Don’t Get Fooled Again: Pentagon Waste and Congressional Oversight

February 2016
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Introduction
As Congress reviews the budget for the Pentagon and related programs for FY 2017, it should take action to prevent the rampant waste that has characterized the department’s operations in recent years.

This report demonstrates that the Pentagon has a long way to go in rooting out waste and imposing basic budget discipline. Before the Department of Defense receives billions in additional taxpayer dollars, Congress should make sure that it has a plan to more efficiently spend the resources it is already receiving.

The 27 examples in this report document over $33 billion in Pentagon waste. Many of the cases have only entered the public discussion recently, while some represent problems that have persisted for years.
Whether one thinks the Pentagon budget is too low or too high, no one wants the department to waste taxpayer dollars. Both budget hawks and defense hawks should be able to agree that whatever amount of money the Pentagon ultimately gets, it should be spent and managed effectively. The department is failing spectacularly at this task. The dollar total of examples described in this report is a conservative figure for overall Pentagon waste as it deals only with a sampling of the most egregious cases.

There have been many well-publicized incidents of Pentagon waste that have been documented by advocacy groups, the media, lawmakers, the Government Accountability Office (GAO), and multiple inspectors general. Two that have drawn special attention in recent months are the expenditure of $150 million on private villas for a handful of Pentagon employees in Afghanistan and the procurement of the JLENS air-defense balloon.¹

The JLENS came into the spotlight when it came free from its anchoring point in Maryland and floated into Pennsylvania, dragging a cable in its wake that cut electricity to thousands of people. However, as the Los Angeles Times has revealed, this was only the latest instance in a troubled program: the JLENS, which is supposed to track low-flying aircraft and missiles, has been in development for nearly two decades, has cost $2.7 billion thus far, and still doesn’t work.² The JLENS is just one of many examples of cost overruns on faulty weapons systems.

While the examples cited in this report are mind-boggling in their own right, what makes them worse is that they are merely the most visible symptoms of a much larger problem: the Pentagon’s overall inability to effectively or efficiently manage the taxpayer dollars it is entrusted with. Then-Secretary of Defense Robert Gates described the Pentagon as “an amalgam of fiefdoms without centralized mechanisms to allocate resources, track expenditures, and measure results. ... My staff and I learned that it was nearly impossible to get accurate information and answers to questions such as ‘How much money did you spend’ and ‘How many people do you have?’”³

Gates’ exasperation is well founded. As Reuters reported in 2013, Department of Defense accounting, logistics, and administrative practices are inept and deeply dysfunctional. As the report details, accountants often need to insert phony numbers to get expenditure figures to match up, and some computer programs have been in use since the 1960s.⁴

Even worse, the Department of Defense has not undergone a full audit in almost two decades, despite being legally mandated to do so. Deadlines have been repeatedly set and missed. Without audits and regular accountability, there is no way of knowing where all of the money being appropriated to the Pentagon actually goes, there is no way of systematically detecting waste and fraud in the system, and there is no incentive for spending money wisely and effectively.

One sign of hope – a 2014 declaration that the Marine Corps’ books had passed an audit – proved premature. The Government Accountability Office later found that the Pentagon inspector general’s office “did not perform sufficient procedures, under professional standards, and consequently did not obtain sufficient” documentation to “support the audit opinion.”⁵

To their credit, a number of members of Congress have taken up the issue of Pentagon waste. Congressionally mandated bodies like the Commission on Wartime Contracting in Iraq and Afghanistan and the Special Inspector General for Afghan Reconstruction (SIGAR) have documented tens of billions of dollars of waste, fraud and abuse in America’s overseas military operations.⁶

The Wartime Contracting Commission has completed its work, but SIGAR continues to identify wasteful and misguided spending and to force procedural changes that have saved taxpayers tens of millions of dollars.

Pentagon waste has been publicized by members of Congress through a series of “waste books” that document egregious cases of misguided spending. Former Senator Tom Coburn (R-OK) led the way in these efforts. Sen. John McCain (R-AZ) has done a series under the title “America’s Most Wasted.” Sen. Jeff Flake (R-AZ) has done a compilation entitled “Waste Book: The Farce Awakens.”⁷ And Sen. Rand Paul (R-KY) regularly issues
updates on waste, each focused on one particularly outrageous example. The Flake effort focuses on efforts throughout the federal government, while McCain’s publications zeros in specifically on waste in defense programs. The question is what should be done once these wasteful practices have been exposed.

One thing that Congress can and should do is hold more regular oversight hearings on Pentagon spending. A model example is a hearing held on January 20th, 2016 by the Senate Armed Services Committee Subcommittee on Readiness and Support, in which Brian McKeon, the principal deputy undersecretary of defense for policy, and John Sopko, the special inspector general for Afghan reconstruction, fielded detailed questions about the operations of a Pentagon economic development task force that spent over $650 million in Afghanistan with little to show for it. This is the task force that spent roughly 20 percent of its funds on the private villas mentioned above. The witnesses faced tough, informed questions from subcommittee chair Sen. Kelly Ayotte (R-NH) and ranking member Sen. Tim Kaine (D-VA), as well as longtime critics of Pentagon waste like Sen. Claire McCaskill (D-MO), a driving force behind the creation of the Wartime Contracting Commission. In addition to detailed discussions of how to hold the Pentagon accountable for projects like the economic development task force, the hearing yielded an acknowledgment by Pentagon witness Brian McKeon that his department was probably not the best place to be carrying out economic development activities in the first place. More hearings of this sort would go a long way toward improving planning and accounting practices in ways that could limit wasteful expenditures in the future.

Another step that Congress should take is to eliminate the current sunset provision that would dismantle SIGAR 180 days after unexpended funds for U.S. reconstruction efforts in Afghanistan fall below $250 million. As long as the United States has a presence in Afghanistan that involves military aid, training and economic development projects, a body like SIGAR is needed to make sure those funds are spent effectively, and for their intended purpose.

But perhaps the most important thing Congress can do to prevent waste, fraud and abuse at the Pentagon is to pass legislation that gives the Department of Defense financial incentives to get its books in order so that it can finally pass an audit. A number of pieces of legislation have been put forward on this subject in recent years, including a bill in the House co-sponsored by Rep. Barbara Lee (D-CA), Rep. Jan Schakowsky (D-IL), and Rep. Michael Burgess (R-TX). In the Senate a bill sponsored by Sen. Joe Manchin (D-WV) is supported by members ranging from Senators Bernie Sanders (I-VT) and Ron Wyden (D-OR) to Senators Kelly Ayotte (R-NH), Chuck Grassley (R-IA) and Ted Cruz (R-TX). The development of a common approach that can be promoted and passed in both houses of Congress is urgently needed.

Pentagon Waste: A Sampling

Routine Waste in Pentagon Procurement:

**November 2015:** The DoD had $857 million in excess parts and supplies as of September 2014.

**July 2015:** Starting in 2007, $600,000 worth of U.S. military equipment for Yemen remained unshipped in a warehouse in Virginia. The equipment was meant to build and maintain Yemeni security forces in order to combat al-Qaeda in the Arabian Peninsula. These 200 parcels of equipment, paid for with taxpayer money, were never shipped.
And as the GAO noted, the parcels “include[d] some items that have expired while in storage and some that require special disposal.”

**June 2015:** The Defense Logistics Agency did not effectively manage V-22 Osprey spare parts, which has resulted in excessive inventory valued at $8.7 million. Storing these items will cost $700,000 in holding costs over the next 5 years.

**June 2015:** The Defense Logistics Agency overpaid $8.5 million on spare parts for aircraft because a contracting agent didn’t check that he was getting the right prices. If the mistake is not corrected, DoD could pay $106 million in overcharges over a five-year period.

**May 2015:** A study spent $50,000 investigating the bomb-detecting capabilities of endangered African elephants. The study ignored the fact that given their size, elephants might not last long on the modern battlefield and that African elephants are designated as “threatened” on the endangered species list.

**May 2015:** Over $49 million was spent by the Army National Guard on pro-sports advertising in FY 2014, even as the Guard delayed paying guard members and consequently reduced training activities due to a $101 million shortfall.

**May 2015:** Members of the Department of Defense used official credit cards to spend $952,258 at casinos and $96,576 at adult entertainment establishments over a one-year period.

**December 2014:** The U.S. Southern Command did not effectively oversee the use of government purchase cards. As a result, there were $5.1 million worth of improper purchases, including gift purchases and use by unauthorized cardholders.

**December 2014:** Due to insufficient evaluation and research by Air Force contracting officers, the Air Force does not know whether it received a fair and reasonable price for sustainment services for the F117 engine (used in the C-17 Globemaster III transport aircraft). It has already spent $1.54 billion and may continue to overspend for the next 7 years if this contract isn’t reviewed.

**December 2014:** Naval Supply Systems contracting officers did not effectively manage contracts with Raytheon for Phalanx Close In Weapons System (CIWS) logistics services. It is estimated that Raytheon may have been overpaid by as much as $69.6 million.

**October 2014:** The Pentagon purchased about $16 billion in unneeded ammunition that became obsolete, unusable, or banned by international treaty while sitting in storage. Then the Pentagon spent $1 billion to get rid of all the unneeded ammunition. However, Army record-keeping of ammunition is so poor that usable ammunition may well have also been destroyed alongside the ammunition that was no longer usable.

**July 2014:** On multiple occasions the Army paid contractors substantially more for spare parts than the going price. On 33 of 35 parts reviewed, there were overpayments of an estimated $9 million. For example, the Army paid $8,000 for helicopter gears worth $500.

**April 2014:** Contracting officials from the Defense Logistics Agency did not use best practices when negotiating contracts for Humvee repair parts. As a result, they paid
$26.3 million extra for the parts. In another case, one of the contractors (AM General) overbilled the DLA 34 times for a Humvee replacement part, to the tune of $1.5 million (this was eventually resolved).  

April 2013: The Army has overpaid millions of dollars for spare parts. For an $8.00 helicopter door part, for example, the DoD paid $284.00. In another instance, the Army paid five times too much for a $1,500.00 rotor part that turned out to already have been in stock in the military warehouses.

June 2010: The Defense Logistics Agency purchased 230 aircraft access covers. Each totaled $3,900, which adds up to $897,000. However, the DLA later found that they only need 35 access covers.

Waste In Afghanistan:

The examples listed below are just a handful of the scores of examples of waste, fraud and abuse uncovered by the Special Inspector General for Afghan Reconstruction (SIGAR). For more examples see the SIGAR web site at https://www.sigar.mil/.

November 2015: The Task Force for Stability and Business Operations (TFBSO) in Afghanistan spent nearly $150 million (almost 20 percent of its budget) on private housing and security for its employees instead of housing them on military bases for a small fraction of the cost.

May 2015: A 64,000 sq. ft. command and control facility was constructed at Camp Leatherneck in Afghanistan, costing around $36 million. It was not needed at the time of its construction and was never used.

April 2015: A slaughterhouse that was built for the Afghan National Army by contractors hired by the U.S. Army Corps of Engineers was never finished, costing the US $1.54 million. The contractors are now suing for $4.23 million, possibly resulting in the U.S. paying $5.77 million for a slaughterhouse that was never finished, let alone used.

October 2014: The Pentagon spent $468 million on G222 transport aircraft for the Afghan Air Force, but soon found that it was nearly impossible to operate the aircraft effectively because they were cost-prohibitive to fly, didn’t meet operational requirements, and suffered from a critical lack of spare parts. The transport aircraft were soon grounded, and then scrapped by the Pentagon for only $0.06 per pound, recouping only $32,000.

April 2013: The Army Corps of Engineers funded contractors to build shoddy buildings in Afghanistan, some of which burned down. The ultimate cost was estimated at $21.3 million.

August 2011: The Pentagon has racked up $720 million in late fees for shipping container leases by not returning the containers on time. This $720 million in late fees is on top of the cost of the actual leases.
Cost Overruns on Major Systems:

The items below and on the next page are just a few among the many examples of Pentagon systems that have experienced cost overruns, schedule delays, and performance problems. These are chronic problems that will require systematic reforms.

October 2015: The Gerald R. Ford-class aircraft carriers are supposed to be the next generation of American super carriers. However, the project is now $4.7 billion over budget on the first two ships in the class alone, and the second ship, the USS John F. Kennedy, is five years behind schedule. New transformational technologies, including the Advanced Arresting Gear (AAG), the Electromagnetic Aircraft Launch System (E-MALS), and the Dual Band Radar (DBR), have turned into liabilities, as development and construction are proceeding concurrently, so any problem uncovered in development has to be corrected multiple times. All three carriers currently on order are suffering from significant cost overruns and technological problems.

September 2015: When developing the next generation of ground control systems (OCX) for GPS satellites, the U.S. Air Force consistently presented overly optimistic progress assessments and made poor acquisition decisions. As a result, cost overruns of $1.1 billion have been sustained to date, and the project has been set back at least 4 years.

September 2015: Despite 17 years in development and a cost of $2.7 billion, the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System (JLENS), essentially an array of giant stationary blimps with powerful radar arrays attached to them, has proven ineffective and unreliable. However, taxpayer dollars keep flowing to it because of concerted lobbying efforts and despite multiple attempts to kill the program.

September 2015: The Remote Minehunting System (RMS) has been in development for 16 years and has cost $706 million, but it is still unable to meet Navy standards for hunting mines. Initially, the RMS was supposed to contain 108 separate systems (with costs of around $13 million per system) and take 8 years to develop; it’s now projected to take 17 years to develop, has produced only 54 systems, and cost the same (with increased per-system costs of $29 million). It still doesn’t work, and some reports (specifically one from the Pentagon’s Director of Operational Technologies & Evaluation) believe that it never will be able to work.

April 2015: Four missile defense systems were scrapped after spending $10 billion on their development. The $2.2 billion Sea Based X-Band Radar did not work, and has been sitting idle in Hawaii since 2013. The Airborne Laser was canceled in 2012 after 10 years of testing and $5.3 billion in spending. The Kinetic Energy Interceptor was scrapped in 2009 after $1.7 billion was spent on it. And the Multiple Kill Vehicle was canceled after $700 million in spending and 4 years of testing.

January 2013 - August 2014: The first four vessels in the Littoral Combat Ship program cost $780 million per ship to make “mission-ready” despite original estimates that they would cost $400 million each. Additionally, serious doubts persist about its combat capabilities and survivability. After a decade of development, the LCS program was cut by 12 ships and the DoD authorized the Navy to develop more capable ships.
Notes
10. For a discussion of lifting the sunset provision on SIGAR and other steps to ensure rigorous oversight of overseas operations, see Michael Smallberg and Mandy Smithberger, “Preventing a New Chapter of ‘Vacuous’ Oversight,” Project on Government Oversight, August 10, 2015, available at http://www.pogo.org/blog/2015/08/preventing-chapter-oversight.html.
11. For a summary of the Lee-Schakowsky-Burgess bill, see http://burgess.house.gov/blog/?postid=388213.
13. Examples of waste cited in this section are grouped according to when they were reported or updated. Some of them describe activities that have gone on for years.


Acknowledgements

The author would like to thank Christopher Marks and Lindsay Getschel for research assistance on this report.

And the Arms and Security Project would like to thank the David Brown Foundation, the Ben and Jerry’s Community Foundation, the Colombe Foundation, the Kligerman Foundation, the Samuel Rubin Foundation, the Stewart Mott Fund, and Mary Van Evera for their support of our work.