

WASTE WATCH

OCTOBER 2015

REP. STEVE RUSSELL

No. 3





CONGRESSMAN
STEVE RUSSELL
REPRESENTING OKLAHOMA'S 5TH DISTRICT



October 2015

To the Citizens of the United States:

As Congress begins the new fiscal year, I am pleased to announce the publication of *Waste Watch No. 3*. The October edition of *Waste Watch* documents ten new examples of unnecessary spending throughout the federal government, totaling over **\$823 million**.

As the new report shows, there is still much to do to protect taxpayer money. Federal bureaucrats are doling out hundreds of millions of dollars for unproven “streetcar” projects, waste continues to come light in Afghanistan, and Medicare has seen an alarming increase in spending on commonly-abused opioid drugs. Meanwhile, federal science, arts, and humanities programs continue to raise eyebrows with projects more appropriately funded with private money.

At the end of the last fiscal year, Congress once again did what many had feared: as time ran out to pass the regular appropriations bills, we resorted to yet another omnibus “continuing resolution” to fund the government. These so-called “CRs” largely continue funding levels set in previous years, eliminating the opportunity for Congress to write each agency’s budget from the ground up. CRs lock in the status quo of unnecessary spending in some areas, inadequate funding in others, and dysfunctional, outdated, or wasteful programs throughout the government.

I look forward to the day when Congress gets our budgeting process back on track. The normal appropriations bills are valuable tools for addressing the type of waste and mismanagement featured in *Waste Watch*. The House Appropriations Committee passed all twelve required appropriations bills before the end of the fiscal year, and these bills included many sensible reforms to better steward taxpayer money. None, unfortunately, were ultimately signed into law.

Nevertheless, I am encouraged that Congress is using other mechanisms to address wasteful spending practices. I was proud to work with the House Armed Services Committee on reforms to protect taxpayer money in the FY 2016 National Defense Authorization Act (NDAA), including reforms to the DOD’s acquisition process and elimination of excessive and wasteful expenditures. I was also honored to be assigned to the conference committee to resolve differences between the House and Senate versions of the NDAA. As a conferee, I helped secure one reform to an authorizing provision that will free up at least \$25 million for higher priorities within the Afghanistan Security Forces Fund.

In the previous edition of *Waste Watch* in July, I highlighted the egregious mismanagement of the construction of the new VA medical center in Aurora, CO. The medical center’s cost has risen five-fold to a staggering \$1.7 billion, unacceptably squandering taxpayer dollars. In that report, I called upon the NDAA conference committee to retain an important new proposal that would strip the VA of authority to manage construction projects costing over \$100 million. I was pleased to see the reform was included in the final version of the NDAA. The president should sign this legislation immediately.

Although Congress has spent most of its time arguing over issues like budget caps, sequestration, and the Overseas Contingency Fund, it is these types of specific reforms that truly deserve Congress’ attention. As a combat infantryman, I tend to doubt the battle against federal overspending can be won merely by drawing lines on a map. We must also do the hard, messy footwork of going agency by agency, program by program, and expenditure by expenditure in the federal government, clearing out the unnecessary spending that is threatening our nation’s fiscal health.

As the representative for Oklahoma’s 5th District, I look forward to continuing this fight on your behalf. The work ahead will not be easy, but it is well worth the effort to preserve our nation for the next generation.

Sincerely,

Congressman Steve Russell
Lt. Colonel, U.S. Army (Ret.)

Department of Transportation Subsidizing “Streetcar” Transit—which has been Obsolete for Over a Century [\\$432 Million]



Dozens of U.S. cities are adopting streetcar systems. As riders of the Toronto streetcar system above could have testified, the vehicles can be blocked by obstacles in the road because they are bound by stationary tracks.

Streetcars, also known as trolleys, are mass transit vehicles that operate on rail lines embedded in normal roadways, often drawing electrical power from overhead catenaries. Streetcars usually operate along short, dense routes and make frequent stops.¹ About a dozen systems are currently active in the United States. From 2009 to 2014, the Department of Transportation awarded \$432 million for streetcar projects in 14 cities throughout the country, from Tucson to Portland to Kansas City.² Federal subsidies have covered about a third of the cost of the projects.³

One look at a modern streetcar raises an obvious question: what is the advantage over a bus? The vehicles are typically only marginally larger than a bus, but require considerable infrastructure, making them more expensive to build, maintain, and operate.⁴ Like a bus, their speed is constrained by the traffic around them. Unlike a bus, however, they are bound by their tracks. If anything blocks the track—an accident, a construction project, an illegally parked car—the entire line shuts down until the obstacle is cleared. The system will also shut down if parts of the elaborate system of catenaries and power transmission components fall or fail.

Americans recognized these obvious facts more than a hundred years ago. “Buses began replacing trolleys in the 1910s,” according to a Smithsonian Institution exhibit on streetcars. “Buses made business sense for transit companies; they were more flexible and cheaper to run than streetcars.”⁵

Examples abound of the practical limitations of trolleys. In New Orleans, a streetcar line was shut down for three months due to a city construction project—passengers had to take buses around the construction.⁶ Some commuters in Portland,

Atlanta, and Salt Lake City have found that walking is just as fast, or faster, than the streetcar.⁷

It appears the main argument for streetcars is their psychological appeal. Some proponents argue that despite their practical limitations, riders feel that streetcars are more permanent, reliable, and easily understandable than buses, making them more likely to take the trip.⁸ In other words, streetcars are thought to have an appeal similar to trains, but they cost much less. Their novelty can also contribute to the perception of an area as an urban “hot spot.” Businesses anticipate that streetcars will draw more foot traffic to an area, and invest in the area immediately around the trolley. “[A]t their essence streetcars aren’t tools for transportation,” writes one supporter. “They are tools for developing corridors and bringing investment to neighborhoods.”⁹

This theory may hold true in some cases; streetcar developers in Little Rock, Portland, Tucson, Salt Lake City, and Atlanta have reported increased investment along trolley corridors.¹⁰ The development may have been due to other subsidies focused on the same corridor, however. The Congressional Research Service (CRS) could find no clear evidence that trolleys, in general, increase transit ridership.¹¹

Even if streetcars do succeed in stimulating growth, their success depends on the highly subjective perceptions of the local community. Only local officials could possibly have the insight necessary to judge whether the community will find a trolley appealing. They are often wrong—some streetcar

corridors have seen no significant development.¹² Federal officials at the Department of Transportation are simply not in the position to decide whether local governments are making the right call. Moreover, it is difficult to find justification in the Constitution for federal involvement in purely local projects like these.

These projects should therefore be pursued without federal subsidies. Many communities are doing just that. Oklahoma City, for example, is planning a \$129 million streetcar project, the first phase of which is to open in 2018. The project is receiving no federal grants.¹³

Better alternatives exist for improving public transit. Bus Rapid Transit (BRT) projects, for example, attract riders with higher-quality stations and buses, traffic lanes fully or partially dedicated to buses, and more reliable, frequent service. There is much more solid evidence that BRT tends to increase transit ridership and decrease trip time.¹⁴ According to one study, BRT attracts more private investment per dollar spent on transit than light rail or streetcars.¹⁵

Most streetcar funding has come from the Transportation Investment Generating Economic Recovery (TIGER) program, but recent changes are expected to make it easier for trolleys to receive funding from the New Starts and Small Starts program.¹⁶ We could therefore see even more federal streetcar funding in the near future. The federal government should discontinue funding for these local projects, focusing scarce transportation dollars on better-proven methods of transit.



The planned Oklahoma City trolley will be built without federal subsidies

Federal Grant Funds a Study of Online Gamers' "Notoriously Toxic" Language [\$29,403]

The National Endowment for the Humanities (NEH) provided nearly \$30,000 for a study to “understand and describe toxic rhetoric in online spaces, with an emphasis on large-scale multiplayer computer games.”¹⁷ The researchers will comb through the text-based chat systems of online games like World of Warcraft, Eve Online, and Starcraft II, looking for “hateful, toxic and harassing speech,” and produce a paper with “best practices for studying and moderating toxicity.” The paper will also examine legal options for addressing “hate speech, dangerous speech, and toxic speech.”¹⁸



A screenshot from the multiplayer game World of Warcraft. The researchers plan to study players' text-based chats like those above (mmporg.com).

The group includes “scholars from English, Linguistics, Law, Psychology, Education, Game Studies, and Justice Studies as well as industry experts from game development,” according to the project’s webpage. The lead on the project is an Assistant Professor of English and Communication at Georgia State University.¹⁹

Some gamers, unsurprisingly, have not reacted well to the suggestion that their community is particularly prone to abusive language. “Yes, there are horrible individuals who say horrible things in every online community, but I’ve not yet seen evidence that gamers are worse than any other group,” a blogger on a

technology website complained.²⁰

Online threats, incitement, stalking, and harassment are certainly important issues that deserve serious study. The researchers would be best advised to focus on these aspects of their project. A federally-funded academic study is not likely to help curb offensive or hurtful speech, however. Whether or not the researchers are fair for calling the online gaming world “notoriously toxic,” it is certainly notoriously independent. If there are any workable solutions for curbing toxic online language, they will arise from within the gaming community, not from a federal humanities grant.

The researchers plan to start building a “reference corpus” and “descriptive taxonomy” for toxic online language by studying text chats like these.



Contractor Finishes Military Warehouses Two Years Late— After the Agency Abandoned the Area [\$14.7 Million]



One of four warehouses intended for the Defense Logistics Agency (DLA)

In 2010, the U.S. Army Corps of Engineers awarded a contract to the Turkish firm YDA AFCON to build a warehouse complex at Kandahar Airfield in Afghanistan. The complex, consisting of four warehouses and an administration building, were to be used by the Defense Logistics Agency (DLA) to store and distribute supplies to U.S. military services throughout the country. The warehouses were to be completed by August 2011, but after numerous contractor delays and poor performance, the project remained incomplete nearly 20 months after the deadline.

DOD finally fired the contractor in April 2013, hiring a U.S. firm to complete the job. Just a few months later, however, the U.S. Army decided the DLA would be leaving Kandahar entirely. Nevertheless, the Corps of Engineers forged ahead with the project, even adding new modifications to the contract that increased its cost more than \$400,000. The warehouse was finally completed in February 2014, but its intended recipient, the DLA, never used the facility. A support unit for the airbase stored some file cabinets and a few other items in the warehouses, but ultimately, the complex was handed over to the Afghan government without any significant use by U.S. forces.²¹

The warehouse project stands as yet another example of the endemic waste that has afflicted U.S. efforts in Afghanistan. It is unclear why USACE continued to work with the Turkish contractor long after the deadline had been missed. USACE sent YDA AFCON over 20 letters after the August 2011 deadline, but these efforts proved insufficient to get the contractor to perform. When USACE finally terminated the contract, it estimated the project was about 90 percent complete, but still lacked complete electrical, fire suppression, and communications systems.

Despite YDA AFCON's delays and dismal performance, it received \$13.5 million for the work it had done. This amount was about 90 percent of the contract value—

meaning the contractor suffered no significant penalty for delaying completion of the facility by over two years and leaving a "host of construction deficiencies" for the next contractor to deal with.²²

Although the completed facility was at least transferred to the Afghan government, it is unclear whether the Afghans had enough need for the facility to justify sinking another \$400,000 into the project after the Army decided DLA would be leaving the area. Military authorities for Afghanistan say they will investigate, but note that it will be difficult to get to the bottom of the issue since the individuals responsible are no longer in Afghanistan, and perhaps no longer in the federal government.²³

NEH Funds Project to Provide “Sublime” Experiences of Nature—Through a Video Game [\$140,000]



A scene from “Walden: The Video Game”

In 2012, the National Endowment for the Arts (NEA) awarded a \$40,000 grant for a video game based on Henry David Thoreau’s *Walden*. The game was panned by critics who pointed out that the whole message of Thoreau’s book was about experiencing “only the essential facts of life” out in the woods, with minimal dependence of technology and civilization.²⁴ Senator Tom Coburn even featured the grant in his *Wastebook 2012*.²⁵ In 2015, however, the National Endowment for the Humanities (NEH) picked up where the NEA left off, doubling down with a \$100,000 grant to help finish the project.²⁶

Called simply “Walden: the Video Game,” the game will offer six hours of play following Thoreau through his first year at Walden Pond. Players are meant to relive Thoreau’s experiment in the woods, balancing their time between exploration of nature, seeking spiritual experiences, and reading literature on the one hand, and necessary survival activities on the other, such as picking berries, growing beans, fishing, building a cabin, chopping firewood, and stitching clothes.²⁷

The game offers an aesthetically beautiful recreation of the woods of Walden Pond in order to encourage “stillness and reflection rather than competition and aggression.” The game even provides an electronic soundtrack to help along the player’s contemplative experience: “The music will react to the state of the player’s inspiration, falling away to a thin accompaniment when the player is uninspired, and

rising in level of orchestration as they find more inspiration in the world.”²⁸

This high-tech approach to experiencing nature has raised eyebrows even among the technology community. “Thoreau’s point with *Walden* was to note the intrinsic benefits of separation from technology in modern society, to slow down and live as one with nature as part of a larger, living world,” wrote one critic in Engadget.

“Putting this experience inside of a video game, running on people’s computers in an air-conditioned office, cafe or mother’s basement misses the point entirely.”²⁹

The project lead admits a video game is no substitute for a real experience of nature, but argues that games are helpful for understanding “how things work”—in this case, how our choices about how we spend our time affect our experience of the sublime.³⁰ The developer also argued the game could help introduce young people to Thoreau and be useful for those who do not have time for a real adventure in the woods.³¹ It remains unclear whether the game is useful for those purposes, however, because despite the \$40,000 grant, the game is still incomplete three years later.

While the game may have an interesting premise, an important question remains: who will actually play it? Wandering in virtual woods and chopping firewood for six hours will be a tough sell for most gamers. The project lead anticipates the first audience will be an “up-and-coming community” of gamers “who are interested in experimental games and indie games.”³² Other potential audiences are “students of history and literature” and “scholars of Thoreau, Concord history and Transcendentalism.”³³

Time will tell whether these relatively narrow groups will find enough value in the game to justify spending \$140,000 in taxpayer money. The concept is certainly experimental, and the amount of use the game will



Picking berries in the woods in “Walden: the Video Game”

ultimately see is very uncertain. A better approach would have been to allow the gaming and online communities to decide on their own whether the game was worthy of their support, using crowdsourcing mechanisms such as Kickstarter or Tilt. Rather than risking \$140,000 in taxpayer money on a game that few may ever play, the developers could have moved forward with a base of committed supporters who could help the game succeed upon release.

It is certainly possible that “contemplative” games like “Walden” have a future. If developers in this new niche continue to rely on federal grants, however, they may actually impede the development of the natural base of support that is essential for this genre to succeed in the long term.

Department of Energy Hosting Conferences at Costly Hotels and other Venues; Not Considering Federal Buildings

Over the course of nine months in 2014, the Department of Energy (DOE) held at least 40 conferences at hotels and other locations instead of using federal government space. In February 2014, for example, the DOE held its fifth annual Advanced Research Projects Agency-Energy (ARPA-E) Innovation Summit at the Gaylord National Resort and Convention Center just outside Washington, D.C.³⁴ The waterfront resort boasts a “spectacular



The Gaylord Convention Center just outside Washington, D.C., where the Department of Energy hosted a 2014 conference costing \$319,170.

19-story glass atrium” and “fun for everyone including fine dining and casual restaurants, unique shopping experiences, an indoor pool and 20,000 square foot spa and fitness center.”³⁵ The event cost taxpayers \$319,170,³⁶ but the Department gave no indication it considered hosting the event in alternative federally-owned space.

While it is sometimes necessary for federal agencies to rent outside space, there was no evidence DOE had even considered using a federal facility for the 40 conferences, and officials’ justifications for the venues they chose were often questionable, according to the Inspector General (IG) for the agency. “For example, there was no indication that a federal facility was considered for a conference held in Berkley, California, at a cost of \$29,475,” the IG stated. “Additionally, a conference was held at a Washington, DC, hotel costing \$63,802, including meeting space cost of \$15,000.”³⁷ The Department said its own Washington, DC headquarters was not suitable for the convention because it was not “conducive to an efficient flow of conversation and development of concepts”—an explanation the IG found lacking.³⁸

The IG examined a total of 151 conferences costing more than \$20,000 and 16 conferences that cost more than \$100,000. About a third of the smaller conferences suffered from “accounting, documentation and justification issues,” and all 16 of the larger conferences had similar problems. The conferences for which the IG identified problems cost about \$7.3 million combined.³⁹ For example, for 28 conferences, there was “no indication of whether cost comparisons were conducted or if contracts were awarded on a competitive basis.”⁴⁰

Federal oversight officials have been cracking down on questionable conference spending since the General Service Administration’s notorious \$800,000 conference

in Las Vegas in 2010, which included over-the-top parties, extravagant meals, and even performances by a clown and a mind reader.⁴¹ Congress implemented rigorous reporting requirements for federal conferences in 2013,⁴² but as the DOE IG shows, some agencies continue to struggle with the new requirements.

Just this June, the DOE held its Information Management Conference at another Gaylord resort, the Gaylord Opryland Resort and Convention Center in Nashville.⁴³ The resort features “9 acres of lush indoor gardens and cascading waterfalls” and “an extraordinary selection of dining, shopping and recreational activities underneath our signature glass atriums—the perfect setting for a complete getaway.”⁴⁴ It seems doubtful the luxurious resort was the most cost-effective venue for the conference.

Conferences are legitimate and important tools for many federal employees, especially scientists and other experts who need them to stay up-to-date on their professions. Some of the rules that agencies have developed as part of the crackdown are excessive and should be adjusted.⁴⁵ Nevertheless, agencies can and should comply with the transparency requirements Congress imposed in 2013, which are expected to remain in place.⁴⁶ Disclosure and accountability will help prevent unjustified conference spending while allowing important professional education and collaboration to continue.



Gaylord Opryland Resort and Convention Center, the venue for a 2015 Department of Energy conference.

National Science Foundation Funds R&D for Billion-Dollar High-Frequency Trading Industry [\$957,999]

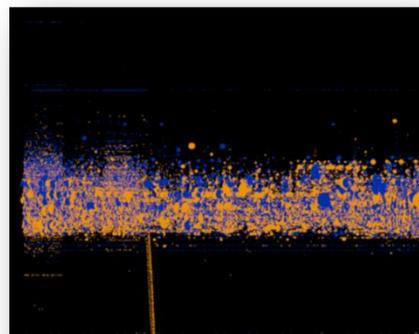
The National Science Foundation (NSF) has awarded nearly a million dollars to support research for the benefit of a highly lucrative segment of the financial sector. High-frequency traders (HFTs) are investment firms that use extremely fast, sophisticated computer programs to buy and sell stocks and other financial products in a matter of milliseconds, usually making millions of trades in a single day. Trades are governed by algorithms that identify opportunities for profit in the market and perform transactions automatically before humans can act. Critics, such as Michael Lewis, author of *Flash Boys*, contend algorithmic trading has been used for a host of abusive market manipulations,⁴⁷ but supporters argue it curbs price fluctuations in the market.⁴⁸ Whatever their merit, HFTs have raked in substantial earnings, making an estimated \$1.3 billion in revenue in 2014.⁴⁹



The programmers who develop high-frequency trading algorithms are among the most sophisticated in the financial sector. Despite the more-than-adequate financial resources and technical expertise in the industry, federal grant makers agreed to provide taxpayer money to fund research that promises to make high-frequency trading even more powerful. A researcher at a Silicon Valley data mining company, BCL Technologies, was awarded two NSF grants between 2013 and 2015 to develop software capable of extracting computer-usable financial data from the financial reports of publically-traded companies. The first benefit of this computer-usable data listed in the abstract is that algorithmic trading programs of HFCs will be able to immediately use the data to execute trades—long before any human trader has the chance to read and understand the reports.⁵⁰

“Currently, data embedded in financial text are extracted manually by hundreds of people working for data warehouses,” the abstract explains. “This manual effort takes on the order of weeks making the bulk of the data unavailable in easily computer-usable forms in real time.”

The software will extract information from financial documents such as Form 10-Q, the quarterly report of financial statements that publically-traded companies are required to submit to the SEC.⁵¹ This work is currently performed manually because the language of financial documents is highly complex. To be useful, computers must be able to tell what the numbers in the document mean, including the financial concept to which they refer and the date range they cover. For example, they must be able to examine a table in a financial statement and tell that \$71.36 million refers



A visualization of high-frequency trades on the NASDAQ in the one minute before the market opens (*Stamen*).

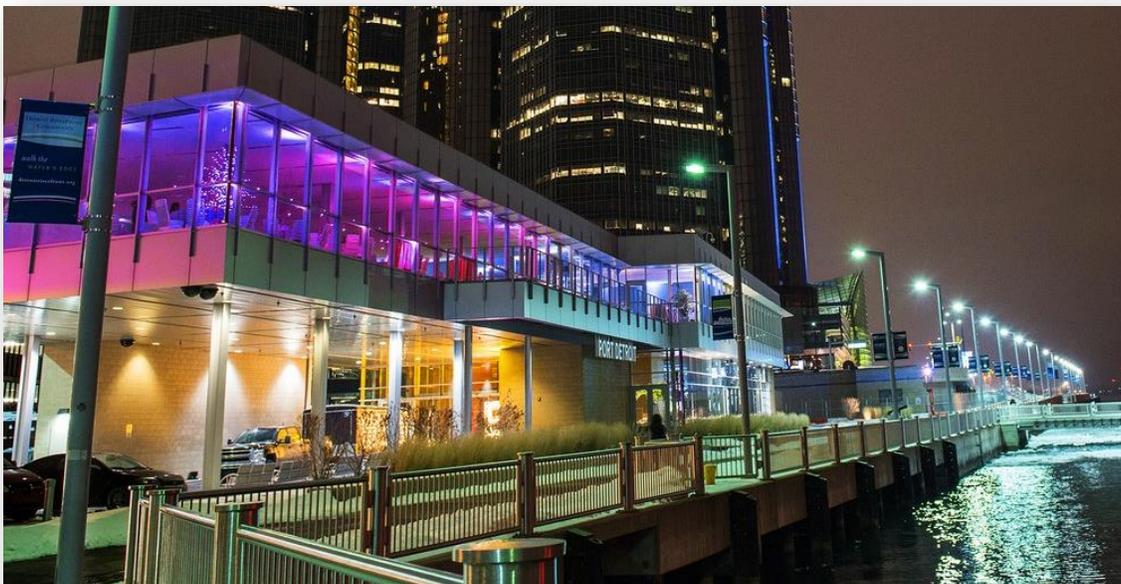
to “sales and other operating revenue” in the second quarter of 2015. Software to extract this data already exists, but the data it produces is accurate less than half the time. The researcher in this project aims to improve accuracy to 85 percent.⁵²

The abstract lists other benefits to this data, noting that data warehouses will be able to provide more detailed computer-usable data, and the general transparency in the financial market will be greater. With data that is only 85 percent accurate, however, the main beneficiary will be HFTs. Because algorithmic trading programs execute millions of small trades every day, they only need to make money on a slim majority of those trades to be profitable.

85 percent accuracy is more than adequate to help HFTs make more money. Ordinary traders, however, make a much smaller number of trades and are less likely to risk acting on wrong information. They will most likely continue to rely primarily on manual readings of financial statements, further increasing the lag time between HFTs and conventional traders.

The value of high-frequency trading remains controversial. Whether HFTs are market parasites or serve a useful function, one thing is clear: the lucrative industry can and should use its own capital to pay for research that will serve its own interests.

DOT Subsidizes Ritzy Public Dock Facility to Attract Cruise Ships to Detroit; Now Instead Used for Private High-Dollar Weddings and Party Boats (\$7.1 Million)



The Waterview Loft at Port Detroit

In 2009, the Department of Transportation chipped in over \$7 million in funds from the “stimulus” bill to assist Detroit with building a new, \$22 million passenger terminal and public dock on the Detroit River.⁵³ The facility, which includes a sleek new event venue and a 250-foot offshore wharf, was intended to host a U.S. Customs office and serve Great Lakes cruise ships, as well as ferries and water taxis from across the river. Great Lakes cruise ships regularly take hundreds of high-paying passengers up the Detroit River, and these passengers could have brought new dollars to the waterfront area.⁵⁴

Unfortunately, few cruise ships have opted to dock in Detroit. Only one cruise ship docked at the facility this year, and none last year.⁵⁵ There is still talk of starting a water taxi or ferry, but

none are operating yet,⁵⁶ and the Customs office has been mothballed.⁵⁷ Instead, the publicly-funded terminal, now known as the “Waterview Loft,” has become a venue for a private catering company, which uses it for lavish weddings, corporate events, and yacht parties costing tens of thousands of dollars.⁵⁸ Wedding packages, for example, start at \$18,500; one wedding for 150 guests was quoted at \$38,000.⁵⁹ Instead of bringing badly-needed new dollars into the city, the taxpayer-funded building now simply serves as a party venue for the wealthiest individuals and companies in Detroit.

The facility is still owned by the Detroit/Wayne County Port Authority, a public entity funded primarily by federal, state, and local taxpayers.⁶⁰ The catering company, Continental Services, pays the Port Authority 15 percent of event sales, or a minimum of \$1,500 per event. Continental also owns a luxury yacht, the *Ovation*, which it uses to host “dinner, dessert and dancing” on the water. It pays the Port Authority a \$500 docking fee for each cruise.⁶¹

Despite Continental’s payouts, the building now operates at a loss; Continental’s total payouts to the Port Authority in 2014 were less than the Authority’s expenses for heating and maintaining the building.⁶² Continental Services is politically well-connected in Detroit; it also holds a meal contract at the county jail. Under the five-year contract signed with Continental in 2012, if a cruise ship docks at the port, the authority may use the ground floor of its building to host the passengers—but only if it gives Continental six months’ notice.⁶³ This provision makes it even more difficult for the dock to fulfill its original purpose of attracting cruise ships to Detroit.

An even bigger problem is the shutdown of the Customs office intended for the first floor of the terminal. Built at a cost of \$1 million, the office includes “4,000 square feet of offices, holding cells and labs” to allow the U.S. Customs and Border Patrol (CBP) to process cruise ship passengers. CBP has said, however, that the office’s computers and security cameras are not up to standard. The Port Authority says it cannot afford the upgrades, so the office remains unused—other than as storage space for Continental’s furniture and equipment for its events.

The port director says CBP has been unyielding on a host of minor issues, and will not commit to using the facility even if its demands are met, so he is reluctant to spend the money to make the upgrades.⁶⁴ Without the CBP office, the Port Authority cannot process cruise ship, water taxi, or ferry passengers coming from the Canadian side of the Great Lakes—making it all the more likely the Detroit Public Dock will remain nothing more than a money-losing venue for Continental Services to host wealthy guests at posh weddings and parties.⁶⁵



Continental Service’s luxury yacht, the *Ovation*, is one of the few vessels that now uses the Detroit Public Port.

After Botching “Green” Renovation of its Own Roof, Public Buildings Service Scraps the Project and Uses the Money for an Office Remodel [\$1,187,800]



The GSA Headquarters in Washington, DC

The American Recovery and Reinvestment Act of 2009 provided nearly \$4.3 billion in funding to convert buildings owned by General Services Administration (GSA) into “High Performance Green Buildings,” (HPGBs) which are intended to reduce energy, water, and resource use and decrease negative environmental impacts.⁶⁶

A 2013 audit by the GSA Inspector General (IG) focused in-depth on one “green” building project: the Regional Office Building (ROB) for the Public Buildings Service (PBS) in Washington, DC. The PBS is the office within GSA that functions as the “landlord” for civilian federal buildings, and was responsible for the HPBG program.⁶⁷ Unfortunately, the HPBG project at PBS’s own office was rife with problems. The PBS planned to replace the ROB’s roof, despite conflicting reports about its condition. One report found it was in “fair to good condition with an expected remaining useful life of 10 years.” PBS planned to replace the entire roof, but budgeted only for the west side. Due to discrepancies between the plan and the budget, the entire project was scrapped, but PBS still paid \$110,887 in a contract settlement. The audit found PBS paid \$88,887 in “excess profit” in the settlement.⁶⁸

After the roofing project fell through, PBS re-allocated the remaining money, \$877,152, to renovate the seventh and second floors in its building. PBS claimed these renovations would help showcase alternative office space to other federal agencies and help the office meet GSA’s Zero Environment Footprint goals. The IG was not impressed by these claims, writing that “the primary focus of the project appeared to be the renovation of the PBS NCR Regional Commissioner’s office on the seventh floor.” The renovation converted the seventh floor “from closed office ‘executive suites’ to an ‘open-space-style’ office design and to create ‘shared-use workplace settings and functions,’” according to the audit.⁶⁹

While PBS claimed that these overhauls would pay for themselves in just 45 years’ time, the audit estimated that with the stated annual savings of \$190 it would take 4,617 years for the remodeling to break even. In addition, more than half of the money allocated, \$478,590, was deemed to have been improperly obligated and in violation of the Federal Acquisition Regulations (FAR). PBS also used \$199,761 in Recovery Act funds to purchase new furniture for an existing tenant. This purchase violated PBS’s own guidelines, and was also done without a required cost-benefit analysis.

Unsurprisingly, PBS’s mismanagement of the HPGB program extended beyond its own office. In March of 2015, the IG took a broader look at the HPGB projects handled by PBS. The IG conducted an audit of 45 of the green building renovations funded by the Recovery Act, which cumulatively received \$2.47 billion in Recovery Act funding. The IG sought to determine whether the PBS was collecting enough data on its “green” buildings to verify that the buildings were truly conserving resources and protecting the environment.

Its conclusion? The PBS’ data was “incomplete, outdated, and unverified.” For example, the IG found 14 of the 45 projects lacked up-to-date documentation regarding whether the buildings’ systems were performing as intended, and 12 projects lacked complete data on buildings’ resource consumption prior to the project, which is necessary to measure efficiency gains. The power meters on 3 of the buildings provide no data on electricity consumption for at least two months. For 9 of the projects, PBS simply waived most of the sustainability standards, but did not document why.⁷⁰ As a result, PBS cannot be sure that billions in dollars in “green” renovations resulted in energy savings or better protection for the environment.

Spending on Abuse-Prone Opioid Prescriptions Increases \$2.4 Billion; Federal “Patient Satisfaction” Program may be Making the Problem Worse

Since the creation of the Medicare Part D prescription drug benefit in 2006, federal spending on drugs has more than doubled. The growth in one class of drugs, however, has significantly outpaced the others: frequently-abused prescription opioids like Vicodin, OxyContin, and morphine.⁷¹

The disproportionate increase in abuse-prone drugs could have many explanations, but many doctors, nurses, and other medical providers say a surprising culprit is adding to the problem: “patient satisfaction” surveys mandated by Medicare. The surveys ask randomly-selected patients about their experiences in hospitals, including how well their pain was managed.

Due to provisions in the Affordable Care Act (ACA), starting last year, a bad score on these surveys can trigger cuts in Medicare reimbursements to the hospital. Many hospitals have responded by penalizing doctors who get poor reviews; some doctors, in turn, have sought to pad their scores by giving patients what they want instead of what they need—including unnecessary or excessive prescription painkillers.⁷²

A 2013 *Forbes* story explored both government and private “patient satisfaction” initiatives, surveying the alarming effects they are having on doctors’ decisions to order tests, make hospital admissions, and prescribe medication, including powerful opioids.

“Why shouldn’t you grade the quality of your medical care, the way that you pass judgments on other services, whether hotel stays via TripAdvisor or contractors via Angie’s List?” *Forbes* asked. “The short reason: The current system might just kill you. Many doctors, in order to get high ratings (and a higher salary), overprescribe and overtest, just to ‘satisfy’ patients, who probably aren’t qualified to judge their care.”

Medicare paid \$3.9 billion for commonly-abused opioids in 2014, according to the Office of Inspector General (OIG) for the Department of Health and Human Services (HHS). This was 156 percent, or two and half times, more than in 2006. Spending on all drugs under Medicare Part D increased 136 percent over the same period.⁷³

The OIG says the increase could point to higher levels of fraudulent activity, including patients obtaining



prescription drugs and selling them to others, patients consulting multiple doctors to obtain duplicate prescriptions, doctors accepting kickbacks or bribes to write prescriptions, or pharmacies that bill for drugs that were not dispensed.⁷⁴ These are challenging problems to address, and the OIG has worked hard to catch the bad actors in the system. The office’s investigations have led to 339 criminal actions and \$720 million in receivables for Medicare Part D in the past three years.⁷⁵

Meanwhile, however, the federal government’s own policies may be contributing to the increase in Part D costs. Since October 2012, hospitals have faced cuts in their Medicare reimbursement based on their compliance with federal hospital quality standards. Cuts may be as large as 1.5 percent this year, and will reach 2 percent by FY 2017.⁷⁶ The quality standards cover a variety of areas, but a full 30 percent of each hospital’s score is based on surveys that Medicare mails out to patients.⁷⁷ Most of the questions are reasonable to ask patients; for example, the survey asks about whether the patient was treated with courtesy and respect, the cleanliness of rooms, and how well medication was explained.⁷⁸

One section, however, deals directly with pain medication, asking patients to rate how often their pain was well-controlled, and how often the hospital staff did “everything they could to help you with your pain.” This section alone determines about 4 percent of the hospital’s final “grade.”

Despite the relatively small weight of this section, the surveys as a whole appear to be having a significant impact on the judgment of some doctors. “Our physicians feel like the patient’s not going to rate me very highly in the patient satisfaction survey if I don’t give them what they want,” says Dr. Randal Dabbs, an executive with a Tennessee company

that staffs hospitals with medical professionals. “They’ve all said the same thing, that there is this pressure to prescribe pain drugs to individuals because they are scored on that.” Dr. Dabbs added, “I do recall several times over the years where I’ve had a hospital administrator to look at me and say, ‘I don’t understand, Randal, why you can’t, why the physicians can’t just give them a few pills just to make them happy and let them go home.’”⁷⁹

One state medical society surveyed its members and found, of the 155 who responded, “almost half believed that pressure to obtain better scores promoted inappropriate care, including unnecessary antibiotic and opioid prescriptions, tests, procedures, and hospital admissions.”⁸⁰

In a 2015 paper, meanwhile, a professor of bioethics and psychiatry notes that patient satisfaction surveys may pressure doctors to withhold bad news, permit false hopes, and avoid unpleasant topics such as behavior changes the patient needs to make, all to avoid upsetting the patient and triggering a bad review.⁸¹

Intriguingly, a University of California–Davis study found that patients expressing high satisfaction on the federal survey, compared to the least satisfied patients, had 9.1 percent higher prescription drug expenditures, 8.1 higher overall health care expenditures, and—most strikingly—were 26 percent more likely to die.⁸² This study suggests more serious side-effects to the surveys than escalating Medicare costs. “The UC Davis authors posit that the most satisfied patients have a

12. During this hospital stay, did you need medicine for pain?
 1 Yes
 2 No → If No, Go to Question 15

13. During this hospital stay, how often was your pain well controlled?
 1 Never
 2 Sometimes
 3 Usually
 4 Always

14. During this hospital stay, how often did the hospital staff do everything they could to help you with your pain?
 1 Never
 2 Sometimes
 3 Usually
 4 Always

higher mortality rate because they receive more discretionary services—interventions that carry a risk of adverse effects,” according to *Forbes*. “Even routine screenings for diseases like prostate cancer can lead to unnecessary drugs and operations with allergic reactions and surgical complications that leave patients worse off.”⁸³

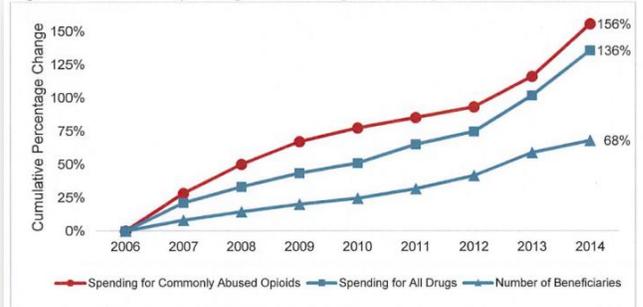
The UC Davis study was performed before Medicare began linking patient satisfaction surveys to hospital reimbursement. Now that hospitals face financial penalties for dissatisfied patients, even more patients may be successfully pressuring their doctors to provide inappropriate prescriptions for opioids and other drugs—putting their own health at risk.

Starting this year, physician group practices must also submit patient survey data. For the time being, practices will only face financial penalties if they fail to submit the data, not for poor scores.⁸⁴

At a minimum, HHS should remove matters of medical judgment, such as pain management, from federal patient satisfaction surveys, limiting questions to issues like cleanliness and courtesy that patients are qualified to assess. Even after making these changes, HHS should study how often dissatisfied responses are the result of patients who simply disagree with their doctors’ medical decisions. It is vital that HHS ensures its own policies and penalties are not pressuring hospitals and doctors into harming patients.

Ultimately, it is unwise to use impersonal, automatic federal formulas to translate patient survey data into financial penalties. Survey data can be undermined not only by unwise patients, but also by a variety of statistical sampling flaws. To be useful, surveys should be intelligently interpreted by those with actual knowledge of the patients—not processed through automatic formulas written in a detached federal bureaucracy.

Figure 2: Growth in Spending of Commonly Abused Opioids, 2006–2014



Source: OIG analysis of Medicare Part D data, 2015.

Spending on opioids has increased significantly faster than spending on other Medicare Part D drugs. (HHS OIG)

A Win in the Fight Against Fraud: EEOC Employee Caught Stealing \$59,000 in Taxpayer Money for Personal Use, Including Shopping at Armani and a Disneyland Vacation

An official at the Equal Employment Opportunity Commission (EEOC) used fraudulent invoices to steal 23 American Express gift cards worth a total of \$59,000 from the agency. The employee used the stolen cards “to make payments on a timeshare, vacations, a car, phone service, and storage, as well as numerous local retail purchases,” according to the Inspector General for the EEOC.⁸⁵



The employee made “numerous local retail purchases” using the stolen gift cards, including purchases from the upscale fashion store Armani.

A Freedom of Information Act request by the *Washington Examiner* later revealed more details on these purchase. The cards had been used for “Armani, Louis Vuitton, and a Disneyland vacation,” according to the newspaper.⁸⁶

The EEOC is responsible for enforcing federal laws against racial, religious, and other forms of discrimination.⁸⁷ The agency, unfortunately, was slow to act on the IG’s findings, keeping her on paid leave for at least four months.⁸⁸ Eventually, however, the employee was terminated. After the IG secured a taped confession, the employee pled guilty in a local court system, was sentenced to six years of probation, and ordered to pay back the \$59,000 stolen from the agency.⁸⁹

Overseeing the vast federal budget is no easy task. The inspectors general, who head 72 independent oversight offices throughout the federal government, are indispensable to the fight against waste, fraud, and abuse in federal agencies. The IGs not only publish reports and recommendations to help save taxpayer money, they actively investigate allegations of fraud and abuse throughout the government and help bring the perpetrators to justice.⁹⁰

Like most IGs in the federal government, the EEOC IG has multiple investigations ongoing, including investigations related to “ethics violations, conflicts of interest, fraud, mismanagement, falsification of government records, impersonation of a Federal official, misuse of travel and purchase cards, theft of government property, misuse of computers, and threats against the Agency,” according to its quarterly report.⁹¹ The IG deserves praise for its vital work ensuring the integrity of the EEOC and protecting the taxpayers.

Appendix: Breakdown of \$823 million Total

Article Title	Description of Amount	Amount
Department of Transportation Subsidizing “Streetcar” Transit—which has been Obsolete for Over a Century	Total value of 12 TIGER grants and 5 New Starts and Small Starts grants benefitting streetcar projects.	\$432,000,000
Federal Grant will Fund a Study of the “Notoriously Toxic” Language of Online Gamers	Total value of the federal grant.	\$29,403
Contractor Finishes Military Warehouses Two Years Late—After the Agency Abandoned the Area	Total federal spending on the unused warehouses.	\$14,700,000
NEH Funds Project to Provide “Sublime” Experiences of Nature—Through a Video Game	Total value of the federal grant.	\$140,000
Department of Energy Hosting Conferences at Costly Hotels and other Venues; Not Considering Federal Buildings	Total cost of the conferences for which the IG identified accounting and cost comparison problems.	\$7,300,000
National Science Foundation Funds R&D for Billion-Dollar High-Frequency Trading Industry	Total value of the federal grant.	\$957,999
DOT Subsidizes Ritzy Public Dock Facility to Attract Cruise Ships to Detroit; Now Instead Used for Private High-Dollar Weddings and Party Boats	Total value of the federal grant	\$7,100,000
After Botching “Green” Renovation of its Own Roof, Public Buildings Service Scraps the Project and Uses the Money for an Office Remodel	Total amount spent on the cancelled roof remodel (\$110,887), office remodels (\$877,152), and inappropriately purchased furniture (\$199,761).	\$1,187,800
Spending on Abuse-Prone Opioid Prescriptions Rises \$2.4 Billion; Federal “Patient Satisfaction” Program may be Making the Problem Worse	The approximate amount by which annual spending on opioids has increased beyond the increase in other Part D spending. Spending on all Part D drugs increased 136% from 2009 to 2014. Spending on abuse-prone opioids increased 156%. If spending on abuse-prone opioids had instead increased only 136%, total spending on these opioids would be \$360 million less in 2014.	\$360,000,000
A Win in the Fight Against Fraud: EEOC Employee Caught Stealing \$59,000 in Taxpayer Money for Personal Use, Including Shopping at Armani and a Disneyland Vacation	Assuming the official pays back the stolen \$59,000 as ordered by the court, taxpayers will be made whole.	\$0
Total		\$823,415,202

All links accessed October 7, 2015

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