

# WASTE WATCH

JULY 2015

REP. STEVE RUSSELL

No. 2





CONGRESSMAN  
**STEVE RUSSELL**  
REPRESENTING OKLAHOMA'S 5TH DISTRICT



July 7, 2015

To the Citizens of the United States:

The federal government continues to spend far more than it takes in. To cover this year's deficit, the federal government will need to borrow almost half a trillion dollars. For the next two years, deficits are expected to remain "only" around half a trillion, but after that, spending and borrowing will climb steeply as our long-predicted entitlement crisis gets underway. Without significant changes, we will return to the bad old days of trillion-dollar deficits within a decade—and this time, they will not go away. In ten years, we will be paying over \$800 billion a year just to make interest payments on the debt—more than our entire defense budget.

We could be using that money for research, infrastructure, protecting the country, and taking care of the elderly. Instead, it will go to make our lenders wealthier. The problems will just get bigger as the years go on, until we reach a point where lenders simply won't be willing to lend us the money we need.

How do we stop that from happening? Most policymakers know we need to fix entitlements, reform the tax code, and improve the economy. Those are the big-picture issues. But we cannot neglect the billions in wasteful, inefficient, and just plain unnecessary spending throughout the federal government. Finding and fixing those problems will require dedicated effort from Congress, federal agency officials, and watchdog organizations inside and outside the government.

I have already taken action on issues identified in the April 2015 edition of *Waste Watch*. As a recently-appointed member of the House Armed Services Committee, I worked with Chairman Mac Thornberry and the members of the committee to include language in the National Defense Authorization Act (NDAA) directing the Department of Defense (DOD) to improve their process for disposing of excess property, which should save taxpayers millions in unnecessary storage costs.

*Waste Watch No. 2* continues this effort, highlighting ten new examples of government waste from recent years, totaling nearly **\$4.2 billion**. Part of that sum has already been wasted, while other expenditures are at high risk of being wasted if action is not taken. Items in *Waste Watch No. 2* range from a wacky theater troupe in San Francisco, to military helicopters purchased from Russia, to a VA construction project so badly-managed the cost overruns alone could have paid for the tallest residential skyscraper in Manhattan. These instances of government waste shine a light on the much larger problems of poor management, inadequate transparency, limited accountability, and often-nonexistent performance data that is endemic throughout the federal government. Fixing those problems will require persistence and hard work, but doing so is essential to changing our nation's fiscal trajectory.

The next few years may be the last lull in our nation's financial troubles in a long time. Now is the time to figure out exactly what federal agencies are spending your money on, and what, if anything, this spending is accomplishing. As *Waste Watch No. 2* shows, we have a lot to do to accomplish that goal. As the congressman for Oklahoma's fifth district, I am honored to work toward that objective on your behalf.

Sincerely,

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

# **Army Spends \$1.8 Billion Buying and Refurbishing Helicopters from Russia. Rip-offs, Mismanagement, and Criminal Conflict of Interest Ensue.**



A Russian-made Mi-17 helicopter outfitted with weaponry.

Since 2005, the Pentagon has purchased or refurbished dozens of Russian-made Mi-17 helicopters for the benefit of the governments of Afghanistan, Iraq, and Pakistan.<sup>1</sup> From 2011 to 2014, DOD acquired 63 Mi-17 helicopters for the Afghan military, at a cost of about \$1.1 billion to U.S. taxpayers.<sup>2</sup> DOD also paid at least \$772 million for maintenance and refurbishment contracts.<sup>3</sup>

**The 63 helicopters were purchased directly from Russia's state-owned arms supplier, Rosoboronexport, at a cost of \$17.15 million apiece.<sup>4</sup> Rosoboronexport holds a monopoly over Russian arms exports. According to the nonprofit organization Human Rights First, the state corporation also supplies Syrian dictator Bashar al Assad with the weapons he has used to kill civilians.<sup>5</sup> Human Rights First argued that Russia likely overcharged the United States on the helicopter deal. The nonprofit contends that Russia sold the same helicopters in 2010 for between \$12.7 and \$13.8 million.<sup>6</sup>**

**Meanwhile, the behavior of one of the U.S. officials responsible for the deal offers little reassurance that it was handled properly. In April, the colonel responsible for overseeing the Mi-17 program from 2010 to 2012 pled guilty to false statements and criminal conflict of interest in connection with several related helicopter contracts.<sup>7</sup>**

At least 30 of the Mi-17s were purchased for the Afghan Special Mission Wing (SMW), a unit created in 2012 to execute counternarcotic and counterterrorism missions. DOD also purchased 18 planes for the unit.<sup>8</sup> U.S. military officials reportedly considered the Mi-17s easy to operate, durable, and capable of performing in rugged conditions at high altitudes, making them well-suited to Afghanistan's mountainous terrain. DOD officials also say they opted for the Mi-17 helicopter because Afghan pilots and support forces were experienced with the Russian aircraft from the era of the Soviet occupation of Afghanistan.<sup>9</sup>

Just prior to the purchase, however, the wing had less than a fourth of the personnel required to fully crew and support its planned fleet. The existing personnel may have been accustomed to the Mi-17s. It would seem, however, any additional personnel could have been trained for U.S.-made aircraft.

The final contract with Rosoboronexport to purchase military Mi-17s was issued June 16, 2013.<sup>10</sup> As of January 6, 2013, however, the wing had only 180 personnel, less than a fourth of the personnel it needed to support its 30 existing and 48 planned aircraft, according to the Special Inspector General for Afghanistan Reconstruction (SIGAR). In addition, the

wing had only 47 pilots, and only 7 of those were fully trained to fly with night vision goggles, which are essential for most counterterrorism missions. Remarkably, SIGAR found that over a 5-month period in 2012, the SMW conducted only one counterterrorism mission.<sup>11</sup> Finally, less than half of the wing's maintenance and parts procurement was handled by the Afghans—DOD contractors did the rest.<sup>12</sup>

Since the existing pilots' training for Mi-17s was incomplete, and mostly new personnel would need to be hired to support the wing, it is unclear why the entire unit could not be retrained to use U.S.-made aircraft.

Unfortunately, such speculations may be irrelevant. Ultimately, many of the helicopters may never be used at all. SIGAR warned in 2013 that there was apparently no plan in place to address the Afghan personnel shortage, meaning "U.S.-funded SMW aircraft could be left sitting on runways in Afghanistan, rather than supporting critical missions, resulting in waste of U.S. funds."<sup>13</sup>

The problems did not end with the purchase of the aircraft. The DOD had also written two task orders for maintenance, logistics, and parts for the Mi-17s. The orders were worth \$772 million as of May 2013.<sup>14</sup> A 2012 audit found serious problems with two subcontractors working under one of the task orders. The subcontractors, owned by a former Soviet military service member, Yuri Borisov, overcharged for parts to refurbish several Mi-17s, delayed the overhaul by 12 to 20 months, and denied inspectors access to their work, costing the taxpayers a total of \$16.4 million.<sup>15</sup>

The audit eventually led to a criminal investigation into former Colonel Bert Vergez. From 2010 to 2012, Vergez led the office in charge of the Mi-17s, the Non-Standard Rotary Wing Aircraft (NSRWA) office at Redstone Arsenal. Vergez had repeatedly championed Borisov's companies for various contracts.<sup>16</sup>

In April 2015, Vergez pled guilty to making false statements in connection with the 2012 audit, and failing to disclose a \$30,000 check and a Rolex watch from one of Borisov's companies. Furthermore, according to the FBI, "Vergez admitted that he engaged in a criminal conflict of interest by taking official acts as a government official to assist a helicopter manufacturing company in negotiating a 'foreign military sale' and adjusting a contract so that the company received payment faster than originally agreed upon at a time when Vergez was negotiating future employment with that company."<sup>17</sup>

Meanwhile, a 2013 audit found problems with a separate refurbishment of five Mi-17s for the Pakistani military. The NSRWA office purchased \$8.1 million worth of parts for the overhauls, but \$4.5 million went to parts that were not needed and \$2.6 million worth of parts were already in existing DoD inventory—meaning the NSRWA misspent a total of 88 percent of the \$8.1 million.<sup>18</sup> A 2014 audit found NSRWA awarded a contract to modify Mi-17 cockpits to a contractor with no Mi-17 experience, resulting in \$367,359 in questionable costs.<sup>19</sup>

The overspending, mismanagement, and outright corruption at the NSRWA office lends credence to allegations that the program significantly overpaid for the 63 Mi-17 helicopters for Afghanistan. Stephen Blank, a Russia expert at the American Foreign Policy Council, warned in 2013 about the Russian arms market: "We're not dealing with a corrupt system. Corruption is the system. This is not a world we're familiar with."<sup>20</sup>

The U.S. military, however, may remain enmeshed in the market for Russian helicopters. According to a 2011 Congressional Research Service report, following the Rosoboronexport purchase, a DOD internal study found there is a "steady demand" for the United States to provide training and equipment to the helicopter units of at least 39 countries of strategic importance throughout the world—and at least half of the helicopters in those units are Russian-made Mi-variants.

In response to the study, the DOD began exploring options to transition partner nations to U.S.-made helicopters. Instead of scaling back U.S. involvement with the Russian helicopters, however, it institutionalized Mi-17 training in the Army. The DOD budgeted \$45 million to provide Mi-17 training to U.S. and partner nation pilots at Fort Rucker, Alabama.<sup>21</sup>



The head of the DOD's Mi-17 program received a Rolex watch and a \$30,000 check from a Russian-owned subcontractor that worked on the helicopters.



Models of Russian military helicopters at an arms show. The state-owned corporation Rosoboronexport holds a monopoly on military exports from Russia.

## **Federal Government Finances “Revolutionary Musical Comedy”<sup>22</sup> Troupe in San Francisco [\$112,000]<sup>23</sup>**



A scene from “2012 – the Musical!” The show features, among other things, a President Obama character beleaguered by freakish Goldman Sachs bankers, a song lamenting “dirty money,” and a kick dancing routine featuring a Mayan priest, Nostradamus, and Jesus.<sup>24</sup>

**In the past six years, the National Endowment for the Arts (NEA) has provided over \$100,000 to help finance five stage productions of the San Francisco Mime Troupe. The shows include a 2010 piece about oppressed workers “occupying” a factory,<sup>25</sup> a 2011 one about a struggling political theater company debating whether to be “capitalist and alive, or Red and dead,”<sup>26</sup> a 2012 show, dubbed a “wonderfully engaging piece of leftist evangelism” by local media, about a rapacious banker and Occupy protestors,<sup>27</sup> a 2014 critique of the political shortcomings of San Francisco, the “capital of the Revolution,”<sup>28</sup> and an upcoming 2015 production about how the War on Drugs is really a war on the “Black and Brown community.”<sup>29</sup>**

The Mime Troupe (whose mimes, for complicated reasons, sing and talk) describes its work as “political satire,” and says its characters are “members of social classes: conscious or unconscious participants in the unending wars over land and power and wealth which drive human history.” The group sports a red star in its logo, which it says represents its “socialist ideals,” calls itself a Collective, and gleefully peppers its language with terms like Comrades and Reds.<sup>30</sup> True to its “ideals,” the troupe has long been subsidized by federal, state, and local taxpayers to help finance free performances for San Francisco locals. The troupe was started in 1959 and began receiving grants from the NEA in the 1970s.

Since the NEA was created in 1965, the agency’s work has raised questions about the appropriateness of

letting a federal bureaucracy decide the merits of art projects nationwide. Watchdog groups like Citizens Against Government Waste have called for eliminating the NEA altogether.<sup>31</sup> The agency does not help its case when it chooses to fund strange, hyper-political groups like the San Francisco Mime Troupe.

The troupe is certainly entitled to its freedom of speech. The American people, however, should also be free to decline supporting the group’s bizarre quasi-Communist message. If the organization were true to its “power to the people” message, it would ask taxpayers what they thought about being forced to finance its productions—and would quickly discover most Americans could think of much better uses for their money.

# **DOD Employees Spent \$1 Million at Casinos and Strip Clubs Using Government Charge Cards**



Pechanga Resort and Casino in Temecula, California.

**What happens in a casino does not always stay there. Just ask a group of DOD employees who have recently come under fire for their abuse of government funds. An audit done by the Department of Defense Inspector General (DODIG) found that between July 1, 2013 and June 30, 2014, DOD employees spent a whopping \$1,048,834 at a number of casinos and gentlemen's clubs.<sup>32</sup>**

**One Navy petty officer spent six times his allowance for meals and incidentals at strip clubs, and another civilian**

**employee used his card 19 times to withdraw over \$3,000 in cash at a Maryland casino.<sup>33</sup> Over a three-year period, an Army Reserve sergeant first class used his Government Travel Charge Card 83 times at the Pechanga Resort and Casino in Temecula, California, spending a total of \$16,514.**

DODIG also found suspicious charges at other types of businesses. As the audit report dryly put it, however, "we focused the audit on casinos and adult entertainment establishments because we believed there was a higher risk for personal use due to the nature of the businesses."<sup>34</sup>

The expenses were charged to the Government Travel Charge Cards (GTCCs) that employees receive to cover travel-related costs. DOD rules require that any personal expense incurred during a trip be paid for in full by the employee and also requires that employees submit vouchers within five days of their trip being over.

So how did these expenses fail to immediately raise any red flags? After all, as a *Washington Times* article notes, some of the charges showed up on the accounts of employees who were not even traveling at the time.<sup>35</sup> While it seems like a no-brainer, DODIG's audit explains that there is a lack of internal control mechanisms that makes it easy for bogus charges to slip by undetected.<sup>36</sup> DOD policy does not specifically outline merchants or categories such as casinos or gentlemen's clubs as being high-risk for personal use, and the contractor that administers the cards, Citibank, was not required to notify officials of any red flags regarding the spending activity of card users.

According to the DOD, fraudulent spending is only a small fraction of the total travel card spending. In the year that the audit focused on, total spending using travel charge cards amounted to \$3.4 billion. The audit recommended the DOD take several steps to increase accountability and prevent similar problems. Among its recommendations were to "use other systems, techniques, and technologies to identify personal use at casinos and adult entertainment establishments."<sup>37</sup>

DOD officials maintain that the agency's checks on spending are substantial and that the portion in fraudulent spending is minimal when taken in the context with how much of the money is used appropriately. Officials also argued that no taxpayer money is lost on these transactions because cardholders must pay for all unauthorized or personal use charges out of pocket.<sup>38</sup> This does not hold true, however, when the inappropriate charges are never detected. While the DOD should be able to take action on the transactions DODIG identified, unless it develops effective internal control mechanisms, it may not be able to detect similar transactions in the future.

And as to the idea that a million dollars in fraudulent spending is petty cash? The American public might just disagree.

# **Department of Education Funds Computer Game for High Schoolers Where Environmental Regulations Save the World** **[\$149,833]**



In the “global survival game” Eco, players must negotiate environmental laws to prevent ecological collapse while allowing civilization to progress enough to stop an approaching meteor.

**The Department of Education provided nearly \$150,000 to help software developer Strange Loop Games develop the prototype for “Eco,” an upcoming multiplayer game targeted at high school students. Players inhabit a “wilderness simulation full of plants and animals,” and must use the resources in the environment to build up a civilization from the stone age to the space age, all while negotiating laws to prevent the destruction of the environment.<sup>39</sup>**

**“The player-run government will be incredibly powerful, because laws will be binding,” the developers promise. “You might find that obtaining a majority of voters is a very difficult task. Perhaps player debate devolves frequently into gridlock, and nothing gets done.” In such situations, players can change the form of government: “Perhaps the voting period is reduced or increased, perhaps voting is limited to a small group of ‘nobles’ or ‘representatives’ chosen per district, or to a single dictator.”<sup>40</sup>**

That escalated quickly. There’s nothing quite like the threat of global destruction to rationalize a world dictatorship.

Strange Loop explains, “you play in a multiplayer world that has the possibility of being permanently destroyed, resulting in server-wide perma death.”<sup>41</sup> With such high stakes, the force of government is an indispensable tool to crack down on fellow players: “In Eco there are no monsters or zombies, instead the ‘enemies’ you must face are corruption, greed, ignorance, and exploitation, each exhibited from your own comrades sharing a vulnerable world with you.”<sup>42</sup>

The scientific side of the game appears potentially very useful for educational purposes: “Players will be able to gather data in the world (like population growth/decline per species, hunting rates, pollution levels over time, and many more) by using special data-gathering objects they place in the world.”<sup>43</sup>

Where the game takes a strange turn is how this scientific information is used: to impose laws on other players through political combat. “Data is your weapon, debate is your skill at wielding it, and the public forum of a virtual government is your battle arena.”

At times, argument may not be enough: “I can imagine that players whose in-game livelihoods depend on taking resources from the environment may deny problems even exist, potentially until the point that they reach catastrophic levels,” the developer reflects. The only option left at that point may be to “change the fundamental rules of the government.”<sup>44</sup>

The game is, of course, just a game, but it is explicitly intended to shape how high school students think. The Department of Education says the game is intended to “prepare high school students to be environmentally literate citizens with 21st century skills.”<sup>45</sup>

Apparently those skills now include being open to the possibility of an environmentalist dictatorship.

# **DOD and USAID Pour Half a Billion Dollars Into Oil, Gas, and Mineral Projects in Afghanistan—Then Abandon Them**

The war-torn nation of Afghanistan remains, by far, the United States' largest foreign aid commitment. The Afghan government gets about \$6 billion of its \$8 billion annual budget from foreign donors, primarily the United States.<sup>46</sup> It is crucial the country increase its own revenue collection in order to wean itself off of U.S. taxpayer support.

**Afghanistan's oil, gas, and mineral resources are a promising source of revenue for the Afghan government. Developing the mineral resources alone could eventually generate about \$2 billion annually in royalty and tax revenue for the Afghan government. As a result, the U.S. has invested substantially in developing Afghanistan's "extractive" industries. From 2009 to 2014, U.S. agencies spent nearly half a billion dollars on this effort.**



A U.S.-funded compressed natural gas filling station in Sheberghan, Afghanistan (*Wall Street Journal*)

**U.S. authorities, however, never made plans to sustain the effort long-term, and have now left it in the hands of the Afghan government. It appears the country may not have the capacity to continue it. A promising path forward to reduce U.S. aid spending, therefore, is at significant risk for failure—meaning over \$488 million worth of taxpayer investments could be wasted.**

Most of the Afghan extractive projects were managed by the Task Force for Business and Stability Operations (TFBSO), a DOD program that ceased operations on March 31, 2015. The U.S. Agency for International Development (USAID) also ran several projects. U.S.-funded efforts included the following:

- Over \$120 million went to pay consultants to advise Afghan authorities on tendering for contracts with drilling and mining companies.
- Federal money went toward mapping out Afghan natural resource deposits by conducting flyovers of 90 percent of the country, drilling for core samples, collecting seismic data, and compiling Soviet-era geological data.
- Federal money also paid to train geology and mining professors, Afghanistan's mining and drilling officials, workers for drill rigs, and even isolated Afghan villagers working on small-scale "artisanal" or manual mining projects.
- DOD also paid \$47 million to clear landmines so international oil companies could enter oil fields.
- A nearly \$40 million project involved refurbishing a natural gas pipeline between the Afghan cities of

Sheberghan and Mazar-e-Sharif and buying 94.5 kilometers of new pipeline to run alongside the old one.

- \$6 million went toward building a compressed natural gas (CNG) filling station in Sheberghan and converting 150 Afghan taxis to run on natural gas.

Afghanistan has an estimated \$200 billion worth of untapped oil and natural gas, and \$900 billion worth of mineral deposits, according to U.S. authorities. It is uncertain how much of these resources are economically viable to extract, but a well-developed extractive industry would contribute greatly toward making the country self-sufficient.

Unfortunately, "TFBSO projects did not follow a clear and cohesive development strategy," according to the Special Inspector General for Afghanistan Reconstruction (SIGAR). Because it was funded year-to-year, TFBSO never made an overarching, long-term plan to get Afghanistan's extractive industry up and running, and never established criteria for selecting investments and measuring outcomes. USAID's projects were better-planned, but there was no coordination between the two

agencies on an overarching plan. Finally, TFBSO made no plans to transition support for the programs to USAID after closing up shop, even though this was required by law. “As a result,” writes SIGAR, “no U.S. agency that will remain in Afghanistan has any plans to provide continued monitoring, evaluation, or support for TFBSO extractive initiatives.”

Instead, the fate of the initiatives will be left entirely to Afghan authorities. The government, however, “still lacks the technical capacity to research, award, and manage new contracts without external support,” and the “tendering process has been severely flawed and rife with corruption,” according to officials and outside observers. So far, the Afghan government is only capable of awarding contracts for small-scale manual mining projects, and there have been allegations that these contracts have been awarded to warlords and corrupt Afghan lawmakers.

Meanwhile, some infrastructure projects remain incomplete. The 94.5 kilometers of U.S.-purchased new natural gas pipeline, worth \$6.5 million, sits unused in an Afghan stockyard, and the U.S.-financed rehabilitation of the existing Mazar-Sheberghan pipeline remains unfinished.<sup>47</sup>

Although the TFBSO was a DOD program, DOD did not even respond to SIGAR’s report. During its run, TFBSO spent a total of over \$800 million on a variety of economic development projects, and much of this funding was likely wasted. DOD now says that because



It is unknown if rehabilitation work on the Mazar-Sheberghan natural gas pipeline will be completed. (Afghanistan Ministry of Mines and Petroleum)

the program has been shut down, no one is available to answer questions on TFBSO projects.<sup>48</sup> It appears DOD has no intention to hold anyone accountable for the program’s failures, or to attempt salvaging TFBSO initiatives that may still be viable.

SIGAR recommended USAID at least document the incomplete TFBSO efforts and, as much as feasible, assist in their conclusion. USAID declined to do so, however. Considering the inadequate expertise and endemic corruption in Afghanistan, there is significant risk that the half-billion dollars of U.S. taxpayer money invested in the country’s extractive industry will go to waste.<sup>49</sup>



SIGAR believes that without outside support, Afghan authorities are currently only capable of administering contracts for small-scale manual mining operations like this one captured by photographer Steve McCurry in 1992.

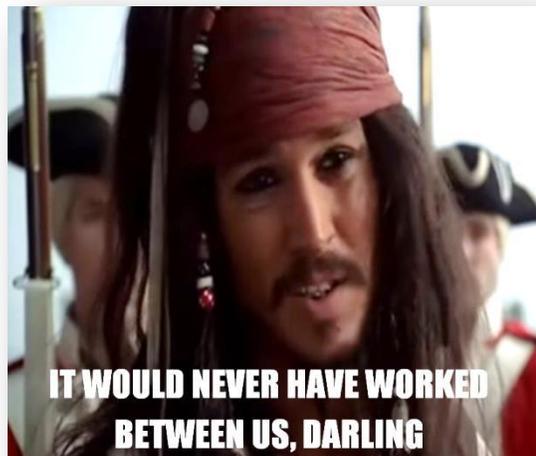
# **DOD and VA Spend Half a Billion Dollars Trying to Work Together on Health Care—Then Give Up**

**From 2011 to 2013, the Departments of Defense (DOD) and Veterans Affairs (VA) spent \$564 million trying to develop an electronic health record system both agencies could use. The records store information about each patient’s medical history, which is essential to providing appropriate care. The agencies have now abandoned the half-billion dollar effort to create a single health record system, instead opting to pursue separate software modernization efforts.**

**The two agencies provide health care to about 16 million active-duty service members, veterans, and their beneficiaries. Active-duty members are constantly transitioning to the VA system, and about 5 million patients receive services from both systems simultaneously. Yet, the agencies still lack fully functional software for sharing the electronic health records of patients moving between the two systems, creating major concerns for the quality, safety, and efficiency of health care delivery.<sup>50</sup>**

The DOD reported it spent \$358.2 million on the integrated electronic health record effort. According to unofficial estimates provided by the agency, \$298.6 million of that amount went toward items that could still be used to support the independent modernization effort, but \$59.6 million was spent on items that could no longer be used. The VA provided no estimates of the amount wasted, so it is unknown if *any* of the money the VA spent on the effort was used on items that are still relevant.

Since the 1990s, the health care systems of the DOD and VA have struggled to develop software to share the electronic health records of their patients. After several flawed and incomplete efforts to improve data sharing throughout the 2000s, both agencies committed to creating a single unified health information system in 2011. From 2011 to 2013, the agencies poured \$564 million into the effort. In 2012, however, the office tasked with coordinating the project reported the software would cost a staggering \$9 billion to acquire, plus \$20 billion to operate over 10 years.<sup>51</sup> The agencies scrapped the plan to create an integrated system, deciding it would be more cost-effective to modernize their systems independently and enable them to talk to each other (known as “interoperability”).



The DOD and VA scrapped the effort to collaborate on a single health record system due to philosophical differences and skyrocketing costs.

The agencies did not perform a formal cost comparison to support their decision to part ways, however. Rather, according to the Government Accountability Office (GAO), the agencies’ decisions to abandon the effort reflected “divergent philosophies for pursuing IT systems development: VA strongly supports in-house development and modernization of its homegrown system, and DOD supports acquiring commercial solutions.”<sup>52</sup>

The VA’s system, known as Vista,<sup>53</sup> is astonishingly complex in itself: “The system consists of 104 separate computer applications, including 56 health provider applications; 19 management and financial applications; 8 registration, enrollment, and eligibility applications; 5 health data applications; and 3 information and education applications. Besides being numerous, these applications have been customized at all 128 VA sites. According to the department, this customization increases the cost of maintaining the system, as it requires that maintenance also be customized.”<sup>54</sup>

The VA is now working on upgrading this sprawling collection of systems, a process projected to be complete by September 2017. The DOD, meanwhile, is purchasing

a completely new system from a commercial provider, expected to be operational by September 2016.

Both the DOD and VA have a troubled history with IT acquisitions and development. There is significant risk that one or both systems will not be fully functional on schedule, and even greater risk the two systems will not be able to share usable information with one another.

Furthermore, the office tasked with coordinating joint IT efforts between the two agencies, the Interagency Program Office (IPO), never had sufficient authority to make the agencies cooperate, chronically lacked

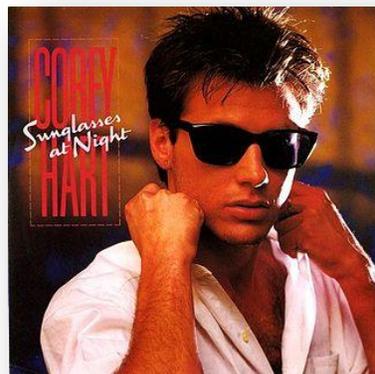
adequate staff, and suffered from a confusing leadership structure. The IPO's role in the joint IT effort was further decreased in 2013, and shortly afterward most of the work to achieve interoperability was assigned to separate offices in the DOD and VA.<sup>55</sup>

The promise that the two systems will ultimately be able to talk to each other, therefore, appears to be in peril.

Another expensive IT debacle could very well be on the horizon, costing the taxpayers millions and undermining the quality of care for service members and their beneficiaries.

## **Law Enforcement Agencies Wear their Sunglasses at Night in New Mexico [\$420,000]**

**Over \$420,000 in federal funding designated for DWI checkpoints and prevention wasn't used to snag drunk drivers or enforce sober driving, according to a federal review obtained by the *Albuquerque Journal*.<sup>56</sup> More than 49 percent of alcohol-related crashes in New Mexico occur between 7 p.m. and midnight, according to the review. However, the Isleta Police Department conducted most of its "enforcement" from 6 a.m. to 6 p.m. In McKinley County, officers worked from 8 a.m. to 4 p.m. The government was paying for New Mexico law enforcement officials to figuratively wear their sunglasses at night.**



The National Highway Traffic Safety Administration (NHTSA) specifically called out five New Mexico law enforcement agencies for how they allocated DWI money. A New Mexico Department of Transportation (DOT) official tried to defend the agency by stating that the \$420,000 was only a fraction of the \$33 million grant awarded by the federal government to combat DWIs.

According to the report, the Rio Arriba County Sheriff's department had more than \$205,000 of unallowable costs and made only one DWI arrest. The Rio Arriba County Sheriff's Department is being asked to return \$200,000 because no records to support the spending requests could be found. Most of the DWI grant money in Rio Arriba County was spent under the watch of Sheriff Tommy Rodella, whose term ended when he was convicted of federal firearms and civil rights charges, and sentenced to 10 years in prison. It is perhaps unsurprising the former sheriff also used grant funds improperly.

The three other agencies won't be asked to reimburse the federal government. According to the New Mexico DOT, most of the expenses, while not allowable under the grant, did relate to legitimate law enforcement purposes. In one of the counties, DWI money was used to pay for SWAT training in Utah, K-9 calls, and security.

According to the review, some agencies performed up to 100 hours of saturation patrols across the state with minimal results. Specifically, in Isleta, officers were allowed to choose to work morning hours Monday through Friday during what are normally considered low-risk periods instead of Thursday through Sunday when most accidents occur. The role of these agencies is to prevent drunk drivers from getting on the road and to stop those who are already driving. However, the police departments were not even targeting drunk driving during peak and dangerous hours.

This scenario is nothing new in New Mexico: back in 2003 the NHTSA found another \$400,000 of wasteful spending that was intended for DWI prevention.

## **GSA Finances Eight Platforms with “Both Vertical and Horizontal Panels.” Calls it Art. [\$649,000]**



A GSA video illustrates possible uses for a new art installation at a federal campus in Colorado.

**The General Services Administration (GSA) paid more than \$600,000 to finance a sculpture installation by artist Andrea Zittel at the Denver Federal Center in Lakewood, CO. According to the GSA, the installation “consists of eight identical ‘platform pavilions’ that are 12 feet by 16 feet in size. Each pavilion consists of both vertical and horizontal panels, forming an area that evokes an open room, and a wooden surface that suggests a wrap-around deck.”<sup>57</sup>**

The 632-acre Denver Federal Center campus, which has been called “Washington, DC West,” houses 28 federal agencies and is run by the GSA.<sup>58</sup> The collection of orange, black, and gray concrete slabs is only open 6 am to 6 pm on weekdays, the regular hours of the Center, so it appears to be primarily for the benefit of federal employees.

“Zittel’s group of structures functions as both abstract sculpture as well as a flexible, modular environment that can be used in various ways, including casual social gatherings or places to sit, relax and view the surrounding landscape,” the GSA explains.<sup>59</sup> A video on the GSA’s Youtube channel says the art, which is located along one of the campus’ main walking paths, is “designed to be interactive,” and suggests various ways workers could make use of it. Some of the actors sit and read on the platforms. Several others use them for yoga. Others simply grin as they strike random poses.<sup>60</sup>

The meaning and value of art is, of course, subjective. The aimless-looking collection of flat, featureless panels

could perhaps be read as an analogy for the proliferation of faceless federal bureaucracies whose purposes are unclear and whose rationales for existence are doubtful. A federal employee out for a stroll in Denver Federal Center, toiling away in an obscure government program, would be unlikely to find much encouragement in this installation.

The sculpture was financed through GSA’s Art in Architecture Program, which provides art installations for recently-constructed federal buildings throughout the country. “GSA reserves one-half of one percent of the estimated construction cost of each new federal building to commission project artists,” according to the agency.<sup>61</sup> Since 1972, GSA has commissioned over 400 other works of art at federal buildings around the country through the program. The GSA provides federal agencies with buildings, equipment, supplies, and technology. The agency is also tasked with promoting “efficient government operations.”<sup>62</sup>

# **Federal Employees Did 3.4 Million Hours of Work for Labor Unions While Being Paid by the Taxpayers (\$157.2 million)**

**Every year, thousands of federal employees throughout the federal government are routinely permitted to use official, paid working hours to conduct labor union business. In FY 2012 alone, federal employees spent a total of over 3.4 million hours working for unions—the equivalent of over 1,600 full-time employees.<sup>63</sup> This “official time” granted for union business is worth \$157.2 million, according to the Office of Personnel Management (OPM), but a Government Accountability Office (GAO) report suggests the true figure is even higher.<sup>64</sup>**

State, local, and private-sector union contracts generally do not allow paid time off for union business—the unions or their members must absorb the cost of any time spent on labor activities. For example, in the state of New York, one of the strongest pro-union states in the country, state police troopers are allowed paid leave for union business, but the police union must compensate the state government for this time.<sup>65</sup> The unions of federal employees are under no such obligations.

The GAO studied official time use at ten agencies in FY 2013, including the Departments of Homeland Security (DHS), Veterans Affairs (VA), and Transportation (DOT). The oversight agency found that less than 2 percent of employees across the ten agencies used official time for union business. The GAO also found, however, that 386 of these employees spent *all* of their time in FY 2013 conducting union business. These workers were essentially full-time, year-round union employees, paid by the taxpayers.

At the VA alone, 259 employees worked full-time for the unions in FY 2013—more by far than all other federal agencies put together. These employees were not simply administrative personnel. A Freedom of Information Act (FOIA) request disclosed a detailed list of VA employees on 100% official time from 2012 until February 2013. Most on the lists are medical



The VA headquarters in Washington, D.C. Over 250 VA employees worked full-time for unions in FY 2013.

professionals, including nurses, pharmacists, addiction therapists, and even a specialist in orthoses and prostheses. Several earned six-digit salaries.<sup>66</sup> These men and women were hired to care for our nation’s veterans, not to work for their unions.

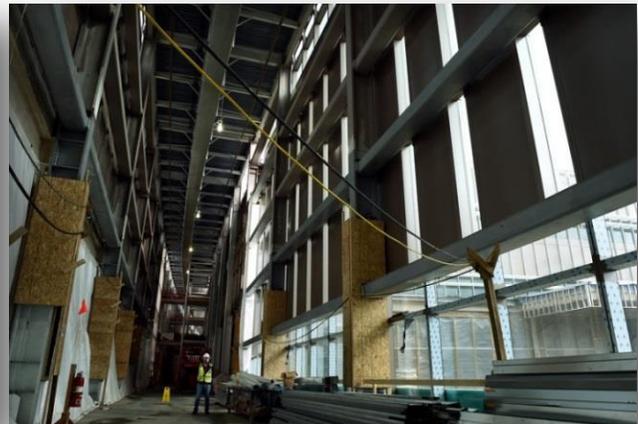
Federal employees may use official time for several purposes, including negotiation of contracts and labor agreements, labor-management working groups, implementation of workplace improvements, and representation of employees during hearings and disputes. They may not use it for internal union business such as recruitment and elections.<sup>67</sup>

In some cases, official time is used to better serve the public. OPM reports several instances where managers and employees on official time came together to improve the efficiency and effectiveness of their agencies.<sup>68</sup> If these initiatives are truly improving services for the public, these employees should be permitted—indeed, strongly encouraged—to participate in them as ordinary federal employees. There is no need for them to participate in these efforts on behalf of their unions. Work that is primarily in the interest of federal employees themselves, on the other hand, such as contract negotiation, dispute resolution, and advocacy for better working conditions, should be funded by unions and their members, not the taxpayers.



Negotiation of labor contracts is considered a permissible use of taxpayer-funded official time.

# **Denver, Colorado VA Hospital is a \$1.7 Billion Dollar Debacle**



The VA's Denver, CO replacement medical center under construction (*The Denver Post*)

**It's not too great of a stretch to say that today's U.S. Department of Veterans Affairs (VA) is stretched too thin to handle the challenges it faces in the treatment and care of our nation's veterans. New, state-of-the-art medical facilities are being built across the country to deal with the current overburdened system. One such project is the VA replacement medical center located in Aurora, just outside of Denver. "It is to be a state-of-the-art medical campus with 10 buildings, three parking garages, a research and treatment center for spinal-cord injury, and a 30-bed nursing home and rehabilitation center," the *Washington Post* wrote. "It would provide care for one of the country's largest concentrations of veterans—nearly half a million in Colorado alone."<sup>69</sup>**

**Since the late 1990s, plans to construct the Denver VA facility have dragged on with agonizingly slow progress. The initial \$328 million price tag of the medical center has quintupled to the current projected cost of \$1.73 billion.<sup>70</sup> That sum comes out to almost \$10 million for each of the 182 hospital beds in the proposed complex, when hospital construction experts say the cost should break down to no more than \$2 million per bed, according to the *Post*.<sup>71</sup>**

**For added perspective:**

- **\$1.73 billion is enough to cover the average annual health care expenses of 250,000 Americans.<sup>72</sup>**
- **The entire cost of the new Dallas Cowboys stadium was \$1.2 billion—less than the \$1.4 billion *increase* in the price estimate for the VA facility.<sup>73</sup>**
- **The soon-to-open 432 Park Avenue skyscraper in New York City, which now has the highest roof in Manhattan and features 104 "ultraluxury" condominiums, cost only \$1.25 billion to build.<sup>74</sup>**

Amazingly, the builders of 432 Park Avenue could have put up 182 veterans on Manhattan's "Billionaire's Row" for less than the cost of the 182 beds at the new VA center, assuming some could share the luxury condos.<sup>75</sup> Even the runaway opulence of what *Fortune* labeled "a monument to the epic rise of the global super-wealthy"

could not match the extravagance of a badly-managed government construction project.<sup>76</sup>

The original 13-building Denver construction project broke ground in 2010, with the intent to be completed by 2014, but as of the writing of this report, it remains

far from completion. The Denver project rapidly became an embarrassing case of poor planning and inadequate oversight, with simple aspects like hospital doors that were supposed to cost \$100 ending up costing \$1,400 each. Entire rooms had to be transformed when medical equipment didn't fit. One building's atrium and concourse came in above \$100 million, and that's barely scratching the surface.<sup>77</sup>

One major reason for the escalating costs was the VA's adoption in 2009 of the "integrated design-construct" (IDC) approach to contracting.<sup>78</sup> Intended to speed construction, IDC has had calamitous effects. Whereas before, blueprints had to be completed before contractors made bids, IDC allowed builders and architects to work with each other from the beginning. The VA did not truly understand IDC, however, and failed to implement the method properly. For example, IDC calls for architects and construction contractors to begin working together almost simultaneously, but in the Denver project, architects had been working for three years before the construction contractor joined the team. "Disagreements between the two quickly led to delays that stretched into years, and costs exploded," the *Denver Post* reported.<sup>79</sup>

With construction costs skyrocketing, the dollars authorized for the facility are evaporating, and now Congress must periodically shuffle funds away from

other programs in order to continue floating the bloated Denver building project. Just this June, Congress authorized the VA to transfer \$150 million from other areas of its 2015 budget to stave off a construction shutdown until September. The move brought the total spending cap for the project to \$1.05 billion.<sup>80</sup> However, this authorized amount is still leaves the VA \$700 million shy of the total of \$1.73 billion the facility is now expected to cost.

While the VA has been plagued by controversy in recent years over unacceptable wait times, ensuing cover-ups, retaliation against whistle-blowers, deadly hospital acquired-infections, and extensive backlogs of longstanding disability claims, the skyrocketing price of the Denver project, in addition to similarly troubled projects in Orlando, Las Vegas, and New Orleans, may be among the greatest failures in the troubled history of the VA.<sup>81</sup> And that's saying something.

On June 18, 2015, the Senate agreed to an amendment to the FY 2016 National Defense Authorization Act (NDAA) that would prohibit the VA from managing construction projects over \$100 million. The legislation would make the U.S. Army Corps of Engineers the construction agent for large projects like the Denver medical center. Congress should ensure this language is retained in the final version of the NDAA when it is sent to the president's desk.<sup>82</sup>



The soon-to-open "ultraluxury" 432 Park Avenue skyscraper, which at 1,396 feet has the highest rooftop in Manhattan, cost \$1.25 billion to build, less than the Denver VA medical center. (*Business Insider*)

## Appendix: Breakdown of \$4.2 billion Total

Article Title	Description of Amount	Amount
Army Spends \$1.8 Billion Buying and Refurbishing Helicopters from Russia. Rip-offs, Mismanagement, and Criminal Conflict of Interest Ensue.	The cost of purchasing 63 new Mi-17s from Rosoboronexport at \$17.15 million apiece.	\$1,080,450,000
	The value of two task orders to provide ongoing maintenance, logistics, and supply support to the SMW.	\$772,000,000
	The amount wasted on contract to refurbish helicopters for Pakistan.	\$7,100,000
	The amount of questionable costs identified in the 2014 audit.	\$367,359
Federal Government Finances “Revolutionary Musical Comedy” Troupe in San Francisco.	The total value of 5 federal grants from 2010-2015.	\$112,000
DOD Employees Spent \$1 Million at Casinos and Strip Clubs Using Government Charge Cards.	The amount inappropriately spent at casinos and adult entertainment establishments.	\$1,048,834
Department of Education Funds Computer Game for High Schoolers Where Environmental Regulations Save the World.	The total value of the federal grant	\$149,833
DOD and USAID Pour Half a Billion Dollars Into Oil, Gas, and Mineral Projects in Afghanistan—Then Abandon Them.	The amount that will be wasted if the Afghans are unable to continue U.S. initiatives.	\$488,000,000
DOD and VA Spend Half a Billion Dollars Trying to Work Together on Health Care—Then Give Up.	The amount DOD reports is no longer relevant to the separate IT modernization effort.	\$59,600,000
	The total amount VA spent on the joint IT modernization effort. Because VA did not respond, it is unknown if any of this amount contributed to the separate modernization effort.	\$205,800,000
Law Enforcement Agencies Wear their Sunglasses at Night in New Mexico.	The amount that was not spent on DWI-related work or was spent on ineffective DWI efforts.	\$420,000
GSA Finances Eight Platforms with “Both Vertical and Horizontal Panels.” Calls it Art.	The total value of the federal grant.	\$649,000
Federal Employees Did 3.4 Million Hours of Work for Labor Unions While Being Paid by the Taxpayers.	The total value of official time according to the Office of Personnel Management.	\$157,200,000
Denver, Colorado VA Hospital is a \$1.7 Billion Dollar Debacle.	The amount by which the cost estimate for the VA hospital has increased.	\$1,402,000,000
<b>Total</b>		<b>\$4,174,897,026</b>

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- Timeline:
- 2011: Army contracts for 21 military Mi-17s, with option to buy 12 additional Mi-17s
- 2012: Army exercises the option to buy 12 additional Mi-17s
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<sup>23</sup> List of National Endowment for the Arts grants to San Francisco Mime Troupe. Data accessible from [usaspending.gov](http://usaspending.gov)

Year	Amount	Award ID	Description
2010	\$12,000	10-2800-7008	To support the development and tour of a musical comedy titled "Make or Break."
2011	\$50,000	11-2800-7006	To support the development and tour of a musical comedy titled "2012 - The Musical."
2012	\$20,000	12-2800-7005	To support the creation, production, and Bay Area parks tour of "The Last Election."
2014	\$10,000	14-3200-7150	To support the development and production of "Ripple Effects."
2015	\$20,000	15-3200-7135	To support "FreedomLand," an interactive musical theater work that will examine the Bill of Rights.

<sup>24</sup> "" 2012 - The Musical ! " - San Francisco Mime Troupe Trailer," YouTube, Uploaded July 10, 2011, <https://www.youtube.com/watch?v=Hm4-pWTpqZQ>

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"2010: Posibilidad, or Death of the Worker," The San Francisco Mime Troupe, <http://www.sfmt.org/company/archives/posibilidad/2010.php>

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"2012 - The Musical!" The San Francisco Mime Troupe, <http://www.sfmt.org/company/archives/2012themusical/2011.php>

<sup>27</sup> 2012 production: \$20,000 grant

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"2014: Ripple Effect," The San Francisco Mime Troupe, <http://www.sfmt.org/company/archives/rippleeffect/2014.php>

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<http://cagw.org/sites/default/files/PrimeCuts2015.pdf>

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<sup>35</sup> Stephen Dinan, "Pentagon Waste: \$1M Spent at Strip Clubs, Casinos," *The Washington Times*, May 19, 2015, <http://www.washingtontimes.com/news/2015/may/19/pentagon-waste-1m-spent-strip-clubs-casinos/>

<sup>36</sup> "DoD Cardholders Used Their Government Travel Cards for Personal Use at Casinos and Adult Entertainment Establishments," DODIG-2-15-125, Department of Defense Inspector General, May 19, 2015, [http://www.dodig.mil/pubs/report\\_summary.cfm?id=6461](http://www.dodig.mil/pubs/report_summary.cfm?id=6461)

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

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