for your time and I'm ready to answer any questions.

SEN. DORGAN: Mr. Sanchez, thank you very much for being with us.

Next we will hear from Sean Larvenz, former police officer and was formerly a Halliburton truck driver in Iraq. He was a civilian convoy commander from July 2003 to May of 2004 when he was promoted to flatbed foreman for that company.

Mr. Larvenz, thank you for being with us. You may proceed.

MR. LARVENZ: Thank you, Mr. Chairman and members of the committee.

I want to thank you for inviting me to today's hearing. It's an honor to be here.

I'm here today to tell you about the events of April 8th and 9th, 2004. The morning of the 9th, in my capacity as a civilian convoy commander for Halliburton, I was leading a convoy north past Baghdad International Airport, also known as BIAP, towards Camp Anaconda. When we approached the area surrounding BIAP, I saw on the road ahead, and heard over my handheld radio, "Heavy insurgent attacks at the junction of main supply route, MSR Tampa and Sword." I immediately advised Halliburton of the attacks.

I was a civilian convoy commander for Halliburton from approximately June and July of 2003 through May of 2004. During the time I was employed with Halliburton, I participated in excess of 100 convoys, serving as a convoy commander for approximately 85 of those convoys. In the latter part of 2003, I was asked to help develop a training program for convoy commanders, including a training and safety manual.

Based upon my position as a civilian convoy commander, I have personal knowledge that Halliburton convoys communicated and transmitted real-time information with Halliburton's Theater Transportation Missions -- the TTMO - - by a satellite-link communication system known as Qualcomm. I was responsible for reporting to TTMO the status of road conditions, along with the routes my convoys traveled. TTMO was responsible for providing the civilian convoy commanders with current information through the Qualcomm system regarding the status of road conditions, the extent of the risk of harm and the threat of enemy attack along routes where the convoys were to travel. TTMO also used the Qualcomm system to instruct convoys to stop and turn back if they developed information that the routes had become too dangerous to travel.

The Qualcomm Mobile Data Terminal Unit is capable of storing up to the last 100 messages sent or received and the messages remain in temporary storage unless or until they are deleted or overwritten by more recent messages. Shortly after the Thomas Hamill convoy was attacked, I took photographs of the screen stored in my Qualcomm. I took these photographs, because I was concerned that if these messages were not preserved, they may later be destroyed. I knew that many people had unnecessarily -- been unnecessarily put in danger that day and I thought the photographs could help the injured men and the families of the men that lost their lives that day.

On April 7th, 2004, my convoy left Kuwait on a mission north that was supposed to take us to Camp Anaconda. That day we traveled north from our starting point in Kuwait to Camp Cedar, where we spent the night. My convoy left Camp Cedar at about 11:00 a.m. on April 11th. At 3:18 p.m., I received a Qualcomm message from TTMO asking if we were aware of the hostilities that awaited us. The message further stated that there had been direct ambushes on every convoy consisting of mortar fire, improvised explosive devices, and heavy small arms fire and that several Halliburton personnel had been hit. The message advised us to proceed with caution.

Thereafter, at 3:51 p.m., in April the 8th, 2004, I received orders from Halliburton through the Qualcomm to turn around and seek safety at Camp Scania due to the hostilities. The message came directly from Halliburton project manager, Keith Richard. Our convoy return to Scania where we spent that night.

SEN. DORGAN: How far was that?

MR. LARVENZ: From where we turned around? We were approximately 60 miles north of Camp Scania, about 30 miles south of Baghdad when we turned around.

On April the 9th, 2004, it was our intention to leave Scania and reach Camp Anaconda.

At 5:39 p.m. on April the 9th, I received a Qualcomm message stating that per Keith Richard, no convoys were to travel between Cedar II north to Anaconda, and no traffic was to move south from Anaconda to Cedar II.

To my surprise, exactly 30 minutes later at 6:09 A.M., I received a Qualcomm message that stated that per Keith Richard all traffic was to proceed as normal and that all MSR traffic lanes were open in all directions. Shortly thereafter, my convoy left Scania, heading north to Camp Anaconda, which would take us over MSR Sword.

At 9 A.M., I received another Qualcomm message that stated one convoy had been hit at the junctions of Tampa and Sword on the west side of BIAP with mortars and small-arms fire. However, I was told to proceed with extreme caution in this area and to advise our military escorts of possible ambush. As we neared the west gate of BIAP at approximately 9:10 a.m. on April the 9th, my convoy was attacked by small-arms, mortar and rocket-propelled grenade fire. When we were about one mile north of the turnoff for the west entrance of BIAP, I saw mortar fire landing in the road just north of us at the interchange of Tampa and Sword. I also heard a lot of explosions, and on the handheld radio I overheard conversations of members of other convoys as they were being attacked.

In short, I saw and heard multiple attacks on Halliburton convoys on Sword shortly after 9 A.M. on April the 9th. I knew that if we went further on to Sword, the men and women in my convoy would surely be killed or seriously injured. I turned my convoy around to BIAP. At 9:25 A.M., I sent Halliburton's TTMO a Qualcomm message informing them of the attack. I also advised them that there were reports of heavy fire on Sword and that our convoy was returning to BIAP. Five minutes later at 9:30 a.m., I received a Qualcomm message from TTMO asking me to keep them advised. Therefore, it is absolutely no question in my mind that as of 9:30 a.m. on April the 9th, 2004, Halliburton was aware of the armed attacks on Halliburton civilians at the junctions of Tampa and Sword. Despite what I

experienced and what I told Halliburton, I learned later that they sent the Thomas Hamill convoy south from Camp Anaconda to BIAP, a journey that necessitated they drive directly through the raging battle that was ongoing at the junctions of Tampa and Sword. I was never interviewed by anyone at Halliburton about the events of April 8th and 9th. If they had asked, I would have told them what I'm telling you today.

I thank you for your time, and I hope you will find out what happened on April the 8th and 9th.

SEN. DORGAN: Mr. Larvenz, thank you very much for your testimony.

We have been joined by Senators Reed and Durbin. And Senator Reed, I don't know -- we have -- we're going to hear from Mr. Allen, at which point we will then ask questions. Would you like to say anything?

All right. Senator Durbin?

Mr. Allen, welcome to you. Mr. Allen is an attorney with the firm of Cruse, Scott, Henderson & Allen in Houston, Texas. Born and raised in Galveston, attended public schools there, graduated from the University of Texas, law degree from the University of Houston Law Center.

Mr. Allen, thank you. Your written testimony is rather lengthy. I would ask you to summarize it, of course.

MR. ALLEN: I've done so. Thank you, Senator.

SEN. DORGAN: Appreciate your being here.

MR. ALLEN: Members of the committee, I would like to thank you for inviting me here today to speak on matters that I consider to be of critical importance --

SEN. DORGAN: Would you pull that microphone closer to you? Thank you.

MR. ALLEN: -- not only to my clients but to all civilian employees of civilian contractors working in Iraq and Afghanistan, or in similar settings both now and in the future. My name is Scott Allen. I practice trial law. An estimated 90 percent of my practice has focused on the defense of individuals and companies in civil cases.

However, after I learned of the facts surrounding the multiple Halliburton-KBR civilian truck drivers' casualties that occurred on April the 9th, 2004, I felt compelled to assist in their effort to seek justice. My clients and I believe that Halliburton should fully explain what they knew, when they knew it, and most importantly, why they would allow unarmed civilian employees like Mr. Sanchez to drive unarmored, camouflaged, government-owned military trucks down a road when -- that had been engaged in combat operations between the U.S. Army and Iraqi insurgent personnel for 48 hours.

Before I begin my remarks, I think it is important to categorically state why we are not here. We are not here contending that the United States Army is responsible for the deaths and injuries that occurred on April the 9th. To the contrary: The truck drivers and their families have asked me to specifically thank the soldiers from the 2nd Platoon of the 724 Transportation Company who fought so valiantly to protect the drivers' lives that day.

In particular, we thank Sergeant Elmer Krause, PFC Gregory Goodrich, who had died that day, as well as their families; and also thank PFC Keith Matthew Maupin, who was captured alive but still remains missing. We also would like to recognize Specialist Jeremy Church, who received a Silver Star that day for his brave actions in Iraq.

Secondly, we are not here to suggest that civilian workers of private contractors can expect an absolute guarantee of safety. In fact, we would not have become involved and my case on behalf of my clients would not have been filed if, for example, these truck drivers had been the victims of a true, quote, "surprise attack" under conditions that were not foreseen or known by Halliburton. I regret to say, however, that such are not the facts of our case. Rather, we have sadly discovered evidence that proves beyond any doubt that Halliburton-KBR knew well before my clients were sent from Camp Anaconda on April the 9th that the roads they would travel were currently engaged in active combat, that

the areas were closed and off limits to civilian personnel, and that other Halliburton-KBR convoys, such as such as Mr. Larvenz's, had been attacked at or near the same location which had already resulted in multiple civilian casualties.

I must inform the committee that the facts I will discuss today are only an overview and not a complete disclosure of the evidence in my possession. The constraints on my testimony are not merely limited by time but are more severely restricted by a protective order entered at the request of Halliburton which prohibits me from disclosing most of the documents and evidence we have discovered. In that regard, the most important request that I can make today is to ask that this investigation not end today but that the senators continue to pursue the facts and the truth and request that Halliburton and KBR provide you with all of the documents and the evidence in their possession.

My clients and all of the workers for Halliburton and KBR in Iraq are civilians, not military personnel. The long-kept contract between Halliburton and the United States Army and the Army Field Manual make this clear. Under both the LOGCAP contract and the applicable Army regulations, although the Army can certainly request Halliburton and KBR to supply truck drivers to deliver goods, including fuel, between various locations in Iraq, it is Halliburton and KBR, not the Army, who has the authority and, more importantly, the responsibility to ensure that their employees are not sent down roads currently engaged in armed combat. In that regard, I am supplying the committee with an example of the job description for a truck driver posted on the Halliburton-KBR website as it existed in February of 2004. This posting reflects the work to be performed by my clients concern tasks completely civilian in nature and did not indicate that the drivers would be asked to do anything but operate company-owned vehicles only in a strictly civilian capacity.

A January 22nd, 2003, memorandum, which is before you, was provided to all United States citizen civilians at Halliburton-KBR's employee orientation in Houston before they were sent to Iraq. As stated in the safety memorandum, the workers were told LOGCAP-3 support contract operations are often conducted in a hostile environment. This does not mean your safety will be compromised. The LOGCAP support contract safety philosophy is simple: There is not one thing that we do that is worth injury to an employee. Yet on that day, they sent my clients and 20 men, unarmed civilians, down a road that was currently engaged in combat. On April the 9th, 2004, my client's convoy was asked to deliver JP8 fuel from Camp Anaconda in Balad, Iraq, to BIAP, a distance of approximately 60 miles.

The convoy would essentially travel down two main roads: a north- south route, Tampa, which intercepted with an east-west route to BIAP, Sword.

For reasons about which we are still seeking answers, my clients were told to drive camouflaged and unarmored government-owned military fuel trucks as opposed to the company-owned white fuel trucks that they were promised they would drive.

At approximately 12:10 p.m., three hours after Mr. Larvenz has told you he was on Sword and was attacked and had heard and witnessed other attacks, at approximately 12:10 p.m., my clients also entered the east-west route, Sword, near the Abu Ghraib market. My client's convoy was massively attacked from both sides of the road with deadly weapons, which included improvised explosive devices, machine guns, small-arms fire and rocket propelled grenades.

The area of this attack has been described by Mr. Thomas Hamill, the KBR civilian convoy commander, in his book as an "endless kill zone." Unfortunately, two-thirds of the civilian drivers in this convoy were either killed or wounded.

As I speak to you today, the official death count of the civilian Halliburton KBR employees is six: Mr. Steven Fisher (sp), Mr. Steven Hewlett (sp), Mr. Jack Montague (sp), Mr. Tony Johnson (sp), Mr. Jeffrey Parker (sp) and Mr. William Bradley (sp). Another Halliburton-KBR truck driver, Mr. Timothy Bell (sp) of Alabama, has never been found. And while officially declared as missing, he is also believed to be dead.

Surprisingly, I also represent another truck driver, Mr. Reginald Lane (sp), who was sent down this same road an hour and 20 minutes after Mr. Sanchez's convoy was attacked. Mr. Lane (sp) lost his arm and currently suffers brain damage. And he was being asked to drive JP-8 (sp) fuel north to Anaconda -- the same fuel that my clients had been asked to drive south to Anaconda. You wonder why they were on that road with the same fuel headed in opposite directions.

Here's what we know now and concurrently disclose concerning the facts. Number one, April the 9th was a date of expected violence due to its religious and historical significance. It was the first anniversary of the fall of Baghdad to coalition forces, it was a significant Muslim holiday, and it was Good Friday. Number two, the United States Army and the Coalition Provisional Authority on both April the 7th and 8th acknowledge in their press briefings they expected an increasing level of hostility, and announced publicly Operations Vigilant Resolve and Resolute Sword be conducted on this road.

As reflected in the Army report prepared after this event, the 1st Calvary Division had been engaged in combat operations on Route Sword for approximately two days, and everyone agrees that combat operations close a road to civilians.

As reflected in the testimony of Mr. Steven Pulley (sp), which you will see in a moment, he and the entire KBR security department had specifically recommended to Halliburton and KBR that no civilian convoys be deployed on the 9th.

As reflected the testimony of Mr. Kenneth Waller (sp), which you will also see, he worked at KBR's TTM headquarters in Camp Anaconda and was told that day, before he went to work, that all the roads were designated as black or red, which meant they were supposed to be closed to civilian traffic. In fact, on April the 8th, 2004, KBR civilian convoys had been attacked already in the same location my clients and other convoys were again attacked on the 9th.

Despite the above -- the fact that the convoys were attacked on the 8th -- convoys were sent out on the 9th, and at least three and probably more convoys -- I don't have the evidence yet -- were attacked prior to the time my clients made it down that road.

Now, with your permission, I'd like to show you portions of the depositions of two former Halliburton KBR employees who were working in Iraq in different locations and capacities -- no, in different capacities in the same location. They are Mr. Keith -- Kenneth Waller (sp), who worked in TTM operations at Anaconda; and Mr. Steven Pulley (sp), who worked in the KBR security department at Anaconda. Additionally, we will present portions of a deposition of Mr. Tommy Hamill, who was the KBR civilian convoy commander of my client's convoy and is still employed by Halliburton and KBR, where his duties include training other truck drivers at KBR's Houston orientation facility and representing Halliburton and KBR as a corporate representative at trade shows.

SEN. DORGAN: Mr. Allen, we're going to have to truncate this just a bit, so how long are your clips?

MR. ALLEN: I didn't prepare them; five minutes?

SEN. DORGAN: Well, let's see a part of them and then we will proceed to -- let's proceed with the part of the deposition.

(Video clip shown.)

SEN. DORGAN: Let me ask, if we can, to hold the rest of it for the moment. I don't -- you know, I understand that there are a number of issues related to this. My interest is not in litigating a case here. My interest is in understanding what is happening.

As I described earlier, our interest in oversight has been largely about the issue of waste and fraud and abuse, but it's also important to understand whether proper oversight exists with respect to the way contractors provide for the safety of their employees.

I don't think there's any question that someone who goes to work in Iraq for a contractor is going to work in an area that has real safety issues. I don't think there's any question about that. Mr. Allen, you said that yourself.

The question, I think, that the truck drivers and you have raised deals with the issue of whether a contractor here has provided adequately for safety of contract workers in this area. And I think that's a very important issue. I wish that all

of this were part of aggressive oversight by committees of jurisdiction. But it has not been, regrettably. And for that reason, we hold oversight hearings here in this venue.

Let me -- before I turn to some questions and ask my colleague, Senator Reed, as well, Mr. Allen, one of the pieces of information in your testimony which I have received is a letter to a truck driver from KBR -- Halliburton, Kellogg, Brown and Root -- and it says, "I hope this finds you well and enjoying a swift recovery."

It says, "This form authorizes me to" -- he's sending a form. "This authorizes me to share your medical records with the Pentagon Review Board for the purposes of awarding you the Secretary of Defense Medal for the Defense of Freedom. It's an honor bestowed on rare occasion to government contractors who are wounded in hostile acts while serving on a government contract. You most certainly would qualify. I'm working to ensure that you receive this much-deserved piece of recognition."

Then attached to that on top it says, "Kellogg, Brown and Root." It's titled "The Use and Disclosure of Protected Information." Number nine says the following. They're asking the truck driver to sign this. Number nine says, "Release. I agree that in consideration for the application for a Defense of Freedom medal on my behalf, that on my behalf" -- excuse me -- "on behalf of myself, my heirs, executors," and so on, "I release, acquit, discharge and do hereby release, acquit and discharge KBR, all KBR employees, the military and their representatives collectively and individually with respect to and from any and all claims and any and all cause of action of any kind or character, whether known or unknown, I may have against them which exists at the date of this authorization."

So it looks to me like Halliburton or KBR has sent a letter to truck drivers. It says, "We are intending to submit your medical records to the Pentagon Review Board for the purpose of awarding you the Secretary of Defense Medal for the Defense of Freedom. In order for us to send the medical records, we want you to sign this release." And number nine on the release, in rather small type, would be -- they would be signing away a release that acquits and discharges or releases, acquits and discharges all KBR -- all employees for virtually any act, known or unknown.

Is that -- that's the way this reads. That is almost unbelievable to me that a company would do that. This particular one is addressed to Mr. Stannard (sp).

MR. ALLEN: Stannard (sp), yes, sir.

SEN. DORGAN: Do we know, has this gone to other truck drivers?

MR. ALLEN: I'm looking into that, your honor -- I mean, Senator. One of the things I have not been able to do is take any depositions.

And in your role as oversight, the reason I've been stopped is Halliburton is claiming immunity from prosecution in this case. They currently, for the second time, have stayed my case while they move to dismiss it not on the merits - not on the merits; regardless of their conduct, regardless of the facts -- they are saying they are the equivalent of the military and we cannot move forward. In that letter, they actually -- that letter says it is a medical release form. They mislead the truck driver, tell him it's a medical release form and we're going to supply your records to the Pentagon so you can receive a government medal which was created on 9/11, the Defense of Freedom Medal. And then they have, to an uneducated person, a release of liability included with it, and I can't find out because I can't take any depositions.

SEN. DORGAN: That is an almost unbelievable piece of paper.

Let me -- I'm going to call on my two colleagues in just a moment. I want to ask one question, however, of Ms. McBride.

Ms. McBride, you indicated that you were in charge or involved in the recreation centers and so on that Halliburton was running for the troops, and that they would inflate fivefold the number of people that were coming in because presumably they were reimbursed for the number of services they provided. You saw direct evidence as an employee involved in that they were inflating the number of people coming in, according to your testimony; in some cases five times the number of people who were actually there.

When you complained, you said, in writing to Halliburton, you were at that point relieved of your duties and prohibited from -- tell us again what happened to you when you began to, in writing, say something wrong -- something's going on here that's wrong, that hurts the American taxpayer. You as an employee reported it. What happened to you?

MS. MCBRIDE: When I went to Baghdad I gave an administrator a three-sheet report where I stated some of the observations that I've told this committee today in regard to the accounting that was being done in the MWR department. In fact, I called it "cooking the books in true Enron style." It was at that point that I was put under guard.

SEN. DORGAN: And you were kept under guard until they transported you out of the country?

MS. MCBRIDE: Yes, sir.

SEN. DORGAN: You were then not able to communicate with anyone else?

MS. MCBRIDE: When I got back I did try to communicate with them.

SEN. DORGAN: But who guards you when you're put under guard?

MS. MCBRIDE: Three Halliburton KBR security. Or actually four, and then one left, but three remained to guard me.

SEN. DORGAN: Did the company ever respond to your written allegations of misconduct and waste and fraud and abuse?

MS. MCBRIDE: They have not responded to those, I believe, other than to deny them.

SEN. DORGAN: They responded by firing you, essentially, putting you under guard and then putting you on an airplane and forcing you out of the country.

MS. MCBRIDE: Correct.

SEN. DORGAN: Right.

Well, first of all, thank all of you for your testimony. We'll have additional questions, but let me -- Senator Bingaman was here. If you don't mind, I'll call on Senator Bingaman. Senator Bingaman.

SEN. BINGAMAN: Thank you all very much for your testimony. I thought it was very informative and disturbing at the same time.

You know, the way that the government is supposed to function -- at least this is my understanding of it, and any of you can correct me if I'm wrong on this -- but the Congress appropriates the money to the Pentagon; the Pentagon then - - in the case of the case of the incidents that you're testifying about, the Pentagon contracts out to private companies to do certain things.

And as I have always understood it, the Pentagon has some responsibility to be sure the money is spent in a way and according to the standards that they would intend in the expenditure of those contracted dollars.

What has been the -- you know, I'm concerned -- I guess, Mr. Larvenz, your testimony here that nobody's ever contacted you about this. Is that right? I mean, you've never been asked --

MR. LARVENZ: No one from Halliburton has asked me about this case beyond our deposition, which was brought up by Mr. Allen.

SEN. BINGAMAN: Yeah. And what about the Pentagon? Have they been in touch with you about this?

MR. LARVENZ: No, sir.

SEN. BINGAMAN: How about you, Mr. Sanchez? Have you been in touch with the Pentagon? Have they had anybody looking into this circumstance that resulted in so many innocent people dying?

MR. SANCHEZ: Well, I was interviewed by an officer, but I don't know if he was from the Pentagon or not in Kuwait, and basically, he just wanted to know -- just gathering information on what happened that day and -- as far as the military side. But that was the end of that Army report I ever saw, and that was briefly -- he didn't say he was from the Pentagon or anything like that.

SEN. BINGAMAN: Well, it just strikes me that this kind of an incident, the incident that you experienced here is obviously so tragic in its results that you would think that there would be a concern that it not be repeated and that we learn whatever lessons we can from the tragedy, and then, put in place safeguards so that this not happen to anyone else, and nobody else goes through this kind of a thing. And that, I would think, would be partly the responsibility of the Pentagon to be sure that this kind of thing not happen.

Mr. Larvenz, you said -- with regard to your thing, you said here, "There is absolutely no question in my mind that as of 9:30 a.m. on April 9, 2004, KBR Halliburton was aware of the hostilities that existed at the juncture of Tampa and Sword." Despite that knowledge, at least one hour later, KBR Halliburton sent the Thomas Hamill convoy south from Camp Anaconda to Baghdad International Airport, and that's the convoy Mr. Sanchez was in --

MR. LARVENZ: Yes, sir.

SEN. BINGAMAN: -- where all those people were killed.

What explanation do you have if you're confident that they knew they were sending these people into this hostility? What's the explanation?

MR. LARVENZ: Well, the reason I know they knew is because I informed them by the Qualcomm system of the events that were taking place to my convoy at that location. And also Mr. Radel's (sp) convoy, which was headed south, had informed them of the events that happened to him at the same location, both of those prior to sending the Hamill convoy south from Camp Anaconda.

SEN. BINGAMAN: But I'm saying, why would KBR Halliburton personnel go ahead and send the convoy into that circumstance after you had informed them of this terrible danger?

MR. LARVENZ: My understanding is because they were contracted to do so, and they -- as long as the trucks rolled, they got paid.

SEN. BINGAMAN: I think -- I guess I would ask the same thing of Ms. McBride before I yield to my colleagues here.

Have you been contacted by anybody in the Pentagon about the allegations that you are making here today and the subject of -- I guess you have a lawsuit pending that Mr. Grayson referred to -- but has the Pentagon contacted you to say, you know, what can you tell us about the problems?

MS. MCBRIDE: No, sir.

SEN. BINGAMAN: Mr. Grayson, do you know of an investigation by the Pentagon to determine whether there's a pattern of abuse here that needs to be dealt with?

MR. GRAYSON: No, and that's one of the saddest things about this situation in general: the system is broken. Nobody's trying to learn from mistakes, nobody's trying to recover money that's been stolen from the government, and nobody's trying to prevent it from happening again. That's the worst thing about all of this, Senator.

SEN. BINGAMAN: Well, it does seem that we have a series of things here that you people are testifying to and have lived through that obviously raise very serious questions not only about the failure of oversight by the Congress, but as I say the failure of oversight by the executive branch agency that has been appropriated this money that is being spent to try to be sure that -- both that the terrible risk to life of U.S. citizens is avoided, but also the terrible loss of resources.

So thank you all again for testifying.

SEN. DORGAN: Senator Bingaman, thank you very much.

Senator Reid.

SENATOR HARRY REID (D-NV): Ms. McBride, how long were you in Iraq?

MS. MCBRIDE: From November of 2004 to the beginning of March 2005.

SEN. REID: And how about you, Mr. Sanchez?

MR. SANCHEZ: I believe it was approximately 14 months. I arrived in January of 2003.

SEN. REID: Mr. Larvenz?

MR. LARVENZ: I was in the theater between -- both Iraq and Kuwait -- from April 2003 through November of 2005.

SEN. REID: Now, the incident that you have testified -- and I read your testimony and I know you gave it live here today, Mr. Sanchez -- you were shot, and you were shot in the rear and you had shrapnel in the neck. Is that right?

MR. SANCHEZ: Yes, that's correct.

SEN. REID: And the -- you were also -- where did you get your M-16 rifle on that day?

MR. SANCHEZ: The rifle I used was given to me by a soldier. I believe it was Jared Walsh's (sp) rifle.

SEN. REID: Out of desperation because he wanted more firepower, is that right?

MR. SANCHEZ: He couldn't -- he was in a bad position in the humvee and he was shot in the foot, and I was in the back and I had -- the back of the humvee was actually exposed, was open, so I was able to stand up and fire, as well as Nelson Howell (sp).

SEN. REID: And this was the first time you'd ever fired an M-16, is that right?

MR. SANCHEZ: That's correct. I'd never fired an M-16 before.

SEN. REID: Did you know how to reload it?

MR. SANCHEZ: I did not know how to reload it. So I believe Jared Walsh (sp) and Ray Sinard (ph) helped me reload the rifle several times. Ray Sinard (ph) used to be a Marine.

SEN. REID: And were you able to be effective, or were you just shooting just to let people know you had a gun? Were you able to shoot at anyone? Did you see anyone to shoot at?

MR. SANCHEZ: They were all over. They were all around us. They were in the buildings, in the houses. We had a firefight for approximately 45 minutes to an hour. The firepower minimized, so I am more than sure that our shooting affected some of those insurgents.

SEN. REID: How long was this convoy? How many vehicles in it?

MR. SANCHEZ: It was -- the convoy had 17 fuel tank systems, two bobtails, which were used for recovery.

SEN. REID: Were used for what?

MR. SANCHEZ: Recovery. Basically trucks without tankers. And they would recover another -- pull another truck, or whatever they had to do, or pick up --

SEN. REID: In case something broke down, you mean?

MR. SANCHEZ: That's exactly right.

SEN. REID: And as you took off, what kind of protection did you have from military vehicles?

MR. SANCHEZ: Well, there was about -- approximately, I believe, five military units that were armored and had soldiers. But they were spread out throughout the whole convoy. And the convoy -- each truck is approximately 100 meters apart. So in the beginning you might have one or two, then you have another one in the rear, and then approximately two, three from the middle. We only --

SEN. REID: Did you have -- I'm sorry.

MR. SANCHEZ: We only had five military humvees in that particular engagement.

SEN. REID: Did you have armed contractors also with you?

MR. SANCHEZ: We were unarmed civilians. We were not soldiers. There wasn't any of us armed. All we had --

SEN. REID: How long had you been driving that day until the military action started, they started firing at you?

MR. SANCHEZ: Approximately -- I would say approximately an hour, 45 minutes before the actual firing started.

SEN. REID: Was there any warning?

MR. SANCHEZ: When we drove down that road across the Abu Ghraib bridge, all of a sudden there was no traffic. The traffic completely stopped, and the shooting started almost immediately.

SEN. REID: Mr. Larvenz, I'd like to ask you the same questions.

Now, when you turned around, you avoided the fire that day, is that right?

MR. LARVENZ: Well, we'd already come through about a five-mile long running gun battle and --

SEN. REID: Anybody in the convoy get hurt?

MR. LARVENZ: No, I was very fortunate; none of my members were hit. And that was largely in fact due to the escorts we had who expended over 2,000 rounds of ammunition over that five-mile stretch to keep the enemies' heads down.

However, as we cleared the end of one gun battle, we went through a very brief period where nothing was happening. And shortly ahead of us, mortars began to fall across the road. So we came to what I would call a panic stop, as we nearly had trucks running into the end of each other. We stopped so rapidly that the front wheels of my truck spun and cut the valve stems off, and we had to replace the tires before we could turn around in the road and return to BIAP, which was about one mile away.

SEN. REID: And during that period of time there was no firing on your convoy?

MR. LARVENZ: Well, they were firing mortars at us, but we were apparently out of their effective range and they couldn't quite reach us with the mortars. They were landing within 200 yards of the front of our convoy.

SEN. REID: I asked you, Mr. Sanchez, and you, Mr. Larvenz, you've talked about in some detail this one occasion. Were you ever in other battles, for lack of a better description, where you took fire as you were driving your vehicles?

MR. SANCHEZ: I had never been in any type of battles. I remember there was just one incident where there was some possible sniper, something like that, single shots. But we never took that route again. We never experienced anything like that ever again.

SEN. REID: You drove after this? You drove a truck after this incident?

MR. SANCHEZ: I did not drive a truck after this incident. I went to return, after healing, to Kuwait and worked as a health and safety environmental -- health/safety coordinator.

SEN. REID: How long were you receiving medical attention for your wounds?

MR. SANCHEZ: I was out of work for approximately 28 days.

SEN. REID: Mr. Larvenz, during your long tour of duty in Iraq, did you ever have incidents where you took fire from the enemy on --

MR. LARVENZ: Yes, sir. Excuse me. Yes, on numerous occasions. We were --

SEN. REID: You said numerous occasions?

MR. LARVENZ: Numerous occasions. Primarily they were IED incidents, where we'd be driving in a convoy and an IED would explode and one of the -- one or more of the trucks in the convoy would be hit, at which time we'd evacuate that zone and try to recover any personnel.

SEN. REID: In any of these incidents, did any of the personnel get hurt?

MR. LARVENZ: I had no drivers that were seriously hurt. We had some minor injuries due to breaking glass, vehicles that were destroyed and so forth.

SEN. REID: Senator Bingaman asked this question, which somewhat I can't understand. You've told us in some detail, Mr. Larvenz, about your situation; Ms. Sanchez, you've told us in some detail your situation; Ms. MMcBride, you've told us about your situation; and there has been no congressional staff member contact you saying, "We'd like to know what really happened"? Have anybody contacted you?

MS. MCBRIDE: No, sir.

MR. LARVENZ: No, sir.

MR. SANCHEZ: No, sir.

SEN. REID: Three (events ?), responded "no." What about anyone from the Pentagon? When I say the Pentagon, anyone from the military contact you to find out what went on?

MR. SANCHEZ: No, sir. I mentioned in Kuwait there was a major, I think he was, he was a military Army, wanted to know what happened, was just doing the Army investigation, and basically all he did was take down my story. I've never gotten any feedback from him or anything of that nature. He just wanted to know what happened that day according to myself.

SEN. REID: In your incident that you've talked about in some detail here today, how many people were killed in that one 45-minute battle?

MR. SANCHEZ: Seven.

SEN. REID: And how many were wounded, do you know?

MR. SANCHEZ: There were several wounded. I'm not sure absolutely --

SEN. REID: One of whom was you.

MR. SANCHEZ: Absolutely. I was wounded.

SEN. REID: Were you able to walk away when the fire stopped? Were you able to walk away?

MR. SANCHEZ: I was able to walk. Afterwards I was able to walk away, yes.

SEN. REID: And have you had -- and the answer would be the same for you, Ms. McBride, no one's contacted you from the Pentagon?

MS. MCBRIDE: No, sir.

SEN. REID: What about people from Halliburton? Have they taken statements from the three of you?

MR. SANCHEZ: They had taken some statements from me that evening on April 9th. It was just a basic incident report to be filled out, and that was all I ever saw of that.

MR. LAVERNZ: The same for me. We had to file an after-action report after each convoy with the Safety Department and report any deficiencies or anything like that, and that was turned in. But other than that, there have been no further interviews or requests for information.

SEN. REID: How long were you surrounded by guards?

MS. MCBRIDE: In the afternoon and then overnight until I was flown out the next day.

SEN. REID: And did they tell you why you were being dumped, fired, relieved of duty?

MS. MCBRIDE: I think the official reason was insubordination.

SEN. REID: And your insubordination was bringing to the attention of the employer that there was money being wasted.

MS. MCBRIDE: This was brought up right before I was terminated.

SEN. REID: Mr. Sanchez, you and Mr. Larvenz were in two different convoys, and what -- remind me, Mr. Sanchez, when this incident with you happened. When?

MR. SANCHEZ: It occurred -- I believe we left Camp Anacana (ph) at approximately 10:40 a.m., April 9th, 2004.

SEN. REID: And you, Mr. Larvenz?

MR. LARVENZ: My incident was at approximately 9:10, when I reported to Halliburton and KBR that we were under attack at the location that they would later arrive at.

SEN. REID: Oh, so it was the same day?

MR. LARVENZ: Yes, sir. Yes, sir.

SEN. REID: And after you had the close call, Mr. Larvenz, Mr. Sanchez's convoy, a totally different convoy, was sent into this battle zone.

MR. LARVENZ: Yes, sir. After I advised KBR it's TTMO, to not send any more convoys in that area, I specifically stated that no convoys should be dispatched through that area because of the hostilities.

SEN. REID: This was not a close call. I mean, this was -- you weren't trying to be involved in some area of responsibility that was none of your business; you felt you were trying to help people who were your fellow employees. Is that right?

MR. LARVENZ: Yes, sir. I believed that if convoys went through that area we would lose employees that day. There was no doubt about that.

SEN. REID: Have you, in effect, gotten in trouble with your former employer as a result of coming forward with these facts?

MR. LARVENZ: No, sir, I've had no further dealings with KBR Halliburton since I left the company of my own accord in August of 2004.

SEN. REID: And why did you leave the company?

MR. LARVENZ: I took a position with another company that was more lucrative and much safer. (Laughter.)

SEN. REID: Mr. Sanchez?

MR. SANCHEZ: Well, I was in a much safer zone in Kuwait. I never returned to Iraq to work in Iraq. I left the company in good standing, and I was really not approached by them very much with any incident about April 9th. As a matter of fact, it seemed that they really didn't want to talk about it.

SEN. REID: Finally, Mr. Sanchez, we hear a lot about emotional problems. Does this cause you emotional problems, this near-death event in your life?

MR. SANCHEZ: Absolutely. I'm dealing with a lot of post-traumatic stress. I really can't deal with a lot of stress like I used to anymore. I'm not as motivated in jobs I'm in as far as climbing the ladder. And it takes a lot of energy just to show up to work nowadays, and I really don't really trust Fortune 500 companies after this. If they tell me something, I'm very cautious and leery.

SEN. REID: Did you think you were going to be killed that day?

MR. SANCHEZ: I believed I was going to die several times that day.

SEN. REID: Mr. Larvenz, as a result of your experience in driving these -- in these convoys, has it caused you emotional problems?

MR. LARVENZ: Not really, sir. I believe I handled it fairly well and it hasn't affected me negatively. It was certainly an eye-opening experience.

SEN. REID: You certainly understand Mr. Sanchez, having been wounded twice, his feelings may be a little different, don't you?

MR. LARVENZ: Yes, sir. I believe I was very fortunate in not being wounded and not having any of my group drivers wounded, and had it been like his convoy, I would probably have the same situation.

SEN. REID: Ms. McBride, have you -- has this event in your life made it difficult for you to find other work?

MS. MCBRIDE: Yes, sir.

SEN. REID: And do you think that this is a result of your being terminated in this job you had in Iraq?

MS. MCBRIDE: Yes, sir.

SEN. REID: What did you do before you went there?

MS. MCBRIDE: I've been a teacher, I practiced law and I have been a telemarketer in the past.

SEN. DORGAN: Senator Reid, thank you very much.

Senator Durbin?

SEN. RICHARD J. DURBIN (D-IL): Thanks to the witnesses. Thank you all for being here. A special thanks to my colleagues, in particular Senator Dorgan.

This is the 10th hearing that we've had on the wasteful practices on the contractors in Iraq. These hearings are held on Monday afternoon. And the reason they're held on Monday afternoon, of course, is that the formal committee hearings don't get started usually till Tuesday, Wednesday and Thursday. So you wonder why this subject doesn't come up Tuesday, Wednesday or Thursday. It doesn't come up because those who are in charge here don't want to talk about it. They don't want to hear from these witnesses. They don't want to face the embarrassment of some of the things that have been done, and we've heard about them today in two specific instances.

What Mrs. McBride has told us about -- and I want to ask her a few questions about -- is scandalous activity. It is overcharging American taxpayers, charging them for things which were not provided to our troops, inflating their costs so they can make more money off of our taxpayers on their no-good multibillion-dollar contracts, taking goods which were meant for our troops and diverting them, according to your testimony, to Halliburton and KBL employees for Super Bowl parties. So things that we bought as taxpayers for our men and women in uniform end up being consumed by the employees of Halliburton and their cost plus baby concept that you have referred to.

I'd like to ask you -- there's one thing in your testimony that really troubles me, and I read it, though I wasn't here for you to say it, and I'll read it back. Mrs. McBride's testimony: "In my experience, many Halliburton employees frankly didn't seem to care about the military. They often ignored troop requests or treated them like an annoyance. Those same employees, however, indulged their own whims at taxpayer expense."

Now, I'm sure there were exceptions to what you said. I'm sure there were good, hard-working people at Halliburton who love their troops as much as we all should.

MS. MCBRIDE: Absolutely.

SEN. DURBIN: But tell me about this mentality that the troops are somehow an annoyance to Halliburton's quest for profits.

MS. MCBRIDE: Well, it was more the administrators than the employees. They just didn't seem to care about the soldiers.

SEN. DURBIN: And so under that concept, you also talk about drug deals. Now, I don't know if that's formal drug deals -- narcotics and such -- is that just a phrase?

MS. MCBRIDE: No, no. That's a term for when something --

SEN. DORGAN: Would you lift that microphone just a bit?

MS. MCBRIDE: It's just a term that is used on bases in Iraq when somebody's involved in some illegal or immoral activity. They call it a drug deal.

SEN. DURBIN: So if you're involved in trying to rip off the government, make more money, they call it a drug deal?

MS. MCBRIDE: Correct.

SEN. DURBIN: That tends to lead most people to know that they clearly understand it's wrong.

MS. MCBRIDE: Correct.

SEN. DURBIN: Do it anyway.

MS. MCBRIDE: Correct.

SEN. DURBIN: Because there's money to be made at the expense of the taxpayers and the troops.

And then we switch to this life-and-death situation involving the same company, and clearly there was gross neglect here. Mr. Larvenz warns them this is a dangerous place, and they send another convoy in.

So at best, it is gross neglect by the company in the treatment and care of its own employees. But again, is this being driven by profit, too? Keep those trucks moving; that's how you put the numbers up on the board, that's how you turn a profit. Is that your impression?

MR. LARVENZ: Absolutely, yeah. It's money before people.

SEN. DURBIN: Mr. Sanchez, what's your impression?

MR. SANCHEZ: Oh, I definitely completely understand that it's in order to make money for their company. I believe that's why we went out that day. We didn't have any knowledge of the roads. Myself I didn't know, and yet they knew, and they sent us down that road. So it was about money for them.

SEN. DURBIN: And so in order to cover themselves, so that they don't end up being sued, they come up with this release form and promise the employees a little medal. "We'll give you a medal if you promise not to sue us for risking your lives, calling -- causing you personal injury, destroying your reputation and the possibility of getting another job. We might offer you a little medal." Is that what this release form is all about?

Mr. Allen?

MR. ALLEN: Yes, sir, but it's -- I think it's important to point out that is actually a governmental medal from the Department of Defense that was created after 9/11. And I don't think Halliburton KBR has the authority to make that a quid pro quo for release. And so that's what's so bad about the conduct. They're actually telling Mr. Stannard, "You're entitled to this medal. You were wounded on the road." And under the Department of Defense Medal of Freedom that was created after 9/11, he was an entitled recipient. And they sent a form and disguised it as a medical release, wanted him to sign it, and then he'd be waiving his right to recover against Halliburton.

SEN. DURBIN: So if Halliburton is promising employees medals if they'll drop lawsuits, and they seem to be acting like they're part of the Department of Defense, you might draw the conclusion that Halliburton has friends in high places in this government.

MR. ALLEN: Your Honor, if you -- (laughter) -- Senator, in -- on the record, in our case, in a public hearing, Halliburton KBR attorneys talked about high-level meetings that they had had at the Pentagon. That's on the record down in Houston, on the hearing transcripts.

SEN. DURBIN: So what is this whole argument that you're running into in court, when you try to hold Halliburton accountable, that they are somehow immune from civil liability? Unlike any other company in America, they can't be sued. What is their argument?

MR. ALLEN: Their argument is, quite simply put, that they are the equivalent of the military and/or a sovereign. Their claim is one of sovereign immunity. Despite the fact they're a public company accepting public funds, and then they hire civilian drivers, when we go to court, they say, "We're the government. We're -- have sovereign and political immunity." So we can't get answers from there.

In answer to one of other senators' questions, an investigation has been done, but we haven't been able to see it, and they won't release it. So --

SEN. DURBIN: It's a point I want to get to next. So they're arguing that when it comes to making profits, they're a private company, thank you; none of your business.

But when it comes to being held accountable for their mismanagement and misconduct, they are somehow now -- they're part of our government. Please. They'll wrap themselves in the flag. Is that what we're running into in court cases?

MR. ALLEN: Precisely. In other -- you said it better than anybody: they claim they're private when they hire civilians to do civilian labor, but once this happens, they claim -- (inaudible). And under -- (inaudible) -- law, you can't -- (inaudible).

SEN. DORGAN: My understanding is that these -- in many cases the employers of Halliburton are hired through a subsidiary in the Cayman Islands. Is that correct?

MR. ALLEN: Yes. SEII, an acronym I believe is Service Employees International, Incorporated. But I -- yes, sir, to answer your question.

SEN. DORGAN: And the Cayman Islands is a tax-haven country.

MR. ALLEN: Yes, sir. They have tried to make it more difficult for us to even --

SEN. DORGAN: And so the purpose of contracting with the United States and then running that contract, hiring of employees under that contract through a subsidiary in Cayman Islands, would likely be for the purposes of avoiding taxes on the province.

Is that -- was that your understanding?

MR. ALLEN: It's certainly possible, Senator. Again, I haven't been allowed to pursue much investigation in this case because of the immunity claims.

SEN. DORGAN: I just raise that point because we've had a report showing the high -- the large percentage of corporations doing business with the federal government that are creating subsidiaries in tax haven countries. They want all of the largess of contracting with our government and none of the responsibilities of paying taxes to our government.

SEN. DURBIN: Isn't it something, I say to Senator Dorgan, when we admire the patriotism and the courage of our men and women in uniform willing to stand up for Americans, and companies like this decide that they don't want to be part of America if they have to follow our laws, so they go to the islands and the Caribbean and other places to do their business? That ought to be a red flag to any objective person that you've got to keep an eye on them.

And I think that, as a way I'd like conclude here, as I listen to what you've said, Ms. McBride, Mr. Sanchez, Mr. Larvenz, and thank you, Mr. Grayson and Mr. Allen for being here today. Halliburton is still in the business in the fourth year of this war with no-bid contracts, inflating costs, overcharging the government at the expense of our soldiers, at the expense of our soldiers.

We're in a situation here we have clear examples of gross mismanagement, and we have no oversight. You heard the testimony here. They've not been contacted by the Department of Defense. They've not been asked to give affidavits

because we're going to make an investigation of Halliburton. No. Because they have friends in high places, and people don't ask rude questions of -- with friends in high places. And that's where we are today.

And when Mr. Allen concludes here that we taxpayers, all of us, have given \$7 billion plus to Halliburton and no-bid contracts, and this company has the nerve to tell Congress we're not going to respond with documents, we're not going to be sued in court, we're going to wrap ourselves in the flag, we are apple pie and America. That's not true. No patriotic, God-fearing American company would rip off our troops and our taxpayers in the midst of a war.

I thank you for being here today.

SEN. DORGAN: Thank you. Senator Durbin, thank you very much.

We've been joined by Senator Leahy, who I know has just flown in, and I think -- believe you were out of town for the weekend, and we knew that your flight was running late.

But Senator Leahy, welcome.

SEN. PATRICK LEAHY (D-VT): Thank you. Thank you very much. Thank you for holding this hearing, and I listened to what Senator Durbin said. I totally associate myself with those words.

But actually, thank especially all of you -- Mr. Allen, Mr. Lavernz, Mr. Sanchez, Mr. Grayson, Ms. McBride -- for having the courage to come forward and speak.

I saw a report by the -- in fact, I'll direct this to you, Mr. Grayson, and Ms. McBride, if you want to add to it. There's a Taxpayers Against Fraud -- and this may have been mentioned before I came here -- but it's a nonprofit watchdog group, and they said there are more than 50 Iraq fraud investigations currently ongoing and at least five False Claims Act have been filed under seal. But to date, the Justice Department, the Bush Justice Department has not brought a single case, they have not brought their own fraud case. I find this worrisome. As a former prosecutor, I would have thought those numbers -- there would be -- there'd be at least one case you could bring.

Is the Justice Department avoiding investigating and prosecuting fraud in connection with the Iraq war and the reconstruction effort?

Mr. Grayson?

MR. GRAYSON: Well, I think, Senator, they're doing something worse than that, which is they're actually actively covering it up. What they're doing is they're taking the cases that have been filed, and they're refusing to release them from being order court-ordered seal. The False Claims Act, as I testified earlier, contemplates that these cases will be under seal for 60 days so the government can conduct raids, knock on the doors at midnight, find out what's going on. And in fact, what they're doing is they're getting extension, after extension, after extension to keep these cases under seal indefinitely, for years on end. And now, we're now three and a half years into the war, and they haven't prosecuted a single case against any government contractor in Iraq. So that's the result.

And in my own practice, I can tell you the effect of that. At the beginning of the war when people committed fraud, they did so secretively, furtively. And now they do it right out in the open, and they even brag about it, because they know the Bush administration will do nothing, nothing to stop them.

SEN. LEAHY: Ms. McBride, has this been your experience?

MS. MCBRIDE: Yes, sir.

SEN. LEAHY: It's interesting, I can't think of a prosecutor anywhere in the country that had these number of cases over these number of years and nothing's been brought. Of course they have to be reelected by the people in their counties, their districts. They'd never be able to respond to it.

You know, Mr. Chairman, earlier this year I introduced a War Profiteering Prevention bill, which you supported. And so you understand what this is, it would -- among other things, it would have made it a crime for military contractors to materially overvalue goods and services with the specific intent to deprive the United States in connection with war or reconstruction effort in Iraq. I was thinking of what Harry Truman -- then-senator Harry Truman did World War II when he went after people who had profited on the fact that we were at war. And my bill would also create extraterritorial jurisdiction over violations of this law if it's committed overseas, the idea being, Mr. Grayson, that it would reach individuals who were in Iraq or anywhere else around the world.

Now, could I ask first Mr. Allen and then Mr. Grayson, would this type of war profiteering prevention legislation help combat war profiteering in Iraq, and would you support such legislation?

MR. ALLEN: Yes, sir, thank you. That's why we're here. We would certainly ask you to help in that regard and provide oversight. As it stands now, much like Mr. Grayson, they have sealed the court papers of the vital evidence that I think would answer a lot of your questions. I can't give you that answer because I'm subject to that order. And they have kept you, the committee, from seeing the documents. And they're untouchable.

SEN. LEAHY: Mr. Grayson?

MR. GRAYSON: Well yes, Senator, what you describe is certainly something that's very much needed. But my own personal view is that we don't need new laws, what we need is new leaders. We have an administration that has any number of different laws that can be used to fight war profiteers and enforce the law against the people who are ripping off the taxpayer, hurting the mission, and hurting the troops, and we find them doing nothing with any of these laws, any of these tools that are at their disposal already.

SEN. LEAHY: My youngest son was in the Marine Corps. In fact, had been called up in the first Desert Storm. That was over so quickly that he did not get into harm's way. I can imagine how I'd feel as a parent if he was over there now, or other parents too, to think that all these things we are spending money on that is supposed to help, one the reconstruction of Iraq, another thing with protection of our troops, that the money is just being wasted or is skimmed off.

You speak of the laws that are there. The experience I always had that you have people who want to profit illegally on the government, if they thought the worst that was going to happen they may get a slap on the wrist and a fine, then it's a cost of doing business. If they thought somebody was going to the slammer, could actually get locked up for it, all of a sudden it focused their attention.

And if anybody else wants to add on this, those are just the only points I wanted to make. It's just that -- I always thought when you have a law on the books, as you refer to, Mr. Grayson, you're supposed to enforce it, and nobody's above the law. I mean none of us should be above the law. You're not, I'm not, nobody else is. But what you're saying, in effect, they're allowing people to be above the law. Is that correct?

MR. GRAYSON: That's exactly correct, Your Honor -- Senator. (Laughter.) And -- that's exactly correct.

SEN. LEAHY: (Laughs) You've spent time in a courtroom! Don't be surprised, you're not the first person who's -- first lawyer who's done that.

MR. GRAYSON: And specifically, Senator, people over there know that, they perceive it, they brag to each other about the money that they've stolen from the taxpayers. They actually brag about it now.

MR. ALLEN (?): And, Senator, in response to your question, they're not claiming they're above the law. In my case they're saying they don't have to have any questions answered.

They don't -- you don't get to ask them questions, they don't have to answer it, and they're immune from the law, the civil law.

SEN. LEAHY: Frankly, if you had people that are ripping off our government this way and think they can get away with it, I'd like to see a few of them go to jail. I really would. It's your tax dollars, it's my tax dollars. America can really do better. This is not the way to conduct our business.

Look at the example it sends to the rest of the world. And even worse than that, look at the danger it places some of our people in.

Thank you.

SEN. DORGAN: Senator Leahy, thank you very much.

Let me make a couple of comments.

First of all, we're at war, the war against terrorists, terrorism, war in Iraq, war in Afghanistan. We all want the same thing, I expect: all of us in our country want this to be a safer country. We want this war to conclude. We want our -- conclude in an appropriate way. And we want our troops to be able to come home safely. All of us want that for our country.

And I take no joy in holding hearings to try to uncover contractors' practices that I believe undermine our troops or practices that I believe cheat the American taxpayer. I take no joy in that. But willful ignorance of what is happening is no excuse, especially if you are serving in public service. And there is plenty of opportunity for those who we have entrusted with these funds, those who we have entrusted to hire contractors, there's plenty of opportunity for them to know what we know.

Hearing after hearing after hearing has disclosed information that is almost unbelievable, and we transmit that information to the appropriate officials and never hear about it again. No one seems very interested.

At the last hearing we had a fellow here who was a doctor, and he described being in Iraq, talking to the top official in the Iraqi government about the amount of money the American taxpayer has paid to rehabilitate 142 health clinics for the Iraqis. And he said, I would like to go see those 142 health clinics and what we have done with American taxpayers' money. And he was told by the Iraqi minister, well, most of those clinics are imaginary clinics; they don't exist.

That's the sort of thing we have heard at hearing after hearing after hearing, whether it's the money that we appropriated to reconstruct in Iraq -- \$18-plus billion -- or the now \$340-plus billion that we have provided the military, some of which goes to contractors, there seems to be almost no accountability.

These hearings are not about politics, far from it; it's about accountability. Nobody wants, it seems to me, to embarrass anybody in this town. Nobody wants to embarrass anybody. And therefore, let's not ask any questions, let's not hold any hearings, let's not hold anybody accountable. Let's just keep doing what we're doing.

That's not satisfactory with me. It's not satisfactory with my colleagues.

My colleague Senator Leahy described the Truman committee. That was at a time when a member of Senator -- then -- Truman's own party was in the White House. I'm sure there were some strained relationships about the creation, at the request of Senator Truman, of a bipartisan committee to dig into contractor abuses. But they did, and they discovered massive waste, fraud and abuse, and did this country a real favor.

Well, the fact is, have things changed so much that we're afraid of the truth?

Should we now have a Truman-type committee? I've offered it, I think, four times here in the United States Senate.

SEN. LEAHY: I've supported you every time.

SEN. DORGAN: And we've had votes on them, and the votes don't exist to create that kind of opportunity.

But the waste that I have seen is almost unbelievable. It seems to me that this administration and this Congress are perfectly content in sleeping through all of these allegations and ignoring them. And I will just say there are some of us in Congress, perhaps not all of us, but some of us in Congress that not only are not content with that, we will not allow that to happen. We intend to continue to hold their feet to the fire. This is about standing up for our troops, standing up for this country's best interest, and that's the purpose of these hearings.

This hearing is adjourned.

LOAD-DATE: September 19, 2006