

APPOINTMENT

The PRESIDING OFFICER. The Chair announces, on behalf of the Majority Leader, pursuant to Public Law 105-83, his appointment of the following Senators to serve as members of the National Council on the Arts: The Senator from Ohio (Mr. DEWINE), and the Senator from Alabama (Mr. SESSIONS).

ORDERS FOR MONDAY, FEBRUARY 12, AND TUESDAY, FEBRUARY 13, 2001

Mr. NICKLES. Mr. President, I ask unanimous consent that when the Senate completes its business today, it adjourn until the hour of 10 a.m. on Monday, February 12, for a pro forma session only. No business will be transacted during Monday's session. I further ask unanimous consent that the Senate then immediately adjourn over until Tuesday, February 13, at 9:30 a.m. I further ask unanimous consent that immediately following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed expired, and the time for the two leaders be reserved for their use later in the day, and the Senate then proceed to a period for morning business until 12:30 p.m., to be divided in the following fashion: Senator DASCHLE, or his designee, controlling the time between 9:30 a.m. and 11 a.m., and Senator MURKOWSKI, or his designee, controlling the time between 11 a.m. and 12:30 p.m.

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

Mr. NICKLES. Mr. President, I further ask unanimous consent that the Senate stand in recess between the hours of 12:30 p.m. and 2:15 p.m. in order for the weekly party conferences to meet.

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

Mr. NICKLES. Mr. President, I further ask unanimous consent that when the Senate reconvenes at 2:15 p.m., there be an additional hour for morning business with 2:15 p.m. to 2:45 p.m. under the control of Senator DURBIN, or his designee, and 2:45 p.m. to 3:15 p.m. under the control of Senator THOMAS, or his designee.

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

PROGRAM

Mr. NICKLES. Mr. President, tomorrow the Senate will not be in session. The Senate will next convene on Monday for a pro forma session only. The Senate will reconvene on Tuesday at 9:30 a.m. and conduct morning business until 12:30 p.m. Following the weekly recess, and some additional morning business, at 3:15 p.m. on Tuesday, it is the majority leader's intention to turn to any legislative and executive calendar items that may be cleared for consideration.

ORDER FOR ADJOURNMENT

Mr. NICKLES. Mr. President, if there is no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the previous order following the remarks of Senator BYRD and Senator HARKIN.

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

The PRESIDING OFFICER (Mr. SMITH of Oregon). The Senator from West Virginia.

Mr. BYRD. Mr. President, I thank the distinguished Senator from Oklahoma, Mr. NICKLES, for his courtesy. Have a good day.

Mr. NICKLES. I thank the Senator.

DEPARTMENT OF DEFENSE FINANCIAL MANAGEMENT

Mr. BYRD. Mr. President, the men and women who wear the uniform of the United States Armed Forces have great abilities, supreme dedication, and they deserve the highest level of support that this Nation can give them.

But despite outstanding military troops, a number of challenges lie ahead for the Department of Defense, particularly in the area of allocating monetary resources. One of the first budget challenges that President Bush and Secretary Rumsfeld will face is how to improve military readiness. By now, we are all familiar with the myriad problems confronting our military forces today—recruitment and retention problems, crushing deployment burdens, aging ships and tanks and aircraft, a scarcity of spare parts—even a scarcity of ammunition according to yesterday morning's Washington Post—substandard housing and outdated facilities—and the list can go on and on.

All of these factors affect readiness. All of these deficiencies will require money to correct. Already, representatives of the Joint Chiefs are lobbying the Senate Armed Services Committee for a supplemental appropriations bill to increase the current defense budget by perhaps as much as \$10 billion. Presumably, the Services will get around to making their wishes known to the Appropriations Committee as well, since it is that committee that actually has the responsibility over the supplemental appropriations. But regardless of the tactics employed, the supplemental is just the first sortie. Beyond the current budget, we are bracing for the likelihood of requests for major leaps in defense funding—perhaps as much as \$50 billion a year—just over the horizon.

With that said, I was heartened to read President Bush's comments in Monday's New York Times, in which he called for a comprehensive review of Pentagon priorities and strategies before seeking funding increases for modernization that make sense to me, it seems. Hopefully, President Bush and

Secretary Rumsfeld will be able to impose some order and discipline on the Pentagon budget process. That is probably going to be a pretty big order—a pretty big order to impose some order and discipline on the Pentagon budget process.

Clearly, it is necessary to focus on defense, readiness, and national security. The United States cannot afford to lose sight of the fact that a strong defense is the key to national security. We must never risk complacency in a world that encompasses the likes of Saddam Hussein and Osama bin Laden; a world in which the proliferation of nuclear, chemical, and biological weapons represents a threat to our very existence.

But before we consider how much more money we need to spend on defense, I believe we should take a close look at how the Pentagon is managing the money and the assets it already has.

Now, one of our colleagues, Senator GRASSLEY, has been very interested in this same subject. It was his intention to speak this afternoon, but other matters have intervened, and he will speak on this same subject one day next week.

Just recently, the General Accounting Office gave us a good insight into the current situation with the release of a status report on the Defense Department's management of key programs and assets. The conclusions are disturbing. In six key areas—financial management, information technology, acquisitions, contracts, support infrastructure, and logistics—the GAO found Defense Department management practices to be vulnerable to waste, fraud, abuse, and mismanagement. Together, these deficiencies represent a tremendous drain on the ability of the Defense Department to operate efficiently, effectively, and safely.

The GAO report put it starkly. Here is what it said: If these problems are not addressed, the report stated, "inefficiencies will continue to make the cost of carrying out assigned missions unnecessarily high and, more important, increase the risks associated with those missions. Each dollar that is spent inefficiently," said the report, "is a dollar that is unavailable to meet other internal Department priorities such as weapon system modernization and readiness."

What is most disturbing to me is that, in program after program, management procedures are so garbled that the General Accounting Office cannot even estimate—cannot even estimate—the level of inefficiency. This is a critical knowledge gap when one considers the fact that the Defense Department accounts for about 15 percent of the entire Federal budget, and roughly half of all discretionary spending—roughly half of all discretionary spending.

The Defense Department has a budget of about \$310 billion a year and assets estimated at \$1 trillion. Clearly,

keeping score when dealing with numbers of that magnitude is a huge challenge. But it is a challenge that must be faced. In an agency as vast as the Defense Department, which has approximately 3 million military and civilian employees, sloppy accounting and accountability procedures can have enormous ramifications on personnel, on readiness, and on national security.

Some of the details of the GAO report are shocking. For example, in the area of financial operations—just plain old bookkeeping in lay terms—the General Accounting Office reported that the Defense Department does not know with any certainty how much money it has available, and its books are in such disarray that it cannot pass a standard financial audit. Now, how about that? How about that? Let me repeat that for emphasis: The Defense Department, which is talking about needing an additional \$50 billion dollars a year to meet readiness requirements, does not know with any certainty how much money it currently has available and cannot pass the test of receiving a clean audit opinion on its financial statements.

Now, take that home with you and sleep on it. That is worth repeating. The Defense Department—this is not ROBERT BYRD saying this. I am just repeating what the General Accounting Office, the arm of the Congress, reported: The Defense Department does not know with any certainty how much money it has, and its books are in such disarray that it cannot pass a standard financial audit.

The Defense Department, which is talking about needing an additional \$50 billion—they want \$50 more for every minute since Jesus Christ was born; that is \$50 billion—a year to meet readiness requirements. Yet the Defense Department does not know with any certainty how much money it currently has available. It would seem to me that before Congress appropriates \$50 billion more, we ought to know how much money the Defense Department has available.

It cannot pass the test of receiving a clean audit opinion on its financial statements; that, despite the fact the Chief Financial Officers' Act of 1990 requires the Department of Defense to prepare annual audited financial statements. So the Defense Department is not living up to the law, is it? The Chief Financial Officers' Act of 1990 requires DOD to prepare annual audited financial statements. That was 1990. Yet 10 years, 10 long years after the enactment of that law, DOD has yet to produce financial statements that can be certified as complying with generally accepted accounting principles.

Examples of DOD's financial management weaknesses abound. For instance, the GAO found that the Defense Department could not reconcile a \$7 billion difference between its available fund balances and the Treasury's. GAO also discovered that the Department of Defense was unable to substantiate the \$378 billion it had reported as total net

reporting costs in 1999. DOD was unable to substantiate the \$378 billion it reported as total net operating cost in 1999.

Given this lack of accountability, is it any wonder then that DOD is constantly pressed for cash?

In the space of one year, from 1998 to 1999, the DOD recalculated its environmental and cleanup requirements, increasing estimated environmental liabilities from \$34 billion to \$80 billion. Despite the increase, DOD still does not have a comprehensive inventory of all potential environmental and disposal liabilities. The final bill could be billions of dollars more.

So here is the question I have: If the Department of Defense does not know what it has in terms of assets and liabilities, how on Earth can it know what it needs?

Bookkeeping is only the tip of the iceberg. DOD's logistics operations, particularly inventory control, are a management nightmare. Unfortunately, this should come as no surprise to anybody. The DOD's inventory control practices have been flagged as inadequate and high risk every year since the General Accounting Office began assessing high-risk areas a decade ago.

I was on the floor a decade ago talking about it, pointing out that the inventories were huge and talking about the inventory control practices. It seems to me one of the television networks was doing a piece on this several years ago.

As a result, billions of taxpayer dollars are very probably being squandered. According to the General Accounting Office, the Defense Department continues to stockpile more than it needs. I think that is what it was doing 10 years ago when we had the television networks looking into that. It seems to me that it was Lesley Stahl, as I recall—my memory may be playing tricks on me, but I believe it was Lesley Stahl at that time—who was doing this, who went to where some of these inventories were stored and was doing a piece on that. Here we are 10 years later—same old problem.

As a result, billions of taxpayer dollars are very probably being squandered. According to the General Accounting Office, the Defense Department continues to stockpile more than it needs. The television network at that time—the particular channel, I don't remember—was saying the same thing, bringing out the same thing. In the Baptist Church, we have a song: "Tell me the old, old story." Well, this is the old, old story.

According to GAO, the Defense Department continues to stockpile more than it needs, purchases items it does not need while at the same time maintaining insufficient quantities of key spare parts, and is unable to keep track of material being shipped to and from military activities. The General Accounting Office discovered that about half of DoD's \$64 billion dollar inven-

tory in spare parts, clothing, medical supplies and other support items exceeds war reserve or current operating requirements. At the time GAO reviewed the accounts, DoD had \$1.6 billion dollars worth of inventory on order that was not needed to meet current requirements. GAO found that the Army had no way of knowing whether shipped inventory had been lost or stolen, and the Navy, in a 1999 review, was unable to account for more than \$3 billion worth of shipped inventory, including some classified and sensitive items.

And yet this bloated inventory is being amassed at a time when the Pentagon admits that it is experiencing readiness problems due to a lack of key spare parts. According to GAO, insufficient quantities of spare parts is one of the primary reasons that airlift and aerial refueling aircraft are performing below the Air Force's mission capable standard rates.

GAO also red-flagged the Pentagon's 100 billion dollar a year weapons system acquisition program. The problems are pervasive: questionable requirements; unrealistic cost, schedule, and performance estimates; questionable program affordability; and high-risk acquisition strategies. Simply put, in its rush to acquire the next new thing, DoD is riding roughshod over reality, compressing systems acquisition decisions into unrealistic schedules and pursuing new weapons systems willy-nilly without adequate testing and evaluation, regardless of costs or the prospect of future funding, and despite a lack of reliable evidence that the systems can actually do what they are supposed to do.

Was it a mere coincidence in timing or merely a matter of time that the GAO's questioning of DoD acquisition strategies involving the V-22 Osprey aircraft collided with headlines reporting allegations that a Marine Corps officer engineered the falsification of maintenance records to cover up problems with the Osprey?

In its report, GAO noted that the Navy was moving toward a full-rate production decision on the Osprey aircraft program without having "an appropriate level of confidence that the program would meet design parameters as well as cost and schedule objectives." Subsequently, GAO cited evidence that Navy and Marine Corps officials, in an apparent effort to cut costs and stay on schedule, deleted or deferred tests on the Osprey that could have revealed crucial information on system performance.

The allegations of doctored records, as well as two crashes in the past year that killed 23 Marines, have resulted in the Osprey being grounded, the production decision deferred, and numerous investigations launched. But the damage has been done.

Mr. President, the problems emerging from DoD's acquisition decisions for the Osprey are alarming enough. Even more alarming is the chronic nature of these problems. The Osprey is

only the most recent questionable acquisition strategy to dominate the news. As GAO noted, "After having performed hundreds of reviews of major weapon systems over the last 20 years, we have seen many of the same problems recur: cost increases, schedule delays and performance shortfalls. The problems have proven resistant to reform in part because underlying incentives have not changed."

It appears, from the data that GAO has gathered, that the Defense Department has fallen into the trap of making budget and management decisions on the basis of wishful thinking, not facts. "Overly optimistic planning assumptions" is the way GAO framed it. As a result, DoD has more programs than money.

For example, GAO found that although the Defense Department planned to increase funding for its \$11 billion dollar Defense Health Program by \$615 million dollars between 2001 and 2005, DoD officials admitted that the program actually needed an extra \$6 billion dollars during that time. That, Mr. President, is a \$6 billion dollar understatement of need. Defense Department officials admitted to GAO that they underfund the health program in outyears to free up current funds for other defense programs. "Overly optimistic" in my opinion is an overly charitable way of characterizing that kind of deceptive budgeting.

The General Accounting Office is not the only entity that has pointed out the flaws in DoD financial management practices. According to the Defense Department's own Inspector General's audit, the department's books are riddled with holes. The Inspector General found that 30 percent of all entries were made to force financial data to agree with various sources of financial data without adequate research and reconciliation, were made to force buyer and seller data to agree in preparation for eliminating entries, did not contain adequate documentation and audit trails, or did not follow accounting principles.

Something is wrong with this picture. At a time when the Defense Department is scrambling to make ends meet, there is no excuse to invite waste, fraud, abuse, and mismanagement into the mix year after year after year. These are not merely administrative headaches. Like a steady trickle of water can wear away the mightiest foundation, inefficient management and sloppy bookkeeping can undermine the ability of America's men and women in uniform to carry out their responsibilities efficiently, effectively, and safely.

GAO concluded that, "Until DoD presents realistic assumptions and plans

in its future budgets, the Congress will lack the accurate and realistic information it needs to properly exercise its decision-making and oversight." That summation goes to the heart of the matter. Congress cannot make reasonable decisions on future budget needs for the Department of Defense until DoD can offer a reliable budget basis on which to proceed.

The Defense Department has been besieged by financial and related management problems for years. We all understand that there is no quick fix. But we should also understand the magnitude of the problem, and the impact that it has on readiness and the impact it will have on congressional confidence, the impact it will have on congressional appropriations, the impact it will have on the taxpayer.

GAO is performing a valuable national service by identifying high-risk management problems at the Defense Department, but Congress needs to do more than express dismay at the annual reports. It may cost money to modernize the Pentagon's financial systems, but it would be money well spent, and could well pay for itself in a short period of time.

Mr. President, I raised the issue of DoD's financial management woes with Secretary of Defense Rumsfeld at his nomination hearing before the Senate Armed Services Committee. To his credit, Secretary Rumsfeld did not attempt to gloss over the difficulties facing the Defense Department in improving its financial management systems. He pledged to tackle the problem, but he said that it would probably take outside help to find a solution, and that it could take a period of years to sort it out.

I urge Secretary Rumsfeld and President Bush to make financial and performance accountability in the Defense Department a top priority, and to work with the appropriate congressional committees to slay this particular dragon once and for all.

As I said at the beginning of my statement, Senator GRASSLEY will have something to say on this matter next week. He has devoted much time and thought to the problem. I am sure his concerns will continue. I look forward to working with him and others on the committee to try to be of assistance to the Department in cleaning up its act.

The United States has real national security problems to confront. We can anticipate trouble from Saddam Hussein. Talk about all of these surpluses that have been projected now for years away from the present day. Who knows what Saddam Hussein may do overnight? Remember when he went into Kuwait? The world was shocked. Amer-

ica put a lot of men and women on the ground in the desert in the Middle East and a lot of money on the barrel head. That can happen again. Saddam Hussein is probably one of the most dangerous men in the world. There is no doubt about it. We don't know what he is doing by way of developing chemical, biological, and other weapons. He may threaten a neighboring state at any moment, and then watch those projections, those budget surpluses, vanish. We can anticipate trouble from him, and we must be ready for trouble from other hot spots on the globe.

So we must invest in readiness. But we must also invest in accountability. The United States cannot afford to allow performance and accountability problems at the Defense Department to sap the strength of our investment in readiness.

Mr. President, I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

ADJOURNMENT UNTIL 10 A.M., MONDAY, FEBRUARY 12

The PRESIDING OFFICER. Under the previous order, the Senate stands adjourned until the hour of 10 a.m. on Monday, February 12, 2001, for a pro forma session.

Thereupon, the Senate, at 4:22 p.m., adjourned until Monday, February 12, 2001, at 10 a.m.

CONFIRMATION

Executive nomination confirmed by the Senate February 8, 2001:

DEPARTMENT OF STATE

PAUL HENRY O'NEILL, OF PENNSYLVANIA, TO BE UNITED STATES GOVERNOR OF THE INTERNATIONAL MONETARY FUND FOR A TERM OF FIVE YEARS; UNITED STATES GOVERNOR OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT FOR A TERM OF FIVE YEARS; UNITED STATES GOVERNOR OF THE INTER-AMERICAN DEVELOPMENT BANK FOR A TERM OF FIVE YEARS; UNITED STATES GOVERNOR OF THE AFRICAN DEVELOPMENT BANK FOR A TERM OF FIVE YEARS; UNITED STATES GOVERNOR OF THE ASIAN DEVELOPMENT BANK; UNITED STATES GOVERNOR OF THE AFRICAN DEVELOPMENT FUND; UNITED STATES GOVERNOR OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT.

FOREIGN SERVICE

FOREIGN SERVICE NOMINATIONS BEGINNING JAMES D. GRUEFF, AND ENDING RALPH IWAMOTO JR., WHICH NOMINATIONS WERE RECEIVED BY THE SENATE AND APPEARED IN THE CONGRESSIONAL RECORD ON FEBRUARY 1, 2001.

FOREIGN SERVICE NOMINATIONS BEGINNING AN THANH LE, AND ENDING AMY WING SCHEDLBAUER, WHICH NOMINATIONS WERE RECEIVED BY THE SENATE AND APPEARED IN THE CONGRESSIONAL RECORD ON FEBRUARY 1, 2001.