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May 29, 2003

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The Honorable Les Brownlee
Acting Secretary of the Army
1600 Army Pentagon
Washington, DC 20310

Dear Mr. Brownlee:

I have previously written several letters to the Army Corps of Engineers about a secret, no-bid contract awarded to Kellogg Brown & Root, a Halliburton subsidiary, to repair and operate oil wells in Iraq. The Corps has already issued five task orders to Brown & Root worth over \$71.3 million under this contract.¹

Recently, I have received information from the Department of Defense that reveals that Halliburton's subsidiary has received even more — over \$425 million — from the Army under a second contract for work relating to Iraq. This second contract is called the Logistics Civil Augmentation Program (LOGCAP), an obscure but lucrative contract to provide logistical support to the Army. When the contracts are combined, the total amount that Halliburton has received to date for work related to Iraq is now nearly \$500 million.

The LOGCAP contract was awarded to Brown & Root in 2001. According to a spreadsheet I have received from the Defense Department, Brown & Root has received 24 task orders and other actions under the LOGCAP contract for work relating to “Operation Iraqi Freedom.” Brown & Root received its first action relating to Operation Iraqi Freedom in March 2002 — nearly a year before the war in Iraq began. The latest action under the LOGCAP contract was issued on April 10, 2003. Although the LOGCAP contract itself was awarded to Brown & Root through a competitive process, the specific task orders issued to the company

¹ The task orders consisted of: \$17.7 million to train and advise for safe shutdown, oil spill equipment prepositioning and damage assessment; \$6.7 million to design for quick repair of oil facilities; \$22.9 million for damage assessment, fire fighting and repairs; \$11.5 million for construction of base camp facilities for workers; and \$24 million to preserve distribution capability and fuel distribution support. U.S. Army Corps of Engineers, *Frequently Asked Questions: Engineer Support to Operation Iraqi Freedom* (as of May 15, 2003) (online at <http://www.hq.usace.army.mil/cepa/iraq/faq.htm>).

under the contract can apparently be awarded on a no-bid basis without competition from other qualified contractors.

Little is known publicly about Halliburton's work in Iraq under the LOGCAP contract. While there have been numerous articles about Halliburton's contract with the Army Corps of Engineers to repair and operate Iraq's oilfields, the Defense Department has released little information about Halliburton's activities in Iraq under the LOGCAP contract. This is ironic since the dollar values of the awards to Halliburton under the LOGCAP contract are nearly six times greater than those under the contract with the Corps. The *Los Angeles Times* did reveal earlier this month, however, that Halliburton has received at least \$90 million for Iraq-related work under the LOGCAP contract.²

One of the unique features of the LOGCAP contract is that it has apparently allowed Halliburton to profit from virtually every phase of the conflict with Iraq, including the military buildup to the prior to the war, the conduct of the war, and the restoration of Iraq after the war. For example, Brown & Root received the following task large task orders under the LOGCAP contract, each worth \$60 million or more:

- On January 31, 2003, the Army obligated \$60 million to Brown & Root to provide the European Command with logistical supply line services and locations in Turkey;
- On February 21, the Army obligated \$62 million to Brown & Root to support logistic supply line operations for the Coalition Forces Land Component Command headquarters; and
- On March 6, the Army obligated \$69.5 million to Brown & Root to assist the Office of Reconstruction and Humanitarian Assistance within the Office of the Secretary of Defense.

This extensive reliance on Brown & Root under the LOGCAP contract raises significant questions. One important question is whether this arrangement protects the interests of the taxpayer. It appears that many, if not all, the task orders under the contract were awarded without any competition. This type of arrangement poses inherent risks to taxpayers. Indeed, GAO has found that work by Brown & Root under a prior LOGCAP contract resulted in significant overcharges to the government.³ It is unclear what safeguards, if any, the Army is using to prevent excessive charges to the government.

² *Halliburton Unit's Bill for Iraq Work Mounts; Cost of One Contract for Aiding U.S. in Rebuilding Nears \$90 million, but Little Is Going to Iraqis*, Los Angeles Times (May 9, 2003).

³ U.S. General Accounting Office, *Contingency Operations: Opportunities to Improve*

Moreover, the LOGCAP contract significantly increases the amount of work awarded to Halliburton relating to Iraq. In total, Halliburton has received at least \$496.3 million from the Army for contracts relating to Iraq. And the amount that Halliburton could receive in the future is virtually limitless. The contract with the Corps for oil field repair and operation has a two-year duration and a ceiling of \$7 billion, while the LOGCAP contract has no ceiling at all. It is simply remarkable that a single company could earn so much money from the war in Iraq.

To address these and related issues, I would appreciate your providing the following information about the LOGCAP contract with Brown & Root:

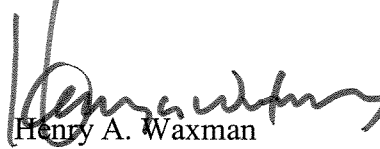
1. With respect to each task order or other action issued to Brown & Root under the current LOGCAP contract, please provide a description of the work performed by Brown & Root;
2. With respect to each such task order or action, please provide an explanation of whether the Army considered either competitively bidding the action or performing the work itself before issuing the task order or action to Brown & Root. If the Army did not consider these alternatives, please explain why;
3. With respect to each such task order or action, please provide a description of terms under which Brown & Root is being paid, such as whether the company is being paid on a fixed-price or cost-reimbursable basis. If a task order or action is being paid under a cost-reimbursement contract, please identify the specific contract type and provide a detailed description of the contract terms;
4. Please describe the procedures, if any, that the Army has imposed under the LOGCAP contract to prevent cost overruns, such as those identified by the General Accounting Office in 1997; and
5. Please provide information on any task order or other action under the LOGCAP contract that was effective after April 10, 2003, or otherwise not identified in the spreadsheet previously provided.

To provide a frame of reference for the contract with Halliburton, I would also like a brief description of the task orders and other actions issued to DynCorp under the previous LOGCAP contract, which ran from 1997 until 2001, as well as a description of the payment terms under that contract.

The Honorable Les Brownlee
May 29, 2003
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Thank you for your assistance with these requests.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry A. Waxman". The signature is fluid and cursive, with a large initial "H" and "W".

Henry A. Waxman
Ranking Minority Member

Attachment