

Strengthen the 10-year pay-as-you-go point of order. While the 10-year pay-as-you-go point of order that was established by last year's budget resolution is permanent, it does not currently apply to budget resolutions and could be repealed by a subsequent budget resolution. This proposal would make future budget resolutions subject to this point of order.

That was the particular provision of our colleagues on the other side of the aisle that they submitted.

I tried to offer it in committee. The Budget Committee met and we had discussions, but we were told at the time, "Let's not take it up on S. 4. Let's not take it up on S. 14, but have it later."

Well, we have not had a scheduled markup. And I think that this amendment, if offered in reconciliation, would require the 60 votes because of the Byrd rule. But we need it; it would bring truth in budgeting to budgets, as well as other legislation before us.

So I hope that they can join, as they indicated they wanted to and indicated in various sessions that I have been with them. And I know the distinguished chairman of the Budget Committee is dedicated to truth in budgeting. This would be a perfect way to make it permanent for all budget resolutions. In the upcoming budget resolution, we are going to need spending cuts, we are going to have to have spending freezes, and we are going to have to close particular loopholes. And in this particular Senator's opinion, it is going to require additional revenues in order to do what we all say we are going to do; namely, in a 7-year period bring us back into the black and put us on a pay-as-you-go basis. It is going to be quite a task.

And do not underestimate the power of Congress to be creative. We can do away with departments, get into capital budgets, get into sale of capital assets, the power grid out west and everything else. But that is just a one-time savings; it does not really bring us into balance.

They can get into using Social Security. They say they do not want to use Social Security, but, very interestingly, very interestingly, the distinguished chairman of the Finance Committee said on Tuesday, March 21—and I will quote from page 4 of an article.

Senator PACKWOOD said:

Nothing is sacred including Social Security and other entitlement programs.

If the chairman of the Finance Committee is thinking in terms of using Social Security then we really are in a pickle.

We hear of plans to reestimate the CPI, but if that is to occur, it should be reestimated in a technical fashion and not a political fashion. The Bureau of Labor Statistics reviews the CPI every 10 years. It is my understanding that we are due for another recomputation of the Consumer Price Index in 1998. We can do it in 1995. Suits me, as long as it is done in the same technical fashion, and not done in a political fashion.

The reason I refer to that "in a political fashion," is simply that I have a

quote from the distinguished Speaker of the House, NEWT GINGRICH. I refer to a release on January 16, 1995, and I quote:

House Speaker Newt Gingrich threatened Saturday to withhold funding from the Bureau of Labor Statistics.

which prepares the CPI each month, unless it changed its approach, at a town meeting in Kennesaw, GA. The Reuters News Service reported that GINGRICH said:

We had a handful of bureaucrats who all professional economists agree, have an error in their calculations. If they can't get it right in the next 30 days or so, we zero them out. We transfer the responsibility to either the Federal Reserve or the Treasury and tell them to get it right.

If I was over in Treasury, or wherever, and he transferred it to me because they had not gotten it right, I think I could get it right because, if not, I might get zeroed out.

So let Congress go along with an accurate estimation, a statistical estimation, a professionally done estimation and not a political estimation.

Therein is some of the creativity, whether using the CPI, or the \$636 billion from Social Security that they can pick up by using Social Security under the language of House Joint Resolution 1, the balanced budget amendment to the Constitution.

They are just absolutely determined to repeal section 13301 of the Budget Act, that law that was signed into law by President George Bush on November 5, 1990.

If we all sing from the same hymnal and the same sheet music we will get truth in budgeting with this particular amendment.

What we will do is apply the same law that we have applied toward everyone else in the Government. If you are on the Agriculture Committee, you are subject to the 10-year rule. If you are on the Finance Committee with GATT, you are subject to the 10-year rule. If you are a member of the Appropriations Committee, you are subject to the 10-year rule. Interior, Commerce, go right on down the list.

But the very crowd that put in this 10-year rule for everybody else says, "By the way, not for us." I just do not think that is right. I do not think it is honest in that regard. I think we ought to get honesty, get truth in budgeting and put it in there with respect to the budget resolutions, as well as all the other permanent provisions, that 10-year rule was so eloquently endorsed by the Senate Budget Committee Republican alternative just a year ago.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GRASSLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRASSLEY. Mr. President, I ask unanimous consent to speak as in morning business for 7 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

## INTEGRITY OF DEFENSE BUDGET NUMBERS

Mr. GRASSLEY. Mr. President, I want to resume my discussion of the accuracy of defense budget numbers. I have been speaking on the subject of the Defense Department and the issue of our appropriations for the succeeding fiscal years so far this week on two other occasions. I will have two other speeches to make on this subject.

Yesterday, I started discussing the mismatches in the DOD's budget and its accounting books. I want to pick up where I left off yesterday. I want to tick off some of the most glaring disconnects and mismatches that we have in the accounting books.

First, the General Accounting Office says that our Defense Department has at least \$33 billion of problem disbursements. That is the latest figure, \$33 billion. Just June 30, last year, the Defense Department quantified this problem that they call problem disbursements to be only \$25 billion. We have an \$8 billion increase in that figure called problem disbursements.

Every time I check, the estimate seems to be higher. It just keeps climbing. Now it is \$33 billion. A person might ask, what is a problem disbursement? That is their language. It is primarily a disbursement that cannot be matched with an obligation.

Secretary Perry has \$33 billion in unmatched disbursements. He thus has \$33 billion in costs that cannot be tracked. I cannot say that we say that that is spent illegally. It is just that we have not matched it up at this point.

But that is a major problem when you consider the fact that there are people in this Congress who want to increase defense expenditures by \$55 billion or more over the next 5 years.

Secretary Perry knows that the \$33 billion was spent, but he does not know how the \$33 billion was spent. He does not know what it bought. All he knows for sure is that the \$33 billion went out the door.

Some of it could have been stolen, and I can show you a couple cases of real fraud in a moment.

We are never really going to know how the money was used until all the matches are made. If we cannot make hookups on the \$33 billion, then what does that say about the other outlay numbers in the budget? Are they hooked up to the right accounts?

There is a second major disconnect in the accounting books. This is the one between the check writers and the accountants who are supposed to make sure that the work, services, or product was performed and goods or services delivered before payment is made.

A recent spot-check audit by the General Accounting Office produced some very disturbing results: \$1.4 billion of overpayments. Contractors, in some instances, voluntarily returned money. It was not earned. It was not due. But we tried to pay it. And they wanted to return it.

The result of a new General Accounting Office audit is just as bad: \$820 million in erroneous payments to the top 100 contractors. How many other faulty payments remain undetected or unreturned? I do not think anybody knows. Even the news media and a Pentagon official spoke about it, in reaction to my comments yesterday. People high up say, yes, they know they have major problems.

The Pentagon check-writing machine is stuck on full power. It is on automatic pilot, and the accounting department has gone on a long vacation. In some cases, the Defense Department tells the contractors, "Don't worry, just hold on to the overpayment until your contracts are reconciled."

That brings me then to the third big financial disconnect at the Pentagon.

Reconciliation is a detailed examination of contracts with known or suspected problems and is a primary tool of detecting duplicate, erroneous, or illegal payments. Unreconciled contracts—that is another bottomless accounting pit.

The problem has been identified by both the GAO and the DOD inspector general. One of the Pentagon's main contract paying operations, the center in Columbus, OH, has 13,600 unreconciled contracts, including 2,707 contracts that are overdisbursed by \$1.2 billion.

The checking account on those 2,707 contracts is overdrawn by \$1.2 billion then. Since the records are in such bad shape, the DOD IG and the GAO think it will take 5 million to 10 million man-hours to reconcile these contracts. At \$58 an hour charged by a firm like Coopers & Lybrand, it could cost \$550 million to make all the fiscal connections and to clean up the accounting mess. And that is the cleanup cost for just one location, Columbus, OH. And there are many others.

At those rates, the total cost of the bookkeeping cleanup operation could approach the cost of the DOD's environmental cleanup operation.

There is a fourth gaping hole in the accounting books. This one may even be worse. This one involves DBOF, which is short for the Defense Business Operations Fund.

DBOF is a \$77 billion-a-year operation. DBOF purchases everything from fuel to repair parts to toilet paper and light bulbs. Much of what is bought by DBOF is needed to train the Armed Forces and keep them ready for combat. Unfortunately, DBOF's books are a mess. DBOF's books are in such bad shape that the inspector general had to issue a disclaimer of opinion for the second year in a row.

In the language of accountants, that means the IG could not audit DBOF's

books. If you cannot audit the books, you do not know how much money is being spent. We know how much money is being pumped into DBOF, but we do not have any idea what is coming out the other end.

The breakdown of controls within DBOF could help to explain why the Pentagon still cannot relate resources to readiness. DBOF should help us answer this question: If we add \$1 billion to the budget to increase readiness, how much more readiness do we get? DBOF cannot answer that issue.

The breakdown of fiscal connections within DBOF alone means that there are no controls or accountability over about 30 percent of the defense budget.

Mr. President, I know that these are harsh judgments on the condition of the Department of Defense's books, but they are based on many years of watchdogging, plus the carefully documented work of the General Accounting Office and the DOD inspector general.

We have a breakdown in the financial controls in four key areas of the defense budget. Unless this mess gets cleaned up, we will not know how DOD is spending the people's money. The breakdown of internal controls makes it easy to steal money from defense accounts. The implications of the defense accounting breakdown were brought home hard recently in two cases: The cases of a Mr. James Lugas and a Mr. James Edward McGill. Both men are in jail for stealing from the taxpayers. Both were able to tap into the DOD money pipe with ease and steal millions of dollars.

They operated undetected for a number of years, and they were not detected because of internal audits or tight controls. They were caught by pure chance. They were caught because of their own outrageous behavior.

One was a low level GS-8 accountant. He was literally living like a king. His neighbors thought he was dealing in drugs, so they turned him in.

The other submitted 32 invoices for payment on a phantom ship that the Navy supposedly had. All he needed to set up shop and do business with the Navy were a rubber stamp, blank invoices, and a mailbox. And the checks just started rolling in. He never did any work. Nor did he ever perform any services.

If the DOD was matching disbursements with obligations as they occurred, then Mr. Lugas and Mr. McGill would have been caught immediately. And that is what worries me, Mr. President. How many others like McGill and Lugas have tapped into the DOD money pipe undetected?

This situation is a disgrace. It tells me we cannot meet our constitutional obligations to the taxpayers of our country to make sure their money is honestly and legally spent. We cannot give the taxpayers an accurate and complete report on how the Pentagon is spending their money.

This is a serious breach of responsibility to the American people. That is

over the long haul. But immediately, Mr. President, as we go into the budget process over the next 2 months, both Houses of Congress need to be cognizant of the unmatched disbursements, the stealing of money, before we put \$55 billion more in the defense budget.

How can you make that determination in good conscience if you do not have a good accounting system and know from where you are starting?

So I end these remarks on the disconnect between the accounting and budget books.

Tomorrow, I want to turn to the program budget mismatch, which is also a major problem.

I yield the floor.

#### LEGISLATIVE LINE-ITEM VETO ACT

The Senate continued with the consideration of the bill.

#### UNANIMOUS CONSENT AGREEMENT

Mr. GRASSLEY. Mr. President, the floor leader asked me to make this request.

I ask unanimous consent that the vote on the motion to table the Bradley amendment occur at 2 p.m. today, to be followed immediately by a vote on a motion to table the Feingold amendment No. 362, to be followed by a motion to table the Hollings amendment No. 404.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. GRASSLEY. I yield the floor.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER. The Senator from Maryland.

Mr. SARBANES. Mr. President, I rise to express my opposition to the pending amendment, the line-item veto substitute amendment that is before the body, and in the course of doing that to express some thoughts on the line-item veto issue more broadly.

I am very much concerned that any proposal, unless very carefully developed and worked out, could result in a fundamental reordering of the separation of powers and check and balance arrangements between the legislative and the executive branches.

Unfortunately, there is a tendency to dismiss these kinds of questions, although they were very much at the forefront of the thinking of the Founding Fathers when they devised the Constitution that summer in Philadelphia. A Constitution which has served us well over two centuries of the Republic's history. A very careful balanced arrangement was put together then, and I think when it comes to changing it, we need to be very cautious and very prudent.

It does not take a great deal of skill or vision to have a strong executive. Many countries throughout history