

# WASTE WATCH

APRIL 2015

REP. STEVE RUSSELL

No. 1





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



April 5, 2015

To the Citizens of the United States:

On August 2, 2011, conservatives achieved what many at the time thought impossible: passage into law of an enforceable ten-year plan to cut over \$2 trillion in federal spending—the Budget Control Act of 2011 (BCA). The legislation was one of the greatest achievements of the Tea Party, which had been swept into office the previous year by voters determined to rescue their country from the brink of fiscal ruin.

Unfortunately, in the subsequent months, congressional leaders failed to execute on the fundamental premise of the plan: identifying specific cuts, program eliminations, and reforms to meet the spending limits established by the BCA. As a result, sequestration took effect, slashing budgets indiscriminately throughout the government. Due to the design of the BCA, defense budgets were particularly hard-hit, putting the training, equipment, and readiness of U.S. military personnel at risk.

The debacle with sequestration has taught us that setting goals like the spending limits in BCA, while important, is not enough on its own. We must also do the hard work of finding specific, practical solutions to accomplish those goals.

As the new representative for Oklahoma's 5<sup>th</sup> District, this report, *Waste Watch No. 1*, is my first contribution to this effort. In the spirit of Oklahoma Senator Tom Coburn, and in the hope of reinforcing his legacy, the report identifies ten specific instances of government waste and mismanagement from recent years. *Waste Watch No. 1* is the first in an ongoing series aimed at improving the government's management of the taxpayer's money.

The items listed in this report total over \$117 million. For the most part, this money has already been wasted. However, each item points to larger, ongoing issues that merit further oversight, investigation, or action by Congress in order to protect taxpayer money. Due to my 21-year background in the Army, most of the articles relate to defense and foreign policy—but I intend to scrutinize all areas of the federal budget. I look forward to working with my colleagues in Congress to dig into these and other issues to identify ways to save taxpayer money.

The Budget Control Act remains in law today, but its original vision remains unrealized: intelligent, specific spending cuts and reforms that lower deficits while protecting critical priorities. In the 114<sup>th</sup> Congress and beyond, conservatives must finish the fight, taking the lead in identifying actionable spending cuts and working aggressively to see them implemented.

The reality is the BCA spending levels for the Department of Defense, as we are currently implementing them, are weakening the security of our nation. If we do not find alternate ways to restrain spending—both in the DOD and throughout the government—we will inevitably see the BCA waived, amended, and suspended out of existence. If we find real spending cuts, however, we will be able to protect conservatives' historic 2011 achievement, while also protecting our nation. This report is intended to help accomplish that goal.

It is an honor to represent the citizens of Oklahoma's 5<sup>th</sup> District. I look forward to working on your behalf to ensure the defense our nation—both against outside threats, and the threat of our unsustainable national debt. Thank you for the privilege of serving you in this critically important time in our nation's history.

Sincerely,

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

## **Afghan Contractor Builds Walls that Melt in the Rain [\$456,669]**

**In 2012, U.S. military authorities paid an Afghan construction firm nearly half a million dollars to build a “dry fire range” (DFR) for the Afghan Special Police to use in training exercises.<sup>1</sup>**

**“The DFR replicates a typical Afghan village and is used to conduct simulated police search and clearance exercises,” according to the Special Inspector General for Afghanistan Reconstruction (SIGAR). The range is “dry fire,” meaning it is not designed for use with live ammunition.**

**Only four months after completion, however, the walls of the DFR began to disintegrate.**

According to SIGAR, the Afghan contractor, Qesmatullah Nasrat Construction Company (QNCC), had ignored construction quality standards required by the contract. A U.S. authority’s “field analysis showed that the bricks were made mostly of sand with little clay content and that the lack of adequate clay material caused the bricks to fail when water penetration occurred.”

For the roofs of the structures, the contractor used plastic sheeting and a concrete cap instead of building paper with appropriate gravel and asphalt covering, and the roofs were not correctly angled to allow water to drain.

After half-hearted attempts by QNCC to correct the work, the Afghan commander of the police training center finally declared in 2014 that the range “needed rebuilding because



it deteriorated to the point that it was unsafe and ultimately unusable.” Afghan authorities completely tore the buildings down to the foundation and began rebuilding them.

SIGAR recommended the U.S. military seek to recoup the funds from QNCC, but the process is being delayed by requirements to prove the contractor had violated technical construction standards. SIGAR also considered referring QNCC for “debarment,” which would prevent the firm from doing business with the U.S., but concluded there was insufficient evidence.

For the time being, therefore, almost \$500,000 in wasted taxpayer money remains unrecovered, and the Afghan contractor responsible remains eligible to receive more.

## **Great Gatsby Government [\$1.1 Million]**



The chateau lobby at Nemaquin Woodland Resort

**International Relief and Development (IRD), a nonprofit federal contractor, has collected over \$2 billion in federal money from the U.S. Agency for International Development (USAID) to help rebuild Iraq, Afghanistan, and other war-torn nations. Between 2007 and 2010, the organization threw multiple lavish parties, banquets, conferences, and receptions that were billed to the federal government as “training” and “staff morale” items, costing taxpayers over \$1.1 million.<sup>2</sup>**

**Nearly half of that amount was for three staff conferences at Nemaquin Woodlands Resort, a luxury 2,000-acre resort featuring 36 holes of championship golf, an acclaimed spa, clay shooting, fly fishing, a \$45 million art collection, a private zoo, and a main lodge designed after the Ritz Hotel in Paris, with Tiffany lamps and Baccarat crystal chandeliers.<sup>3</sup>**

These functions occurred at the height of the wars in Iraq and Afghanistan. While IRD was supposed to be helping Iraqi and Afghan citizens reconstruct their lives, they were throwing parties like something from *The Great Gatsby* and charging it to Uncle Sam.

Investigations by the *Washington Post* uncovered the details of these wasteful events. From 2007 to 2009, IRD held three staff conferences at the luxurious Nemaquin

Woodland Resort in Pennsylvania, at a total cost of \$484,338. The luxury resort currently features an “impressive collection of restaurants and lounges, including the Forbes Five-Star and AAA Five-Diamond Lautrec, a forward-thinking fine dining experience,”<sup>4</sup> as well as a championship golf course, summertime dog sledding, safari tours of the private animal collection, country carriage rides,<sup>5</sup> and guided turkey hunts.<sup>6</sup>

The *Post* lists the perks IRD staff received at Nemaocolin: “private rooms; open bars; gala dinner parties; free iPods at one retreat, Nikon Coolpix cameras at another; skeet-shooting outings at the resort’s Field Club; extreme-driving classes at its Jeep Off-Road Driving Academy; and complimentary \$50 gift certificates to spend on clothing, jewelry, massages—whatever the employees wanted.”<sup>7</sup>

IRD first discovered Nemaocolin in 2007, spending \$129,902 on a three-day conference involving 78 employees. In 2008, IRD returned to the resort, this time bringing 123 employees at a cost of \$178,000. “During the day, there were buffet breakfasts and lunches and work-related seminars,” writes the *Post*. “At night, there were gala dinners, open bars, sing-alongs in the karaoke bar and late-night parties in the hotel rooms of the staffers,” as well as free iPod Shuffles to celebrate IRD’s 10<sup>th</sup> Anniversary.<sup>8</sup> In 2009, the organization returned again with 110 employees and racked up a whopping \$358,160 in expenses, but this amount was later reduced to \$176,436 when IRD’s finance officer explained that they couldn’t bill some of the expenses to the government, such as the open bar. The finance officer was later asked to leave IRD.

IRD also twice held events at the Hyatt Regency Chesapeake Bay Golf Resort, Spa and Marina in Cambridge, Maryland, spending \$37,770 the first time, and \$58,828 the next. In 2010, IRD charged the government for a \$63,746 awards reception at the Newseum and \$72,530 for a holiday party at the Air and Space Museum, popular destinations in Washington, DC. Finally, a 2010 “leadership meeting” in Gulfport, Mississippi came in at \$386,461, bringing IRD’s total event spending from 2007 to 2010 to \$1.1 million.

Many former employees of IRD have voiced dismay at the extravagant events. “It was heartbreaking,” said one former staffer who attended a Nemaocolin conference. “We had all of these people working on programs in Third World countries, and then there were all of these people trying to get as much money as they could out of the programs.”

After 2010, IRD must have finally realized the image problems its lavish retreats were creating; the organization cut back sharply on its retreat spending. At the same time, federal auditors began scrutinizing the group’s work in Iraq and Afghanistan, terminating several projects due to fraud and waste.<sup>9</sup>



Nemaocolin’s Five-Star, Five-Diamond Lautrec Restaurant

In January 2015, the U.S. Agency for International Development (USAID) finally suspended IRD from receiving further federal money, citing “serious misconduct,” including lavish salaries and bonuses for the group’s employees and leaders. The FBI and other federal entities have launched investigations of the group.<sup>10</sup>

The sums potentially misspent by IRD are far larger than the \$1 million blown at resorts. **Since 2007, USAID has awarded IRD \$2.4 billion in federal money, mostly for work in Afghanistan and Iraq.** According to workers interviewed by the *Post*, “vast sums” of money were wasted in the two countries. For example, auditors found “poor coordination, waste and mismanagement” in a \$70 million agricultural program, and a \$317 million agreement to build a road system in southeastern Afghanistan suffered from “serious managerial, technical and oversight deficiencies,” according to USAID.<sup>11</sup> Federal authorities should thoroughly scrutinize IRD’s work, and ensure any organization responsible for unlawful or irresponsible handling of federal dollars is held accountable.

## **State Department Pays the Humpty Dumpty Institute to Bring Five Young Filmmakers from Iraq to Los Angeles; Ends Up Supporting Anti-U.S. Movie [ \$207,297 ]**



Left: the Iraqi filmmakers in Baghdad. Right: Two of the filmmakers on the Venice Beach Boardwalk in Los Angeles.

**In the summer of 2013, the Humpty Dumpty Institute, a nonprofit humanitarian organization, used more than \$200,000 from the U.S. Embassy in Iraq to fly five Iraqi filmmakers from Baghdad to Los Angeles for a “week long intensive training course at UCLA’s School of Theatre, Film and Television,” including “classes on film financing, marketing and distribution, creative and physical production, and visual effects.”<sup>12</sup>**

**The trip also helped the filmmakers “become acquainted with American culture and American values.”<sup>13</sup> While in town, the group visited the Venice Beach Boardwalk. “They haven’t seen people from different countries, or people dancing on the beach,” the leader of the filmmakers remarked of the younger men in the group. “Or the beach. Or half-naked women. They’re young. They will definitely come away with a different view of the world. They’re already asking, ‘Why don’t we have this in Iraq?’”<sup>14</sup>**

While it might sound like the plot to a Sacha Baron Cohen film, this Hollywood stunt was all too real—and the way the story ended was far from funny.

After the Los Angeles trip, the participants in the UCLA program received a stipend “allowing them to produce a short film of their own.”<sup>15</sup> At least one of those films turned out to be a success—the seven-minute short film “Gift of My Father” by Salam Salman won the Crystal Bear for Best Short Film award at the International Berlin Film Festival in 2015.<sup>16</sup>

Unfortunately, Salam Salman chose to base his taxpayer-funded film on one of the bitterest grievances of the Iraq war: the 2007 shooting of 17 Iraqis by employees of the U.S. private security company Blackwater. “Gift of My Father” is from the perspective of a little boy sitting in the backseat of a car, driving with his parents through Baghdad. “Shots ring out, machine gun fire, the air is rent by the sound of screeching tyres and screaming sirens; the windscreen shatters,” reads the synopsis from the film festival. “His parents speak no more.”<sup>17</sup>



Still from "Gift of My Father"

A U.S. federal court convicted the four Blackwater employees of murder and manslaughter in 2014.<sup>18</sup> The Blackwater shooting was a heinous occurrence, and Iraqi filmmakers and artists cannot be blamed for reflecting on it. Clearly, however, the State Department should not be allowing taxpayer money to go toward perpetuating the memory of an event that has been widely used for anti-U.S. propaganda and recruitment by violent extremists.

"Gift of My Father" may have not been the only anti-U.S. film that received taxpayer support. The filmmakers who travelled to Los Angeles were among 13 who attended a ten-day filmmaking workshop in Baghdad earlier that summer. The Baghdad workshop was also financed in part by the U.S. Embassy through the Humpty Dumpty Institute. It was conducted in coordination with Mohamed al Daradji, a prominent Iraqi filmmaker. Mr. Daradji produces his films through the Baghdad-based Iraqi Independent Film Centre (IIFC) and Human Film, a small UK and Dutch production company focused on Iraqi "social conscience" films.<sup>19</sup>

Mr. Daradji, IIFC, and Human Film have done much to develop the infant Iraqi film industry—however, several of the films produced under their supervision are focused specifically on anti-U.S. war grievances.

One 2013 short film backed by these groups, "Children of War," claims to depict "the horrors of war through the eyes of an innocent child." A young boy is shown sketching stick figures, which come alive as crude animations of monstrous soldiers, helpfully labeled "USA."<sup>20</sup> According to the news site Your

Middle East, "American soldiers are positioned as the perpetrators in this child's view. The animated scenes are intermitted with the young boy making the drawings, which get more violent as the film continues with the explosions getting bigger and bloodier."<sup>21</sup>

"Children of War," which was produced under the direction of Mr. Daradji in an IIFC workshop, was released in the same year—2013—that the U.S. Embassy was helping to fund the IIFC workshop for 13 filmmakers in cooperation with Mr. Daradji. The two workshops may have overlapped. Hopefully, U.S. money did not directly contribute to producing "Children of War."

Regardless, the short film makes clear the type of explicitly anti-U.S. films that have been produced under Mr. Daradji's direction. This raises questions about the remaining filmmakers that received stipends from the Humpty Dumpty Institute. These filmmakers were also trained by Mr. Daradji.<sup>22</sup> In light of the subject matter of "Gift of My Father," and the stark anti-U.S. message of "Children of War," it would not be surprising if the taxpayer-funded films of the other young men who came to Los Angeles also contained anti-U.S. themes.

The Humpty Dumpty Institute says it plans to do more programs with international filmmakers in 2015.<sup>23</sup> If the State Department intends to fund these or similar projects, it must thoroughly review its grant policies to ensure that taxpayer money does not end up financing content that could be used to promote hostility toward the United States.



Still from "Children of War"

## **State Department Provides \$100 Million Bailout to Afghanistan**

**Late in 2014, the State Department quietly transferred \$100 million to the government of Afghanistan to help close an emergency budget gap.<sup>24</sup> An Afghan official claimed that without the aid, the government would be unable to fully pay its 500,000 civil servants and feed 350,000 police and soldiers.<sup>25</sup> To date, the State Department has not explained in detail why this bailout was necessary—or whether it will happen again.<sup>26</sup>**



Afghan National Police officers in Kabul, Afghanistan

The Islamic Republic of Afghanistan receives—by far—more foreign aid from U.S. taxpayers than any other nation. In FY 2012, the U.S. sent more military and economic aid to Afghanistan than the next nine foreign aid recipients—combined.<sup>27</sup> Since the U.S.-led invasion of Afghanistan in 2001, American taxpayers have invested more than \$107 billion in Afghan reconstruction.<sup>28</sup> Although the official U.S. military mission in Afghanistan ended in 2014, reconstruction spending will not slow—in fact, it could substantially increase.

Afghanistan currently funds less than 30 percent of its own budget—the remainder is made up by international donors.<sup>29</sup> The country’s fiscal situation is not improving. In 2014, domestic revenue collection crashed amid economic uncertainty caused by the disputed Afghan presidential elections, coming in at less than three-quarters of expected levels. Afghan spending, meanwhile, continues to increase. The International Monetary Fund says Afghanistan will need an average of \$7.7 billion a year from outside sources through 2018.<sup>30</sup>

The State Department has told the Special Inspector General for Afghanistan Reconstruction (SIGAR) the Afghan government’s budget emergency is thought to have resulted from a combination of the Afghan government’s unrealistic budgeting and the revenue crash associated with the disputed elections. The State Department has not explained, however, how it determined the \$100 million figure, as requested by SIGAR. Nor has it addressed whether similar bailouts could occur in the future.<sup>31</sup>

The Department claimed that all assistance would come from pre-existing resources. In other words, rather than providing new money, already-pledged aid would be

provided earlier than planned. This future aid, however, must be taken away from future needs. The U.S. will not be able to cover those needs without committing new funds in the future. The Department has not addressed whether the \$100 million bailout will result in increased future costs.

The State Department also left out an important part of the explanation for the Afghan fiscal gap—corruption. U.S. and Afghan officials believe as much as half of the nation’s revenue from tariffs and customs may be lost to corruption.<sup>32</sup> Embezzlement, customs evasion, and similar problems are likely contributing significantly to Afghanistan’s fiscal gap. Afghanistan ranks as one of the most corrupt nations on earth, according to Transparency International—only Somalia, Sudan, and North Korea rank worse.<sup>33</sup> According to the World Bank, Afghanistan’s “economic slump is partly responsible for the slowdown, but weakening tax and customs compliance are also taking a toll.”<sup>34</sup>

Afghanistan faces financial pressures from many other areas. For example, the U.S. has built up a large military and police force in Afghanistan that the government will not be able to fund for the foreseeable future—and security analysts say it needs to be even larger. The U.S. has also invested heavily in infrastructure for the country, including power plants, electrical transmission networks, and hospitals—but the Afghan government is unable to pay the operations and maintenance costs for much of this infrastructure.<sup>35</sup>

New bailouts could be on the horizon for Afghanistan. It appears there is currently no plan to properly account for the country’s long-term financial needs—or to prevent those needs from again falling unexpectedly on the shoulders of U.S. taxpayers.

## **DOD Spends Millions Storing 500,000 Pieces of Equipment No One Wants**



The sprawling government warehouse from *Raiders of the Lost Ark* is not a bad visualization of the 3.6 million cubic feet the DOD used to store equipment no one in the military has asked for in at least five years.

**The Department of Defense (DOD) spent approximately \$15.4 million in FY 2013 to store items that had been “zero-demand” for at least five years—meaning no one in the military had asked for that particular type of equipment for at least five years. Such equipment could range from circuit boards to tire tubes to giant gears used inside naval vessels.<sup>36</sup>**

**There are more than 500,000 items in the DOD’s stock that have been zero-demand for five years, cumulatively taking up 3.6 million cubic feet of space at Defense Logistics Agency (DLA) storage facilities. That is enough to fill more than 1,300 40-foot shipping containers.**

There are justifications for keeping some of these items on hand; for example, there may be weapons systems still in use that simply haven’t needed a particular part replaced in the past five years. Or, the DOD might be able to sell a piece of equipment to allies or re-purpose it for a different use.

Many items do not fall into these categories, however. The DOD Inspector General (DODIG), for example, discovered a set of gears, stored at a cost of \$21,000 a year, intended for use on the aircraft carrier *USS Enterprise*—which has been inactive since 2012. DODIG also found a component of a power mast worth only \$391, stored at a cost of \$1,176 annually. It had sat unused for 7 years.<sup>37</sup>

DODIG reviewed a sample of 89 zero-demand items owned by the Navy, and found no reason to keep 41 of them. The Navy had caught only 23 of those in their routine review; DODIG found the other 18.<sup>38</sup> The Navy is implementing improvements recommended by DODIG to ensure they catch similar items. Assuming a similar situation persists throughout the DOD, each of the service branches may be able to slash their zero-demand inventory by implementing similar improvements. If DOD can reduce its storage costs for its zero-demand stock by just 20 percent through these improvements, it could save taxpayers over \$3 million.

## **National Science Foundation Helps Amateur Filmmakers Use Video Game Characters to Make Movies [\\$695,485]**

**The National Science Foundation (NSF) spent nearly \$700,000 researching ways to help amateur moviemakers produce “cinematic movies created by manipulating avatars in 3D computer game worlds.”**

**The researchers believe this form of amateur filmmaking, which they call “machinima,” has a high threshold of entry due to the technical skills required. The goal of their project was to find ways to reduce this threshold by designing digital media production software to help improve video game movies by “suggesting, autonomously creating, and critiquing” film content.<sup>39</sup>**



The creators of the online show “Red vs. Blue” use characters from the video game Halo to stage goofy fights, deliver gags, and ponder the meaning of existence. The show has required no federal support to gain over a million YouTube views on many of its episodes.

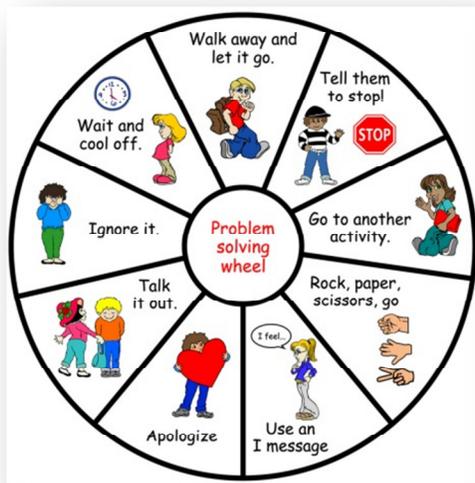
Software of this type may very well have a future. However, the world of online gamers, YouTube shows, and digital art is notoriously free-wheeling. Innovations in this area will come through the organic, ingenious efforts of millions of independent artists, gamers, and programmers—not a \$700,000 grant administered by a federal agency. The findings of this study are not likely to contribute to the development of software that will gain popularity among this vibrant, proudly independent online community. Moreover, at a time of restricted budgets, projects of this kind are not a priority.

The NSF’s interest in this area appears to be ongoing. Georgia Institute of Technology’s Entertainment Intelligence Lab supports the development of similar software, which it calls “assistive AI,” and the Lab lists the NSF as a sponsor of this effort.<sup>40</sup> The agency would do better not to interfere in the wild world of video game moviemakers, instead allowing them to develop their own solutions to growing their community and developing their craft.



The Clear Skies series, created using Half-Life 2 and Eve Online, has also thrived without federal support.

# **USAID Tries to Curb Jihadi-Salafist Recruitment by Teaching Conflict-Resolution Skills to Teenagers in Morocco (\$559,000)**



Moroccan Salafists demonstrating against the United States and Israel near Rabat<sup>41</sup>

**Over the course of two years, the U.S. Agency for International Aid and Development (USAID) provided \$559,000 to fund a series of training course, youth committees, and summer camps in Morocco to teach teenagers “public speaking, team building, and conflict mitigation techniques,” in hopes of reducing the appeal of political extremism in the slums of Casablanca.<sup>42</sup>**

**The Near East Foundation, which organized the project, reported the trainings “contributed to the increased application of communication and negotiation over violence in disputes among youth....One youth described how the trainings strengthened his communication skills to the extent that he now is able to communicate with his friends, rather than resorting to violence when settling disputes.”<sup>43</sup>**

There is certainly nothing wrong with teaching teenagers how to resolve conflicts with their peers. The notion that poor conflict-resolution skills are contributing to Islamic radicalism, however, is hard to swallow, to say the least. Morocco’s violent Jihadi-Salafist movement is rooted in a theological vision to remake the nation in accordance with rigid Sharia law,<sup>44</sup> not a tendency of teenagers to get into back-alley scraps. The foundation acknowledged that “it is difficult to fully determine whether the trainings had real impact on the objective of reducing violence and political extremism.”<sup>45</sup>

Perhaps more promisingly, the trainings also sought to decrease social marginalization among youth by facilitating

employment, entrepreneurship, and civic involvement. Unfortunately, the jobs effort “did not necessarily result in the actual employment of youth” because the trainings did not provide the qualifications that employers required, and the “entrepreneurship initiatives proved to be limited because the youth did not want to take out loans.” The civic engagement effort, which involved an Earth Day event, a marathon, and summer camps, resulted in youth reporting they felt more active and engaged with the community. If true, this could be helpful in preventing a drift toward extremist groups. The events, however, were “sporadic and isolated,” with unclear impacts on youth after their conclusion.<sup>46</sup>

The Near East Foundation deserves credit for its honesty about the limitations of these small-scale interventions. In a complex Middle East society with 33 million inhabitants,<sup>47</sup> a few one-off social projects might improve the lives of some, but they are not likely to meaningfully advance U.S. foreign policy objectives. In the meantime, there are millions of unemployed, marginalized youth in our own nation in need of support.

The agency continues to fund a variety of similar projects in Morocco. In 2010, the agency offered at least \$8 million in grants for a “Morocco Out-of-school Youth Education Project,”<sup>48</sup> and awarded \$1.9 million in FY 2014 to the Near East Foundation for “Empowering Youth Through Entrepreneurship in Morocco.”<sup>49</sup> More broadly, over the ten-year period from 2003 to 2012, the United States obligated over \$1 billion in economic assistance to the Kingdom of Morocco.<sup>50</sup>

## **6.5 million Active Social Security Numbers Belong to People Born 112 Years Ago**

**Bilbo Baggins from the *Lord of the Rings* series was happy just to reach his “one hundred and eleventieth” birthday. The Social Security Administration (SSA), however, could do the venerable hobbit one better—according to the agency’s records, an amazing 6.5 million Americans are at least 112 years old.<sup>51</sup> Then again, considering only 35 mere humans worldwide are known to have reached the age of 112,<sup>52</sup> perhaps the agency is having some paperwork problems.**



**The Internal Revenue Service, Department of Defense, Office of Personnel Management, Department of Veteran Affairs, Centers for Medicare and Medicaid Services, and other federal agencies distribute billions in federal benefits every year. All of these agencies check SSA data to ensure the Social Security Numbers (SSNs) being used to claim benefits actually belong to living individuals. When there are gaps in this data, scammers can use the SSNs of dead individuals to fraudulently obtain government benefits.**

The SSA’s problem seems to lie with the Numident. Despite the intriguing name, the Numident is not some hobbit’s magical ring or amulet, but a dataset maintained by the Social Security Administration that contains key personal information of holders of SSNs. For deceased number holders, one of those pieces of information is

supposed to be the individual’s date of death. If the SSA receives no death report for a particular number holder, however, the date of death is left blank—even for individuals born as far back as the 1800s.

SSA has largely dismissed concerns about the 6.5 million number holders because very few of them were actually sent Social Security payments—benefit payments were sent for only 13 of the SSNs, according to Social Security’s Office of Inspector General (OIG).

Social Security is not the only agency that uses the Numident, however. It is also used to create the Death Master File. This is not some evil sorcerer’s superweapon, but a list of deceased individuals that federal, state, and private entities routinely check to avoid sending federal benefits to the dearly departed—or to scam artists attempting to impersonate them.

Identity theft is a large and growing problem, particularly tax-related identity theft, which is often used to fraudulently claim tax refunds. In less than three years, the IRS flagged 14.6 million tax returns suspected of identity theft, associated with \$50 billion of potentially fraudulent refunds.<sup>53</sup> The resourceful criminals who file these returns are no doubt taking advantage of the millions of SSNs of deceased individuals that are missing from the Death Master File.

Dead individuals, of course, most likely would not be eligible for a tax refund, so identity thieves are probably not trying to steal tax refunds when they use dead individuals’

SSNs. The SSNs of the deceased, however, could be used to secure various other lucrative payments from the IRS. If the worker reported a low income, he or she could have qualified for sizeable payments from the IRS through the Earned Income Tax Credit (EITC). The EITC program is known to lose over \$10 billion a year to fraud.<sup>54</sup> The SSNs of the dead are likely contributing to this problem.

It is also possible the government is actually mailing checks to addresses that once belonged to dead people, or making electronic deposits into bank accounts they once owned. In 2010, Senator Tom Coburn documented an estimated \$1 billion over the previous decade that had been sent to dead people through agencies including Social Security, USDA, Medicaid, and Medicare.<sup>55</sup> When the names of the deceased are missing from the Death Master List, these agencies may never discover they are sending tax dollars “six feet under,” in the words of the Coburn report.

It is absolutely essential the SSA update the Numident and Death Master List with the SSNs of individuals who can only be assumed to be deceased based on their date of birth. Numerous federal and state agencies rely on this list to prevent serious criminal fraud and payments to the deceased—both problems that are very costly to those of us who haven’t quite made it to our “one hundred and eleventh.”

## **Money Down the Drain [\$15,000]**

**The Environmental Protection Agency (EPA), through a grant with the University of Tulsa, is conducting research on “modifying” hotel guests’ water consumption habits. The agency will spend \$15,000 to develop a wireless system that tracks how much water each individual hotel guest uses.**

The technology will “provide hotel guests with the ability to monitor their daily water online or using a smartphone app and will assist hotel guest in modifying their behavior to help conserve water,” according to the grant.<sup>56</sup>



The resulting device will be “marketed to the hotel industry to reduce costs by promoting water conservation among hotel guests.”<sup>57</sup> If there is truly a viable market for this concept, private investors should be able to provide the cash to finance the development of the technology.

## **Missile Defense Agency Ignores Warnings Over Contract for Interceptor System, Overpays by \$11 million**

**The Missile Defense Agency (MDA) is responsible for researching, developing, and fielding America’s missile defense system, a multi-layered network designed to detect and intercept ballistic missiles from the ground and sea.<sup>58</sup> The MDA recently overpaid by millions on a large contract for one of its interceptor systems—a situation that might have been avoided if it had waited just five days for an audit of the contract to be finished.**

In 2009, the agency requested an audit of a large contract to support the Ground-Based Midcourse Defense (GMD) system, which is designed to intercept and destroy ballistic missiles with interceptors launched from land.<sup>59</sup> The Defense Contract Audit Agency (DCAA) began working on the audit, and tentatively found over \$200 million in questionable costs.

The DCAA asked for extra time to complete the audit, and the MDA agreed. But then, just five days before the DCAA was scheduled to deliver its review, the MDA signed the contract for the system—ignoring the DCAA’s warnings that there could be hundreds of millions of dollars of waste in the agreement. At that point, the contract was worth well over \$1 billion, yet the Department of Defense’s auditors had no input on it before it was signed.

The Department of Defense Inspector General (DODIG) later conducted its own review of the contract, and found the MDA’s impatience came at significant cost. For example, if the MDA had “used the DCAA recommended labor and indirect rates for various cost elements (such as direct labor and general and administrative costs)” in negotiating the



GMD contract, the contract cost could have been reduced by \$10 million, and fees on the contract would be reduced by \$1.1 million. In addition, the wasted hours the DCAA spent on auditing cost nearly \$130,000. DODIG recommended the MDA improve training and communication to prevent similar situations in the future.<sup>60</sup>

The nation’s missile defense system is an urgent priority that should not be excessively burdened with bureaucratic requirements. Nevertheless, developing and acquiring the components of the missile defense system is enormously expensive. The MDA’s budget weighs in at a hefty \$8 billion annually.<sup>61</sup> While the MDA should never lose sight of its vital national security mission, it is very important the agency rigorously apply best practices to manage this enormous sum responsibly and avoid any unnecessary or excessive costs.

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