

# THE WEEK

## The Problem with Outsourcing the Military

*U.S. defense contracting is a mess of lax oversight, poor accountability, thin competition, conflicts of interest, and sometimes, grave misconduct*

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It's not every day that a senator gets "god-damn mad," at least in public. But that's exactly what happened a few months ago, when a federal commission released a report that was so alarming, Sen. Claire McCaskill (D-Mo.), chairman of the Subcommittee on Contracting Oversight, dropped a "god-damn" in a congressional hearing. What worried her? The final findings of the Commission on Wartime Contracting, a bipartisan coalition formed in the spirit of the legendary Truman Committee, which exposed massive waste in World War II-era defense contracting. The modern commission found that these problems persist: At least one out of every six dollars spent on defense contracting in Iraq and Afghanistan, more than \$31 billion, has been lost to fraud, waste, and abuse — and that number is climbing.

In an era of hyper-focus on the budget, the Obama administration and the Republicans who aspire to replace the president should be as livid about this multibillion-dollar waste as McCaskill. But they largely remain silent on the issue of contractor waste — and in the defense cuts debate, it's the biggest elephant in the room. Unless a solution is reached, this elephant will continue gorging itself on taxpayer dollars long after the new budget drops on February 13.

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The U.S. military increasingly relies on contractors for a huge variety of tasks: Construction, private security, food preparation and delivery, administrative tasks, and much more. Since 2000, the Department of Defense (DOD) has spent more than \$1.5 trillion dollars on service contractors, with the annual cost nearly tripling over the last decade. In fiscal year 2010 alone, defense service contracts cost taxpayers more than \$200 billion. That's nearly \$50 billion more than the cost of active duty, reserve, and National Guard personnel combined. DOD spends so much on contractors that you could *halve* the Pentagon's budget and not have to take a single cent from soldiers' benefits and pay.

Of course, listening to Secretary of Defense Leon Panetta talk lately, you'd think cutting a buck from the DOD's budget would cause instant, apocalyptic catastrophe. Since the so-called "super committee" failed to reach a deficit-reduction deal last year, the Pentagon will likely face automatic, across-the-board cuts. Panetta has called this a "doomsday scenario" that could transform the military into a "paper tiger" or a "hollow force" — a term the Congressional Research Service says he is using incorrectly.

Given Panetta's hyperbolic talk, you'd think that when he released his plan to cut \$487 billion from the Pentagon's budget over the next decade, he would have mentioned the hundreds of billions

spent each year on defense service contractors. But he didn't. Not even once. Instead, we heard a lot of talk about retired ships and troop reduction — oh, and he reassured contractors that he would preserve the "health and viability of the nation's defense industrial base."

Ben Freeman, the National Security Fellow at the Project On Government Oversight (POGO), gave me some reasons why our over-reliance on contractors is so problematic — particularly as the U.S. pulls out of Afghanistan and the State Department prepares to oversee the thousands of contractors left in Iraq.

Freeman said that because the U.S. has relied upon so many contractors in Iraq and Afghanistan, the military won't necessarily reap the benefits of on-the-job experience in future conflicts. Contractors often perform "inherently governmental functions" — which not only gives contractors the institutional knowledge that the government needs, but also raises serious security issues, like when someone from a for-profit firm is tasked with handling highly classified intelligence information. Freeman also alluded to the fraud and abuse that exists in the U.S. defense contracting system.

"We've all heard the stories about contractors wreaking havoc," he said.

There are many examples of this havoc. But the one that leaps to my mind is labor and sex trafficking. The commission reported that U.S. taxpayers are inadvertently funding these practices, because subcontractors — who are hired by U.S. defense contractors — don't have sufficient oversight. In labor trafficking cases, some shady subcontractors have been known to lure impoverished third-country nationals into working for them, abuse them, and then collect a check from an unknowing U.S. government.

In short, U.S. defense contracting is a mess of lax oversight, poor accountability, thin competition, conflicts of interest and sometimes, grave misconduct. As both the Senate Armed Services Committee and former Defense Secretary Robert Gates have said, the system needs reform, and the number of contractors needs to be reduced.

POGO has suggested in its *Spending Less Spending Smarter* report — which outlines ways that the U.S. can reach its defense cut goals — that the Pentagon cut spending on DOD service contractors by 15 percent. Doing so would save taxpayers an estimated \$300 billion over the next 10 years, without even touching U.S. troops or weapons.

Next time Panetta and the Republican candidates start their "doomsday scenario" fear-mongering, let's ask them to discuss defense service contractors instead. It seems like they could both use a little straight talk from the very man who inspired the Commission on Wartime Contracting's invaluable work: President Harry S. Truman.

"It struck me," said Sen. Joe Lieberman (I-Conn.), "that if we could go and interview [Truman] about this commission's report and then release the transcript, we would have to delete several expletives."