

by saying thank you to Senator THURMOND, as a citizen of the United States of America and as a colleague in the Senate. I am honored that I can say I served with you and called you my friend. Moreover, I know that many Americans will join me in commemorating the enduring record you have set and legacy you will leave for future generations.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Monday, June 9, 1997, the Federal debt stood at \$5,348,703,813,773.07. (Five trillion, three hundred forty-eight billion, seven hundred three million, eight hundred thirteen thousand, seven hundred seventy-three dollars and seven cents)

Five years ago, June 9, 1992, the Federal debt stood at \$3,940,424,000,000. (Three trillion, nine hundred forty billion, four hundred twenty-four million)

Ten years ago, June 9, 1987, the Federal debt stood at \$2,296,260,000,000. (Two trillion, two hundred ninety-six billion, two hundred sixty million)

Fifteen years ago, June 9, 1982, the Federal debt stood at \$1,072,647,000,000. (One trillion, seventy-two billion, six hundred forty-seven million)

Twenty-five years ago, June 9, 1972, the Federal debt stood at \$428,210,000,000 (Four hundred twenty-eight billion, two hundred ten million) which reflects a debt increase of nearly \$5 trillion—\$4,920,493,813,733.07 (Four trillion, nine hundred twenty billion, four hundred ninety-three million, eight hundred thirteen thousand, seven hundred thirty-three dollars and seven cents) during the past 25 years.

Mr. GRASSLEY addressed the Chair. The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I ask unanimous consent to have 5 minutes as if in morning business and to extend the time.

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

OPPOSITION TO POSSIBLE NOMINATION OF JOHN HAMRE TO BE DEPUTY SECRETARY OF DEFENSE

Mr. GRASSLEY. Mr. President, on May 27 I sent a letter to President Clinton.

In it, I expressed opposition to the possible nomination of Mr. John J. Hamre to fill the No. 2 spot at the Pentagon.

He would be the Deputy Secretary of defense, and it's a big job.

I told the President why I would oppose this nomination—if it's ever made, and I'll give my reasons in just a moment.

But 2 days after writing this letter, the Washington Post ran a story about my opposition to the nomination.

Mr. Hamre was also interviewed.

He attempted to respond to my criticism.

Mr. President, I ask unanimous consent that my letter and the newspaper article be printed in the RECORD.

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

(See exhibit 1.)

Mr. GRASSLEY. Mr. President, I would like to address some of Mr. Hamre's assertions.

First, Mr. Hamre's remarks imply that my criticism is somehow personal. Nothing could be further from the truth. He is a very likeable person.

But my personal feelings have absolutely nothing to do with my position on his nomination.

What I have tried to do is examine all the facts and then reach a conclusion based on those facts.

These are the facts as I know them.

In 1992, the inspector general [IG] examined the Department of Defense's [DOD] progress payment procedures.

The IG along with legal counsel declared that these policies "resulted in the rendering of false accounts and violations of the law."

The IG told the Department to get on the stick and fix the problem.

The bureaucrats balked.

Under pressure, they finally signed an agreement in March 1993.

In signing this document, they agreed to comply with the law.

One of the persons who signed this agreement was Mr. Alvin Tucker.

Well, 7 months after Mr. Tucker signed the agreement, Mr. Hamre became Comptroller and Chief Financial Officer or CFO.

Well, guess what?

Mr. Tucker became Mr. Hamre's most senior deputy. He became the Deputy CFO.

Mr. President, after becoming CFO, Mr. Hamre did nothing to meet the terms of the agreement and comply with the law.

Instead, he sided with the bureaucrats who were thumbing their noses at the law.

He gave them the green light to keep breaking the law.

He personally reauthorized their illegal operation.

Then, early this year he floated a legislative proposal.

His draft language would have sanctioned the procedure that the IG had declared illegal and that he, Mr. Hamre, had personally authorized.

Mr. President, those are the facts.

In my opinion, Mr. Hamre was attempting to legalize a crime.

Mr. Hamre knew full well his progress scheme was operating outside the law. Otherwise, why would he feel like he needed some legal cover?

Second, he accuses me of making a mountain out of a molehill.

He claims I am focusing on a "small policy" issue.

I take issue with the notion that this is somehow an insignificant issue.

The statute that Mr. Hamre's progress payment scheme violates is section 1301 of title 31 of the United States Code.

This law embodies a sacred constitutional principle: Only Congress has the power to decide how public money may be spent.

This is the device that Congress uses to control the purse strings.

So, Mr. President, this isn't Mickey Mouse stuff. I'm talking about a constitutional principle.

When a constitutional principle is involved, it's very difficult for me to see the smallness of an issue.

Third, Mr. Hamre claims this is an acquisition issue—not a finance and accounting question.

This is an obvious attempt to deflect responsibility—away from himself.

It's an attempt to make it someone else's problem.

His reasoning is flawed.

If Mr. Hamre thinks this is an acquisition issue, maybe he has abdicated his responsibilities under the law—as CFO.

The CFO's responsibilities are spelled out in the "Money and Finance" section of the United States Code. That's in title 31.

His payment scheme violates section 1301 in the same book—title 31.

It does it by deliberately charging payments to the wrong accounts and then juggling the books to cover it up.

Anyone who thinks this is an acquisition issue needs to consult the law books.

When you go to the law library and locate title 31 and open the book, the subtitle staring you in the face is: "Money and Finance."

Section 1301 lies in a chapter entitled "Appropriations."

Mr. President, misappropriation, mischarging and cooking the books takes Mr. Hamre deep into the realm of money and accounting.

If this is just an acquisition issue, I'll eat my hat.

Fourth, when Mr. Hamre became CFO in October 1993, he declared war on financial mismanagement.

To claim success today, he cites "steep drops in contract overpayments."

Mr. Hamre's claims are not supported by the facts.

The General Accounting Office [GAO] has issued a series of reports on DOD overpayments.

These reports demolish Mr. Hamre's success stories.

The most recent report says Mr. Hamre's progress payments scheme is the biggest, single driver behind overpayments. He's to blame.

That's right, Mr. President, Mr. Hamre's own operations are causing overpayments to happen.

That's exactly what it says on page 12 of the GAO report entitled: "Fixing DOD's Payment Problems is Imperative."

This report is dated April 1997 and has the designation NSIAD-97-37.

GAO reports also say that DOD has no capability to detect overpayments.

Virtually every overpayment ever examined by the GAO was detected by

the person who got the check in the mail—the contractor—and not the Government.

In almost every case, overpayments were voluntarily refunded by the contractor who got the checks.

Now, Mr. President, if Mr. Hamre were really serious about eliminating overpayments, why didn't he just shut down the illegal progress payments operation—like the IG asked?

That would have removed the primary source of overpayments.

If Mr. Hamre has no capability to detect overpayments, how does he know whether they are going up or down?

How does he know they are going down, if he doesn't know how many there are?

Perhaps, if overpayments are really going down—like he says, it must mean the contractors have stopped making voluntary refunds.

Maybe they have decided to keep the money. That would help to keep the numbers down.

Mr. President, I will have much more to say about Mr. Hamre in the weeks ahead.

Some of my colleagues have asked me why I oppose this nomination.

I want to be sure they know where I am coming from.

EXHIBIT 1

U.S. SENATE,

Washington, DC, May 27, 1997.

President WILLIAM J. CLINTON,
The White House, Washington, DC.

DEAR MR. PRESIDENT: I am writing to inform you that I am opposed to the nomination of Mr. John J. Hamre to fill the number two position at the Department of Defense (DOD).

Secretary Cohen has recommended that Mr. Hamre be the next Deputy Secretary of Defense.

I am opposed to this nomination because Mr. Hamre has authorized and protected an illegal payment operation.

The procedure in question is the one DOD uses to make progress payments on contracts. Under Mr. Hamre's policy, payments are deliberately charged to the wrong accounts. Then, after the payments are made, DOD attempts to "adjust" the accounting ledgers to make it look like the checks were charged to the right accounts when the money was, in fact, spent some other way. Deliberately charging the wrong accounts and then juggling the books to make them look right is what I call "cooking the books."

Legal counsel has said that DOD's progress payment procedures "result in the rendering of false accounts and violations of Section 1301." Section 1301 is a little known but very important law. It embodies a sacred constitutional principle: Only Congress decides how public money may be spent. Section 1301 is the device the Congress uses to control the purse strings.

After the Inspector General declared that DOD progress payment procedures were illegal, the department's Chief Financial Officer (CFO), Mr. Hamre, had a responsibility to institute some reforms. In fact, his senior deputy made a formal commitment to obey the law. But instead of fixing the problem, Mr. Hamre tried to legalize the crime. Earlier this year, he circulated a piece of draft legislation for review and comment. His legislation would have sanctioned the payment procedures that the IG had declared illegal and

that he had personally authorized in writing after becoming CFO.

Mr. Hamre's draft bill tells me that he knew full well that his progress payments process was operating outside the law. Otherwise, why was he seeking legal cover?

Mr. President, when I found out about what Mr. Hamre was up to, I went straight to the floor of the Senate to denounce his actions. I did it on two occasions. Once on January 28th (See pages S695-696 in the Record) and again on February 12th (S1265-1267).

I think Mr. Hamre has probably done an excellent job in making a case for the DOD budget before Congress. And that is the John Hamre that most senators know—the one wearing the budget hat. That's John Hamre, the Comptroller. But the budget is just part of his job. He wears another hat. He is also the department's CFO. As CFO, he is responsible for financial management and accounting. This has been his downfall. In the accounting field, Mr. Hamre has done a lousy job. I would give him a grade of F for his performance. The department's books are in a shambles. True, they were that way when he became CFO, but that was four years ago, and they are still that way. The department's books are in such a mess—so much documentation is missing—that they can't be audited as required by the CFO Act of 1990. And the situation is not expected to get much better anytime soon. The IG expects to keep giving DOD disclaimers of opinion "well into the next century."

One reason why DOD keeps flunking the CFO audits is sloppy bookkeeping. DOD refuses to do routine accounting work on a daily basis as transactions occur. And one of the most flagrant examples of sloppy bookkeeping is the progress payment process. As legal counsel said, it results in the rendering of false accounts and violations of Section 1301. Payments are deliberately charged to the wrong accounts and then DOD doctors the books to make them right with the law. With this kind of bookkeeping operation, it's next to impossible to either locate or follow the audit trail.

Mr. President, this is not "mickey mouse" accounting stuff that only "bean counters" need to worry about. This is about the breakdown of discipline and internal controls. That leaves the department's accounts vulnerable to theft and abuse. In recent years, several employees succeeded in tapping into the DOD money pipe undetected, stealing millions of dollars. They were caught as a result of outrageous personal behavior and not because of effective internal controls. How many others are still out there, ripping off the taxpayers?

Under the CFO Act, Mr. Hamre is responsible for "improving internal controls and financial accounting." Because of his personal involvement in the illegal payment process and his failure to clean up the books, I do not believe that Mr. Hamre deserves to be promoted to Deputy Secretary of Defense.

Sincerely,

CHARLES E. GRASSLEY,
U.S. Senator.

[From the Washington Post, May 29, 1997]
OFFICIAL IN LINE FOR NO. 2 DEFENSE POST
REBUKED

(By Bradley Graham)

John Hamre, the Pentagon comptroller in line to become the Defense Department's new second-in-command, has come under an unusually sharp attack from Sen. Charles E. Grassley (R-Iowa) triggered by a dispute over how the department accounts for progress payments on contracts.

In a letter to President Clinton made public yesterday, Grassley accused Hamre of having "authorized and protected an illegal

payment operation" and announced he would oppose Hamre's expected nomination.

The accounting practice, Grassley said, is symptomatic of the Pentagon's chronically "sloppy bookkeeping." He charged Hamre had "done a lousy job" revamping the Pentagon's financial management during his four years as comptroller, adding that the Pentagon's books remain a "mess."

Hamre, a former Senate staff member who enjoys widespread favor on Capitol Hill, was stunned and puzzled by the harshness and personal focus of Grassley's remarks. At issue, he said, was just an honest disagreement over a Pentagon contracting practice that dates back several decades.

"The senator has taken an important but small acquisition policy issue and applied it to my entire tenure," Hamre said in a brief phone interview. "I'm sorry he's done that, and I'd welcome a chance to talk about it."

Grassley repeatedly has called attention to the Pentagon's antiquated accounting system, deploring its waste and vulnerability to fraud. Hamre, in turn, declared improvements in controls and methods a top priority when he took over as the Pentagon's top financial officer in 1993. Since then, the Pentagon has reported steep drops in contract overpayments and unmatched disbursements, begun a shift from paper-based to electronic payments and consolidated financial offices.

But what troubles Grassley is the Pentagon's continuing practice of making periodic payments on contracts without correlating them to the work done, a process that Grassley says the Pentagon's inspector general declared illegal in 1992.

"Under Mr. Hamre's policy," Grassley wrote, "payments are deliberately charged to the wrong accounts. Then, after the payments are made, DOD attempts to 'adjust' the accounting ledgers to make it look like the checks were charged to the right accounts when the money was, in fact, spent some other way."

"Deliberately charging the wrong accounts and then juggling the books to make them look right is what I call 'cooking the books,'" the senator added.

Hamre maintains there is nothing nefarious about the practice. He said the system of progress payments was adopted years ago to allow the contractor to avoid having to borrow money, and thus keep project costs down. Whether the Pentagon should move to a more precise billing process now, he said, is a contracting issue, not a financial management one. Just how far Grassley intends to go in thwarting Hamre's accession is unclear. While Defense Secretary William S. Cohen has recommended Hamre for the job of deputy secretary, Clinton has not publicly affirmed the choice.

If the nomination goes to Capitol Hill, Grassley could simply vote against it or, as he has done in previous instances, exercise his senatorial prerogative to block the nomination from coming to a floor vote.

"I don't know what we're going to do yet," a Grassley aide said.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I ask unanimous consent I may speak for a few minutes about some concerns about the budget that I have. I understand the chair will be occupied during that time. I therefore ask consent I be permitted to speak.

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

VIOLATING THE BUDGET AGREEMENT

Mr. LAUTENBERG. Mr. President, I rise to express some concerns that I have about recent developments that are occurring in the House of Representatives related to the budget. It was just a few nights ago, a few evenings ago, that we got a conference report from the House that was passed by a substantial margin in the Senate that confirms that the work we did in the budget negotiations was satisfactory to both the Members of the other body and the Senate. We had been through it here once before, the conference report, to get the budget resolution confirmed. It passed 78 to 22. The vote was almost identical when we got the conference report back. That was Thursday evening. I was stunned to read in Friday morning's newspaper that there were challenges to the assumptions that were made, to the agreements that were made to try to get that budget done, to try to forge a consensus agreement.

I must point out that this is not an agreement that I have heard people standing up and lauding and saying, "I love it. It is the perfect budget agreement. It is everything my constituents want it to be." By no means. But there is in this budget agreement something I think both parties can salute. There is an investment in the middle class, there is an investment in education, there is some tax relief for the middle class. Once again, if we look at the extremes, we are all woefully short of things that I would have liked to have if I had an ideal opportunity to design it myself. But I do not, and we represent a consensus. Mr. President, 50 States are represented here by the two Senators from each State who are here to argue the case from their particular point of view.

A bipartisan budget agreement was the product of extensive negotiations involving compromises by everyone involved, and many provisions were the subject of protracted discussion, with each word carefully considered and debated. In the end, we struck a delicate balance, and the resulting agreement, if implemented, will provide, I believe, great benefits to our Nation. It will give us the first balanced budget since 1969. It will provide tax relief, as I said earlier, to the middle class. It will protect Medicare, extend its solvency, and it will do something about cleaning up the environment, investments in education, and other significant national priorities.

Unfortunately, since the handshake that took place here—it took place in the negotiating room between the chairman and the ranking members and the representatives of the President—two House committees are now moving to alter the bipartisan budget agreement when the ink is barely dry. It is a matter of great concern to me and it ought to be a matter of great concern to everybody here who thought we had accomplished something sig-

nificant when we passed that budget agreement. Although the steps have been taken in the other body, I want to raise my concerns here before Senate committees begin the process of marking up their own reconciliation packages.

For instance, one important provision of the bipartisan budget agreement would protect immigrants, legal immigrants who have come to this country, who paid their taxes, played by the rules, and who then suffer from a disability—perhaps from an automobile accident or an illness that robs them of their ability to function as they used to—eyesight or other physical ailments that affect their capacity to walk or to work. The budget agreement says these people should be protected.

It states on page 22 of the agreement of the budget resolution that Congress will:

... restore SSI and Medicaid eligibility for all disabled legal immigrants who are or who become disabled and who entered the United States prior to August 23, 1996.

That was a compromise date, I point out. Unfortunately, last week in the House Ways and Means Subcommittee on Human Resources, they reported a bill that fails to do this and suggests reducing the numbers of people and reducing the availability of these services, these programs for these disabled people. It directly violates this portion of the agreement, the compromise that they are proposing. The compromise was already done. The subcommittee's action is not an innocent mistake. It is not based on differences in interpreting the agreement. This is a blatant, intentional violation of the bipartisan budget accord which should not be tolerated. Certainly it should not be begun unilaterally so soon after the agreement is done.

If we had things that we wanted to talk about, they ought to be talked about cautiously and not entered into the news media immediately as something they want to change.

Mr. President, I ask unanimous consent to have printed in the RECORD two letters from the Director of OMB, Frank Raines, to the chairman of the Budget Committee and to Representative SHAW, the chairman of the Subcommittee on Human Resources in the Committee on Ways and Means, that outline this and other similar concerns about the implementation of the budget agreement.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF MANAGEMENT AND BUDGET,

Washington, DC, June 5, 1997.

Hon. JOHN KASICH,
Chairman, Committee on the Budget, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Enclosed is a letter I sent earlier today to the Chairman and Ranking Member of the Ways and Means Human Resources Subcommittee regarding Subcommittee markup of legislation to implement the Bipartisan Budget Agreement.

The preliminary markup documents we reviewed were inconsistent with the agreement in several important respects. I hope that by identifying these issues as early as possible, we will be able to implement the agreement in a bipartisan manner.

Sincerely,

FRANKLIN D. RAINES.

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF MANAGEMENT AND BUDGET,

Washington, DC, June 5, 1997.

Hon. E. CLAY SHAW, Jr.,
Chairman, Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: As you know, the Administration and the bipartisan congressional leadership recently reached agreement on a historic plan to balance the budget by 2002 while investing in the future. The plan is good for America, its people, and its future, and we are committed to working with Congress to see it enacted.

With regard to welfare, the budget agreement called for restoring Supplemental Security Income (SSI) and Medicaid benefits for immigrants who are disabled or become disabled and who entered the country before August 23, 1996; extending from five to seven years the exemption in last year's welfare law for refugees and asylees for the purposes of SSI and Medicaid; and making other important changes.

We have reviewed the Subcommittee's draft markup document, however, and we have found a number of provisions that are inconsistent with the budget agreement in these and other areas. Consequently, if the Subcommittee were to proceed with its legislation in this form, we would be compelled to invoke the provisions of the agreement that call on the Administration and the bipartisan leadership to undertake remedial efforts to ensure that reconciliation legislation is consistent with the agreement.

We appreciate the fact that the Subcommittee has a mark that includes several provisions that the Administration supports, such as in the areas of welfare to work and State SSI administrative fees.

Welfare to Work.—We are pleased the budget agreement includes the President's \$3 billion welfare-to-work proposal and that the Subcommittee included provisions that meet many of the Administration's priorities. Specifically, we are pleased that the mark provides funds for jobs where they are needed most to help long-term recipients in high unemployment-high poverty areas; directs funds to local communities with large numbers of poor people; awards some funds on a competitive basis, assuring the best use for scarce resources; and gives communities appropriate flexibility to use the funds to create successful job placement and job creation programs.

Though your mark does not address a performance fund, we appreciate your willingness to consider a mechanism to provide needed incentives and rewards for placing the hardest-to-serve in lasting, unsubsidized jobs that promote self-sufficiency. In addition, we stand ready to continue to provide assistance in refining targeting factors.

State SSI Administrative Fees.—The Administration is pleased that the Subcommittee has included a provision, consistent with the budget agreement, to increase the administrative fees that the Federal Government charges States for administering their State supplemental SSI payments and to make the increase available, subject to appropriations, for Social Security Administration (SSA) administrative expenses.

In a number of areas, however, we have serious concerns with provisions that do not