

## Iraq Munitions Disposal Fraud

Written by Nick Sanders  
Monday, 26 March 2012 00:00

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This story is not getting a lot of play and so we thought we'd bring it to your attention. Here's what we think you need to know:

The U.S. Army Corps of Engineers (USACE) operated the "Coalition Munitions Clearance Program" (CMCP) "to clear out, store and dispose of weapons that were seized or abandoned in Iraq since the 2003 invasion." The work was managed by a carefully unnamed prime contractor located in Pasadena, California. (*Note: There are not many large, international, engineering companies located in Pasadena, CA that have prime contracts for work in Iraqi. If pressed, we would be able to guess the name of that carefully unnamed prime contractor with a high level of confidence.* *Right, Ralph?*)

According to [this story](#) (which is one of only two that we've seen so far that have reported the matter)—

Two employees of that [carefully unnamed] company, Billy Joe Hunt, 57, of Athens and Gaines Newell, 52, of Richton, Miss., are charged with conspiracy in connection with kickbacks, wire fraud and mail fraud, and with filing false tax returns.

The U.S. Attorney alleged that those two employees awarded subcontracts in exchange for kickbacks. They were allegedly "involved in soliciting and receiving a total of more than \$1 million in kickbacks."

In addition (according to the story)—

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A United Kingdom national, Ahmed Sarchil Kazzaz and his company, Leadstay Co., also face multiple charges. Kazzaz paid more than \$947,500 in unlawful kickbacks to win lucrative subcontracts for himself and Leadstay in connection with the Coalition Munitions Clearance Program, the Justice Department said.

Kazzaz and Leadstay face one count of conspiracy to defraud and commit offenses against the United States; six counts of unlawful kickbacks; one count of wire fraud; and three counts of mail fraud. Kazzaz was arrested on Feb. 14, 2012, in Los Angeles.

We found one other article on the story, [right here](#). Though this second article essentially just reprinted the DOJ press release, it provided some more details, including the following—

The indictment alleges that beginning in about March 2006, Kazzaz entered into a kickback agreement with the California prime contractor's program manager and deputy program manager, who arranged for the award of subcontracts to Kazzaz and Leadstay to provide materials, heavy equipment and operators for equipment for the CMCP. Kazzaz also allegedly obtained multiple funding increases to those subcontracts. From April 2006 through August 2008, Kazzaz and Leadstay received more than \$23 million in United States funds for services under the CMCP.

According to the two informations unsealed today, Newell was the program manager in Iraq for the California-based prime contractor to HESC, and Hunt was the deputy program manager. Both are charged with conspiring to solicit and accept kickbacks to award subcontracts under the CMCP program and to commit mail and wire fraud by knowingly and intentionally devising a scheme to defraud the United States. In addition, both are charged with failing to report the kickback income on their federal tax returns.

The first thing we gleaned from the foregoing was that the Program Manager and Deputy Program Manager had the authority to choose their subcontractors and to award those subcontractors additional funding upon request. So where was the segregation of duties here? Where were the subcontract managers? Where was the corporate oversight?

We have written quite a bit about lax internal controls, and the penchant for individuals (both in government and in various contractors) to take advantage of those lax controls for personal gain. Hey, we get that this was a war zone and it was both difficult and expensive to staff these contracts properly. But we also don't think that fact is a great excuse for not properly staffing projects, nor do we think it's a great excuse for violating the basic control of segregation of duties.

In response to a critical question from an Army Sergeant complaining about equipment

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shortages in Iraq, former Secretary of Defense Donald Rumsfeld famously said, “You go to war with the army you have—not the army you might want or wish to have at a later time.” So, yeah, we can see somebody in that carefully unnamed Pasadena engineering company responding to our critical comments by saying, “You go to Iraq with the project team you have—not the project team you might want or wish to have at a later time.” But we don’t buy it.

When you go OCONUS to support contingency operations, or when you go OCONUS to spend taxpayer funds, we think you need to bring a full complement, including sufficient personnel to support segregation of duties (at a minimum).