

Waste and fraud inevitable in rebuilding, experts say



By Seth Borenstein, Knight Ridder Newspapers

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WASHINGTON - As the federal government throws tens of billions of dollars into hurricane relief and reconstruction, the system to make sure taxpayers' money is spent properly is a mess.

The federal purchasing system has been plagued with scandal - its top buyer was arrested Monday. It has too few workers deciding exactly what to buy, and there may not be enough auditors to ensure taxpayers get their money's worth. Even now, rules designed to keep the contracting process fair and honest are being loosened to speed recovery and reconstruction.

"We are looking at billions going out there. It will be certainly hundreds of millions of dollars at risk," said Bunnatine Greenhouse, who was the Army Corps of Engineers chief contracting officer until last month when she was demoted after complaining about no-bid contracting in Iraq.

Already, money is being wasted, experts say.

"There's no doubt, no question, there's going to be fraud, waste, abuse and mismanagement - there already has been," Comptroller General David M. Walker told Knight Ridder. He runs the Government Accountability Office, the watchdog arm of Congress.

Whistle-blowers are hiring attorneys, complaining to law professors and calling federal fraud hot lines.

Fraud calls "are just starting to flow in these last two weeks," Department of Homeland Security Inspector General Richard Skinner said Friday. "We're getting a lot of calls. It's increasing daily."

On Thursday, the chief administrative officer for Kenner, La., was accused of malfeasance after police found food, drinks, chain saws and roof tarps - all intended for Hurricane Katrina survivors - at his house.

President Bush, under pressure to rebuild the devastated Gulf Coast quickly, vowed this week to protect the public treasury.

"We'll make sure your money is spent wisely," Bush told an applauding crowd Wednesday. "And we're going to make sure that the money is spent honestly by sending a team of inspector generals down there to review all expenditures."

At the Office of Management and Budget, where procurement policy is set, spokesman Alex Conant said, "We feel that we have the controls in place to prevent abuse and fraud."

But that's not what more than a dozen experts - current and former contracting officers, auditors, contract law professors, whistle-blowers and members of Congress - say.

"The government is fighting this war (on waste) with Civil War weapons, and we're just overwhelmed," said Joshua Schwartz, co-director of the George Washington University Law School's government procurement law program. Schwartz pointed to small staffs, limited budgets and weak oversight.

Even as checks were being written to help the victims of Hurricane Katrina, evidence of corruption within the administration surfaced.

On Monday, David Safavian - who was administrator of federal procurement policy in the Office of Management and Budget - was arrested and charged with lying to a government ethics officer as part of a burgeoning scandal involving a Washington lobbyist. Safavian, who had been chief-of-staff of the General Services Administration, also was accused of obstructing an inspector general's investigation of the GSA. He resigned three days before being arrested.

"It has no impact on the Katrina relief effort," OMB spokesman Conant said.

Safavian isn't the first top purchasing official touched by scandal.

Darlene Druyun, who had been the U.S. Air Force's acquisition chief, soon will be released from prison after serving a nine-month sentence for conspiring to help Boeing Co. win a multibillion-dollar airplane contract.

Contracting officials who complain about lax practices - especially at the U.S. Army Corps of Engineers - have lost their jobs. At least four federal purchasing officials were demoted, fired or resigned under pressure after complaining about no-bid contracts, including some involving Halliburton, the large, politically connected engineering firm once headed by Vice President Dick Cheney.

Greenhouse, the Army Corps whistle-blower, said the retaliation caused "a chill" among contracting officials trying to protect taxpayers from no-bid deals and other waste.

For more than seven years, Greenhouse was the top Army Corps official responsible for contracting. After complaining, first in-house, then publicly, about no-bid contracts, Greenhouse was demoted Aug. 28, the day before Katrina struck New Orleans.

Christy Watts - who spent 12 years as an Army Corps contracting chief in Louisville, Ky.; Charleston, S.C.; and Alaska - was fired last year after complaining about no-bid purchases.

"Clearly our priorities are perverse," said Danielle Brian, executive director of the Project On Government Oversight, a financial watchdog group in Washington. "Our government punishes the good guys and lets, in some cases, the really bad guys help run the show and set the agendas."

George Washington University's Schwartz said that reform of the federal purchasing system - begun in the Clinton administration - cut jobs and overburdened those remaining.

"The system and the work force has a massive case of indigestion," Schwartz said.

The number of government purchasing agents and contract managers has been cut in half since 1990, but since Sept. 11, 2001, the contract spending they oversee has more than doubled, Schwartz said.

"We have resources to do \$200 billion in contracts, but we are spending \$400 billion in contracts," Schwartz said.

Senate Homeland Security and Governmental Affairs Committee Chairwoman Susan Collins, R-Maine, said the reduction in the contracting work force "does make federal programs more vulnerable to waste and outright fraud."

In 2003 and 2004, the GAO put the Department of Homeland Security in its "high risk" category for effectiveness because its "procurement activities had not achieved the level of sophistication and control that we had expected," said Norm Rabkin, managing director of the GAO's Homeland Security auditing team.

Just days after Katrina hit, Congress and the Bush administration increased the limits for purchase on government credit cards - from \$2,500 to \$250,000.

That change was "an open invitation to waste, fraud and abuse," said Collins, whose committee Thursday voted to repeal the new \$250,000 limit.

OMB spokesman Conant said there are some restraints. Purchases over \$50,000 need authorization from another official, for example.

To date, \$63 billion has been approved for Katrina relief and reconstruction. Of that, \$15 million will be used to hire more auditors to review spending. Homeland Security's inspector general corps will have 150 auditors and investigators looking at hurricane spending.

Homeland Security is one of 13 different departments and agencies to have inspectors general auditing hurricane contracts.

But that approach may be too diffuse, allowing some waste to fall through the cracks, Collins said.

She proposes using the highly successful Iraq model of having a single inspector general to oversee spending along the Gulf of Mexico.

Keith Ashdown, vice president of Taxpayers for Common Sense, said: "We will learn months after the money was wasted or stolen that it was wasted and stolen."

Knight Ridder correspondents Chris Adams and Ron Hutcheson contributed to this report.

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