



Department of Justice

STATEMENT OF

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BEFORE THE

**COMMISSION ON WARTIME CONTRACTING IN IRAQ AND
AFGHANISTAN**

AT A HEARING ENTITLED

**“HOW GOOD IS OUR SYSTEM
FOR CURBING CONTRACT WASTE, FRAUD, AND ABUSE?”**

PRESENTED

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Statement of Kevin L. Perkins
Assistant Director, Criminal Investigative Division
Federal Bureau of Investigation
Before the Commission on Wartime Contracting in Iraq and Afghanistan
At A Hearing Entitled
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May 24, 2010

Good morning, Co-chair Thibault, Co-chair Shays, and Members of the Commission. I am pleased to be here with you today to discuss the FBI’s efforts to combat international contract corruption.

Since the inception of Operation Enduring Freedom in Afghanistan in 2002, the United States Government has privatized hundreds of functions that were conducted by military personnel in previous contingency operations and, in the process, has spent over \$770 billion on private contractors. These contractors provide services and supplies as well as logistical and tactical support to US military in both the wars in Iraq and Afghanistan as well as the reconstruction efforts of these two countries. While the vast majority of these contractors are legitimate, the FBI and its partners have also seen the emergence of complex and wide-ranging contractor fraud schemes in Iraq, Afghanistan and Kuwait.

Specifically, the majority of ICCTF investigations involve two principal characters: US Contracting Officers (both Uniform and Civilian) and government contractors. As is the case in most White Collar Crimes, the primary motivating force is greed. The illegal conduct predominantly involves the illegal payment of bribes/kickbacks in exchange for government contracts and theft of government property such as diesel fuel.

To combat these and other fraud schemes, the Criminal Investigative Division of the FBI established the International Contract Corruption Initiative (ICCI) in November 2005. The mission of ICCI was to evaluate the extent of the crime problem, engage with other law enforcement agencies designated with oversight, develop a strategy to address the problem, and provide support to field offices conducting related corruption and fraud investigations.

The ICCI quickly revealed that the crime problem was immense and that it would take a coordinated approach to tackle the issue effectively. In 2006, after consulting with US Department of Justice and other law enforcement agencies tasked with investigating fraud related to the war, reconstruction, and humanitarian efforts, we joined our partners in standing up the International Contract Corruption Task Force (ICCTF). Participants initially included: Department of Defense Inspector General – Defense Criminal Investigative Service (DCIS), Department of State, Office of Inspector General (DOS), Federal Bureau of Investigation (FBI), Special Inspector General for Iraq Reconstruction (SIGIR), US Agency for International

Development, Office of Inspector General (USAID), and US Army Criminal Investigation Division - Major Procurement Fraud Unit (Army CID/MPFU).

In early 2009, three additional agencies joined the ICCTF – Air Force Office of Special Investigations (OSI), Special Inspector General for Afghanistan Reconstruction (SIGAR), and Naval Criminal Investigative Services (NCIS). The ICCTF works closely with the Department of Justice (DOJ) and DOJ's National Procurement Fraud Task Force.

Joint Operations Center

To further interagency cooperation and coordination, we worked together once again to establish a Joint Operations Center (JOC) in 2007. The JOC, staffed by representatives from all nine ICCTF agencies and co-located in FBI space, goes along way in ensuring de-confliction of cases. The FBI's International Corruption Unit (ICU) Unit Chief manages the daily administration of the JOC. The Board of Governors (BOGs), comprised of executive managers from each of the task force agencies, oversee both the ICCTF and JOC, to ensure standardization of operation and real-time sharing of information. Agency representatives work shoulder to shoulder, de-conflicting investigations, sharing intelligence, and supporting operations overseas. Task force agents are currently investigating nearly 300 joint cases in the U.S. and overseas which are directly supported by the JOC.

The FBI has also committed seven Supervisory Special Agents, four Intelligence Analysts, two Management Program Analysts, and two Administrative Support Personnel to the JOC in support of the ICCTF mission. Other ICCTF agencies have committed a total of eight Intelligence Analysts to the JOC, as well as a special agent from each agency to serve as that agency's JOC Representative. JOC personnel collect and disseminate intelligence to ICCTF agencies, FBI field offices, and the intelligence community at large in furtherance of the intelligence cycle and in support of ICCTF field operations. To date, JOC Analysts have responded to more than 300 Requests for Assistance (RFAs), provided direct support to top priority ICCTF cases, and initiated proactive intelligence assessments to identify trends and patterns.

Coordination with DOJ and the National Procurement Fraud Task Force

DOJ has established a coordinated and unified approach to combating procurement fraud, including fraud relating to the wars in Iraq and Afghanistan and reconstruction efforts in those countries. DOJ has devoted an array of resources and expertise to this important mission. The Antitrust Division, the Civil Division and numerous U.S. Attorneys' Offices have devoted substantial resources and coordinated their efforts with the Criminal Division's Fraud Section, Public Integrity Section, Office of International Affairs Section, and the Asset Forfeiture and Money Laundering Section.

DOJ has been working closely with the ICCTF and the JOC to investigate and prosecute procurement fraud relating to the wars in Iraq and Afghanistan, and the rebuilding of those countries.

In an arrangement that ensures the maximum degree of coordination, the Director of the National Procurement Fraud Task Force serves as a primary point of contact for both the JOC and the ICCTF. He provides guidance to law enforcement agents during the early stages of their investigations, and assists the agents in identifying the best venue to prosecute cases. In addition, the Director tracks all prosecutions of contract fraud cases associated with the wars and rebuilding efforts in Iraq and Afghanistan.

In addition to the efforts undertaken by the Department's Criminal, Civil, and Antitrust Divisions, U.S. Attorneys' Offices throughout the country also have brought numerous warzone cases. Among them are many high-profile and sophisticated procurement fraud cases, such as those handled by the LOGCAP Working Group in the Central District of Illinois, and the United States Attorney's Office in the Southern District of New York, among others.

As of May 2010, the Department had brought criminal charges against approximately 100 individuals and six companies for public corruption and government fraud relating to wars and reconstruction efforts in Iraq and Afghanistan, in addition to civil claims brought or settled against a number of contractors.

FBI TDY Program in Support of ICCTF

Since June 2007, FBI Agents have been deployed on 120 day temporary duty (TDY) rotations to conduct investigations in support of the ICCTF mission. The FBI currently deploys 35-40 agents per year to locations in Iraq, Afghanistan, and Kuwait. These agents work with other ICCTF partners to initiate and conduct investigations. FBI agents in theater report to the FBI Legat and coordinate operations with the FBI's International Operations Division (IOD). In cooperation with IOD, an Assistant Legal Attaché (ALAT) position was created to oversee the ICCTF mission in Iraq and recently, a similar ALAT position was created to oversee the ICCTF mission in Kuwait. In June of this year, the FBI will deploy a senior-level agent to Afghanistan for a one year assignment; the FBI anticipates that this position will eventually be converted into a third ICCTF ALAT slot.

International Corruption Unit

The International Corruption Unit (ICU) was created in 2008 to oversee the increasing number of corruption and fraud investigations with an international nexus requiring extensive coordination with FBI field offices, Legal Attaché offices, U.S. federal agencies, and the LE agencies of host countries. Specifically, the ICU oversees ICCTF matters, Foreign Corrupt Practices Act (FCPA) investigations, and antitrust investigations. These violations all have an international nexus and are therefore housed within the ICU, which has developed strong liaison relationships with Law Enforcement entities around the world. The ICU, which also initiates exchange programs with overseas law enforcement partners, is contemplating expansion of its mission into other theaters of operation, such as Pakistan and the continent of Africa.

Since its formation, the ICU has overseen all fraud and corruption cases related to the OCO. This includes all fraud against the US Government where the illegal conduct occurred outside the United States and involves United States Persons or Funds. Since 2004, the ICCTF has initiated nearly 700 investigations in Afghanistan, Iraq, and Kuwait. To date for FY 2010, the ICCTF has 273 pending cases. Only seven months into the fiscal year, the ICCTF has already generated 80% of the prior year's case load. In FY 2009 alone, the ICCTF obtained over \$3.3 million in forfeitures/seizures, over \$1 million in fines/penalties, and over \$1.1 million in restitution. To date in FY 2010, the ICCTF has obtained over \$47 million in restitution, and \$1 million in forfeitures/seizures.

Successes

Working closely with our partners, sharing information and leveraging all available resources and expertise, the FBI has made significant strides in the area of international corruption. Clearly, there is more work to be done but through a coordinated approach we have become more nimble in our efforts and more able to combat the most egregious offenders.

In December 2009, a former U.S. Army contracting officer was sentenced to over 17 years for his participation in a bribery and money laundering scheme related to bribes paid for contracts awarded in support of the Iraq war. Major John Lee Cockerham, Jr. (U.S. Army) was a former contracting officer responsible for soliciting and reviewing bids for DOD contracts in support of operations in the Middle East, including Operation Iraqi Freedom. The contracts were for the purchase of various products and services, including bottled water destined for soldiers serving in Kuwait and Iraq. The investigation determined Cockerham received favors, cash, and items of value from contractors in exchange for favorable treatment and consideration on contracts awarded in Iraq and Kuwait. Once he agreed to take money in exchange for awarding contracts, John Cockerham directed the contractors to pay his wife, sister, and others to hide the fact that contractors were paying bribes. His wife has since been sentenced to 41 months in prison. Her sister received 70 months for her role in the scheme. The total restitution orders included more than \$14 million.

In January 2010, Michael Wheeler, a former lieutenant colonel in the U.S. Army Reserves, was sentenced to 42 months in prison for his participation in a wide-ranging bribery conspiracy involving the U.S. government, the Republic of Iraq and the Coalition Provisional Authority - South Central Region (CPA-SC) in Al-Hillah, Iraq.

Specifically, Wheeler conspired from December 2003 to December 2005 with at least three others to rig bids on contracts being awarded by the CPA-SC so that more than 20 contracts – worth approximately \$8 million - were awarded to a co-conspirator. That individual, in turn, provided Wheeler and several other co-conspirators with more than \$1 million in cash, SUVs, sports cars, a motorcycle, jewelry, computers, business class airline tickets, liquor, and promises of future employment.

In March of this year, Michel Jamil was sentenced to 40 months in prison for his participation in a scheme to steal approximately 10 million gallons of fuel from the U.S. Army in Iraq. In his guilty plea, Jamil admitted that he and two of his co-conspirators arranged for the creation of a

false memorandum for record (MFR) authorizing individuals, purportedly on behalf of a company serving as a contractor to the U.S. government, to draw fuel from the Victory Bulk Fuel Point (VBFP), Camp Liberty, Iraq, which was owned and operated by the United States. The VBFP supplies aviation and diesel fuel to both military units and U.S. government contractors operating in and around the Victory Base Complex. Jamil admitted that he and his co-conspirators used false MFRs to steal large quantities of fuel from the U.S. Army for subsequent sale on the black market. Jamil admitted that he escorted the trucks to retrieve fuel from the VBFP using false MFRs on approximately 10 to 15 occasions. As a result of the scheme, Jamil received between \$75,000 and \$87,500 in personal profits.

Unfortunately, these cases represent a small sample of the cases our ICCTF team investigates each and every day. Together, though, we will continue root out the most egregious offenders.

Conclusion

Co-chair Thibault, Co-chair Shays, and Members of the Commission, I appreciate the opportunity to appear before you on this important issue. I am now happy to answer any questions.