



Outsourcing, Revolving Doors, No-Bid Contracts, and No-See Oversight: The Failure of Government Accountability in National Security Policymaking

IHRFG-PSFG Federal Policy Briefing, Washington DC Thursday, March 31, 2011, 10:45 – 12:00pm

Speakers: Representative Jan Schakowsky (D-IL), Member, Subcommittee on Oversight and Investigations; Member, House Select Committee on Intelligence; Danielle Brian, Executive Director, Project on Government Oversight and Janine Wedel, Write and Professor, George Mason University

Moderator: Conrad Martin, Executive Director, Steward R. Mott Foundation

This session was preceded by an overview of military spending in light of cutting \$58M of the domestic budget on discretionary spending and President Eisenhower's farewell speech, bringing us to this panel on contracting and how it's changing how government does business.

Janine Wedel opened the session by asking : Have you wondered why the image of US involvement in Libya has improved in recent years? Or why full-body scanners have become a cure-all for airport security? Why do we order new Humvees instead of repairing the old? Behind these are one or more shadow lobbyists. Libya hired academics and Washington players to help change their image. Humvee manufacturers lobbied the Pentagon using military powerbrokers called "rent-a-generals".

Mr. Wedel explained how these private contractors exert unchecked influence in policy from national security, to finance, to energy. They pursue private goals while purportedly working for public interest. They are paid by organizations, corporations and government and tend to have more access than K-street lobbyists. They are also very difficult to detect. Mr. Wedel notes how we used to be able to see who was in charge of lobbyists but with contractors representing multiple interests, where does one role end and a new one begin? Contractors are also a bit "rogue". Top contracted US commander in Afghanistan used Rolling Stone to complain about military policy vs. using the chain of command.

He then described how spending on private government contractors went from 1\$25B in 2001 to \$320B in 2008. Three-quarters of government employees are private contractors working on intelligence. Becoming unclear who are government vs. private employees. Some meetings are called and only contractors show up. These power brokers play so many different blurred and blended roles, their presence/influence undermines separation of power.

Mr Wedel emphasized the need to understand how this system (which debuted about a decade ago) developed. Two transformational developments:

- 1) privatization and re-design of government during Reagan Thatcher
- 2) global technology and changes in the structure of the media

Networks placed key people in top positions to achieve their objectives not necessarily the public's (e.g. case study Eastern Europe). Richard Pearl helped take US to war in Iraq and keeps re-emerging to promote new policies, i.e. Pearl briefed VP Cheney on Libya. So the same players keep popping up administration after administration. Also peculiar are players who come from different backgrounds but push the same agenda.

Mr Wedel then provided scenarios on how to detect a private contractor lobbyist?

- 1) Do you have a hard time figuring out who he is or who funds him? Did this person used to have a title, but you're not sure what his job/title is now?
- 2) Is the same talking head appearing in multiple venues with the same messages?
- 3) Is a policy being attached to rainmakers with no official role?
- 4) Is the boundary between private and government benefit unclear?

He also suggested how can we stop them?

- 1) Clamp down on unregulated lobbyists; begin to see corruption in a contemporary way; cross-border remedies
- 2) encourage professional codes of conduct
- 3) set new standards for old media; stricter standards for quotes and op eds—bios that include not just most prestigious but other roles
- 4) educate and empower media and public to recognize and bring shadow lobbyists into the light, e.g. thru interactive graphics and videos that connect the dots of the profile and agenda of players

“there is no conflict of interest, because we define the interest”

Question & Answer:

Q: What defines a lobbyist and under what circumstances must they regulate? For example, Foundations can and do support individuals who have strong opinions and who receive salaries from funders...could they be/are they shadow lobbyists?

A: You know a shadow lobbyist when the rules and regulations for representation, e.g. the Justice Dept representing foreign interests in Libya, are not above board. Shadow lobbyists are involved in activities that are not fully disclosed. You don't know who his/her funders are and it's difficult to find out. You don't know who they represent and they don't tell. A key difference between “legitimate” and shadow lobbyists is transparency. One is led to believe that shadow lobbyists are neutral. Grantees track time, report and disclose funders but those who represent financial interests do not. By the way, Non-profits can lobby under 501(h)-Election.

Jan Schakowsky began the second part by discussing how Colombia was our first introduction to contractors; there is a secret war happening there...is it counter-narcotics, insurgency? Who are the targets and what role does the US play? Americans have little awareness, no oversight or accountability for contractors.

There is an ever-growing reliance on government contractors to fight our wars and this is dangerous. The answer to a coup is not a uniform commander.

There is no mechanism for punishing contractor misconduct and they are therefore getting away with murder. What do they have to do to be disqualified? Kill someone?? Check ☹

Private contractors also leave billions of dollars open to waste, fraud and abuse.

He explained how there was a need to define clearly which government functions are to be performed by government and military personnel so that there is a chain of command that is absolutely clear.

This is because contractors have become default military personnel in Afghanistan. Sometimes a report will be released that US troops are being pulled out, but through private contractors our presence will still be there in an unscrutinized manner. For example it has been reported that there were 150,000 troops in Afghanistan as of December 2010; but an additional 25,000 to be sent will be private sector/security contractors. Contractors are not counted when killed. To determine the number of private military in service, one has to refer to a DOD base account which is derived from people applying for benefits. So the scope of US military involvement is misrepresented.

He then highlighted another problem: Photos of embassy guards taken by a security contractor endangered the performance of US embassy in Kabul. Replacement security company EOD technology had its own abuses, as they hired local warlords with Taliban ties. The original (problematic) "Armor" group now back in place at the embassy.

Criminals receiving lucrative business from the US government and citizens are revolting against such companies, e.g. Dime-Corp.

\$177B obligated on contracts and grants for Iraq and Afghanistan in the midst of budget cuts.

A general report was created on lack of oversight on contractors, which led to measures to monitor oversight and reliance on contractors. Representation now required for private sector contracts, but more has to be done.

Mr. Schakowsky explained how no amount of regulation could resolve that outsourcing is available to the highest bidder so instead what is needed are further

measures to: reduce reliance on security contractors in war zones; Re-introduce the SOS act (Stop Outsourcing Security) to prohibit private contracts for military security, intelligence, armed forces and create transparency for representation and ensure congressional oversight. 30 members of the house co-sponsored this legislation last yr. This issue will be a key national security priority for individual senators.

For every soldier in uniform, there is more than one contractor on the ground, who is armed and dangerous.

Question and Answer

Q: What would SOS prohibit?

A: SOS describes functions for which private military cannot be used: military, security, (e.g. Embassy) private enforcement, law enforcement, intelligence and armed rescue functions. i.e. engaging in warfare via private, hired guns. With support from McCain may be able to push this through. (would prevent a repeat of Kabul...getting Afghani prisoners drunk and otherwise torturing them, i.e., undermining mission and putting US soldiers in danger).

There are more contractors than US government employees in the military. The more we engage, the more we will end up hiring contractors. The excuse is that we don't have/can't afford the traditional military capacity to meet demand. Need a really good cost-benefit analysis (what if no pension, more flexible work force). In actuality, contractors are paid 10x more than soldiers. This creates resentment within the military. Black-watered = being recruited from military into private service. Are private contractors worth endangering national security?

Q: Given the current political environment, e.g. the challenge to working bi-partisan, could this issue, because it's about cost, be fertile ground for moving forward together?

A: Many proposals are counter-productive to deficit reduction; the best approach is to work with panelists like the ones we have here to collaborate with republicans, e.g. using Danielle's C-B study. No bi-partisan politics in play right now.

Q: A personal story/evidence was shared that a Black Water contractor made 5x more than they did on their army salary. But no one "works" for BW. In fact, contractors are in violation of their contracts if they disclose any information about their missions; they also have to pay their own health insurance. What about whistle-blower protection?

A: There is discussion about contractors being treated as employees. A company recently lost a suit against Black Water...they were hiring third party nationals and taking away their passports. BW promises salaries that don't manifest, puts troops into dangerous situations and then makes it hard to leave. Salaries sound great but they use the money to take advantage of contractors. Contracts are only 3 or 7

month contracts...not long-term and require renewal. Contractors can apply for limited compensation through defense-base account, but they don't have to.

Q: What should grantmakers do to inform the public about these issues?

A: It's worth strategizing. Share reports. Figure out media strategy (use/see NYTimes and Skahill). Use wasteful spending and war/global engagement as a focus for conversation. What would a campaign look like to engage people? And then do it.

Q: To what extent can grantmakers appeal to patriotism? We are selling out the nation. For example, Americans want out of Afghanistan. How do we make an appeal using the budget and patriotism?

A; Let's take a look at that because it is useful and helpful...before re-introducing SOS. We're not wedded to every word of this legislation. We can make it bi-partisan. Veterans could be strong validators of this issue. Make a creative list of allies. Take it on the road, e.g. via prairie fires in the mid-west (Wisconsin).

Danielle Brian then spoke about how new coalition interests are in play. Grover North cares about government spending and wants to put defense budgets on the table. People are concerned about war as well as cost.

There is a general perception that the defense budget is about defending troops, but half of the defense budget is about contractors. We're protecting BlackWater, Boeing, Booz Allen, not just our underpaid military.

Argument for privatization:

- 1) Save money, increase efficiency? If comparing fed salary to contractors salary, we're paying a 70% premium: \$1 to fed employee, \$1.70 to contractor.
- 2) Increasing quality via competition and market forces? 50% of government contracts awarded are not competitive. (resource: www.USAspending.gov says 20%, are not competitive, but a bid is counted if it goes to one contractor). Uses a "Hunting Club" list of approved contractors (bias), any from this list are also counted as a competitive bid.

An example: KDR (private) employees were returning to base...they said the terrain was too dangerous so didn't go and ultimately, denied US soldiers food. There was no chain of command, so the private contractors actually could say, 'I'm not going to do that'.

Another example: Paying Nepalese soldiers in Gerpas, \$600 month (slave wages). Gerpas declined as the preferred currency, leaving a gap in protection.

Ms. Brian highlighted the initiatives that foundations have provided/supported:

- 1) Monthly training sessions teaching oversight to Democrats and Republicans; creating an understanding of demand for information; learning how to combat denied requests for info (within party). How to fight back, use media, etc. all in order to strengthen rule of oversight;

- 2) Necessary pressure on the Inspector General, e.g. the Special IG for Afghanistan was effectively removed; State Dept Inspector General is very protective of this work...there will be a hearing next week on this.
- 3) Looking at contractors themselves because the government is not keeping track. We started tracking 7 years ago. Federal misconduct tracking database available on our website: FAPIIS. 24 instances of misconduct documented there, ¼ are environmental. 2yrs ago congress was asked to create a similar resource that will go public next month but the Chamber of Commerce will limit data availability.

Q: Describe the behavior/incident that took place in Kabul?

A; There was sexual, predatory hazing of young men held at the military camp. In one instance there was a naked boy. They poured vodka down his back, and another drank it off his behind. Others in the photos were drunk. Bonfires with coconut bras; strings tied to men's genitals. Think Piggy in *Lord of the Flies*. 30 whistleblowers came forward and were fired. Took my office a year to find them new jobs. Because of no protection for whistleblowers, we're not hearing about other cases.

Q: There was an extended, multi-million contract awarded to Lockheed Martin in order to oversee and train the Liberian justice system. Is this kind of contract part of the discussion?

A; Yes, organizations with no skill are akin to body shops looking to get federal dollars. We are against questionable motivations and profit-making and superseding government influence.

Moderator sum: We are outsourcing the intelligence of decision-making. This will create a bigger impact on Human Resources and national security than the words by themselves imply.