



News Release

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CHAIRMAN

FOR IMMEDIATE RELEASE

Tuesday
April 22, 2008

FOR MORE INFORMATION

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**Opening Statement
Senator Byron L. Dorgan
Chairman, Democratic Policy Committee**

**“Contracting Abuses in Iraq: Is the Bush Administration
Safeguarding American Taxpayer Dollars”**

**Monday, April 28, 2008
406 Dirksen Senate Office Building**

Today the Democratic Policy Committee is holding the thirteenth in a series of oversight hearings to examine contracting abuses in Iraq.

At the outset, I'd like to describe the reasons why the Policy Committee is going to continue to pursue an aggressive series of oversight hearings on this issue.

By law, the Democratic and Republican Policy Committees in the Senate, which were established in 1947, are authorized to hold hearings and obtain witness testimony. In the 109th Congress, we made use of that authority to conduct a series of hearings on Iraq contracting abuses.

Those hearings unearthed numerous examples of contracting abuse, including the inappropriate awarding of major contracts to Halliburton; billions of dollars in unsubstantiated costs and overcharges on everything from fuel, to meals for the troops, to hand towels; and the delivery of unsafe water to our troops in Iraq, with which the troops showered and brushed their teeth.

In the 110th Congress, there has been some increase in oversight on the issue of Iraq contracting abuses. However, the fact is that the scope of the abuses is so huge, and the standing Senate Committees have so many other pressing issues within their jurisdiction, that the issue of Iraq contracting abuses is still not getting the degree of oversight that it deserves.

Against this backdrop, issues relating to contracting abuses in Iraq and Afghanistan need more attention.

Let me cite one example, which will be the subject of a future hearing. On March 28, the New York Times published a lengthy article describing how a 22-year-old in Miami Beach had gotten over \$300 million in U.S. contracts to provide ammunitions to the Afghan army and police forces.

I would like to show a picture of the 22 year old, Efraim Diveroli, who is the CEO of AEY, Inc., the company that got that contract. This picture is in fact a mug shot taken by the Miami Dade police. The picture was taken after Mr. Diveroli allegedly assaulted a parking lot attendant.

It turned out that Mr. Diveroli had a forged drivers' license, which made him out to be four years older than he really was. Mr. Diveroli said that he had gotten the forged license to be able to buy alcohol, but didn't need it anymore, since he was now over 21.

I would also like to show a picture of the vice-president of the company. This gentleman is a 25-year-old masseur named David Packouz.

The business that these two gentlemen have been running has been awarded \$300 million in U.S. taxpayer dollars to supply Afghan police and army forces with ammunition. And I would like to show a picture of what the U.S. taxpayers and the Afghan fighters have been getting for that \$300 million.

Much of this ammunition is over 40 years old. And apparently a good amount of the ammunition was produced by the Chinese. Not only is this Chinese ammunition outdated, but the purchase and sale of it is a violation of U.S. law.

When the New York Times published its story, the Army said that it was terminating its contract with this company. But the problems with this ammunition were painfully evident six months ago."

All of this begs the question: why was this 22-year old with a spotty record given contracts worth hundreds of millions of dollars?

The award was made in January 2007 by the Army Sustainment Command, which has stated in writing that "AEY's proposal represented the best value to the government." Clearly, the Army Sustainment Command has a lot of explaining to do.

Incidentally, this is the same Army Sustainment Command that denied whistleblower testimony from several DPC hearings demonstrating that U.S. troops had been provided with unsafe drinking water by Halliburton subsidiary KBR. A report by the Inspector General a few weeks ago confirmed that the whistleblower accounts were correct, and that the Army Sustainment Command had in effect misled Congress.

This is just one example of contracting abuses in Iraq and Afghanistan. There are more such instances of abuse that are not being investigated as aggressively as they should be. So we intend to try to fill that gap, through additional hearings of the Democratic Policy Committee.

Today's hearing will include testimony from three whistleblowers that are appearing before Congress for the first time.

Frank Cassady worked as an ice plant operator for Halliburton subsidiary KBR in Iraq.

Linda Warren is a former KBR employee who worked as a laundry foreman, as well as a technician in the company's Morale, Welfare, and Recreation unit.

Barry Halley is a former U.S. Marine who worked as a project manager on a DynCorp contract and as an operations manager at CAPE Environmental in Iraq.

I look forward to the witnesses' testimony.

I would like to close by saying that, ultimately, I believe that we need to create a special committee in the U.S. Senate, to exercise oversight over contracting abuses related to reconstruction and the wars in Iraq and Afghanistan. And this special committee would be modeled after the Truman Committee.

In 1941, as the United States was about to enter World War II, Sen. Harry S. Truman launched an investigation into reports of widespread waste, corruption and mismanagement in the nascent war effort. Truman's actions could not have made some in the Roosevelt Administration happy. This was a Democratic Senator, investigating fraud, waste and abuse during a Democratic Administration.

The committee had an initial budget of \$15,000, and its work became among the most beneficial Senate investigations in history. By some accounts, it saved the taxpayers over \$15 billion. And it did so by holding 60 hearings a year.

Well, I proposed the creation of such a Committee three times in the 108th and 109th Congresses, and regrettably the vote each time was almost exactly along party lines.

But I still believe that we need to establish a bipartisan Truman Committee, with subpoena power, to exercise the oversight that these abuses demand, and I will continue to push until we create one.

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