

BERNARD SANDERS
VERMONT

COMMITTEES:
BUDGET, RANKING MEMBER
ENERGY AND NATURAL RESOURCES
ENVIRONMENT AND PUBLIC WORKS
HEALTH, EDUCATION, LABOR, AND
PENSIONS
VETERANS' AFFAIRS

United States Senate

WASHINGTON, DC 20510-4504

332 SENATE DIRKSEN OFFICE BUILDING
WASHINGTON, DC 20510
(202) 224-5141

1 CHURCH STREET, 3RD FLOOR
BURLINGTON, VT 05401
(802) 862-0697
1 (800) 339-9834

www.sanders.senate.gov

March 14, 2018

The Honorable James N. Mattis
Secretary of Defense
1000 Defense Pentagon
Washington, DC 20301-1000

Dear Secretary Mattis:

A recent Senate Budget Committee hearing confirmed my long held belief that the Department of Defense (DoD) needs to fundamentally reform its procurement and business operations to crack down on the widespread waste and abuse of private defense contractors.

As the Ranking Member of the Budget Committee, I respectfully request that you address the following issues: 1) the excessive compensation of defense contractors; 2) the widespread misconduct and fraud in the defense contracting industry; and 3) massive cost overruns in the acquisition budget.

Excessive Compensation of Defense Contractors

The obscene executive compensation packages of some of the largest defense contractors in this country -- companies that receive a considerable amount of revenue from the Pentagon -- is particularly alarming to me.

Last year, the CEOs of Lockheed Martin and Raytheon - two of the top four U.S. defense contractors - were each paid over \$20 million in total compensation. Moreover, more than 90 percent of those companies' revenue came from defense spending. I think the American people would like to know why a defense contractor can pay its CEO over \$20 million, while your salary is capped at \$205,700 and other members of the military are paid far less.

What kind of message does it send when a defense contractor is paid 100 times more than the Secretary of Defense? First, it tells defense contractors that they do not have to be strong stewards of taxpayer dollars and that they do not have to be accountable to DoD employees who oversee their contracts. Second, it tells members of the armed forces that a career in the military is not valued as highly in our country as working for a big defense contractor. Third, it fuels the revolving door between defense contractors and the federal government in which the needs and interests of large defense companies are converted into government policy. Those corporate interests should *never* take precedence over the interests of taxpayers or our national security. But paying exorbitant salaries to defense contractor CEOs makes that outcome more likely, and that is simply unacceptable.

As you may know, five years ago, legislation was signed into law capping the executive pay of U.S. government contractors at \$487,000. However, this provision does not apply to fixed-price contracts and it contains a loophole allowing contractors like Lockheed Martin to pay executives whatever they want as long as they don't seek reimbursement from the federal government for compensation above the \$487,000 cap.

I would like to know whether you believe this law should be amended to cap the executive compensation of defense contractors like Lockheed Martin?

Please send me a list of recommendations on reducing excessive defense contractor compensation, and what steps, if any, DoD is taking to address this issue.

Defense Contractor Fraud

The other major subject of this letter is addressing defense contractor fraud. Today, about half of the Pentagon's \$700 billion annual budget goes directly into the hands of private contractors. Meanwhile, over the past two decades, virtually every major defense contractor in the United States has paid millions of dollars in fines and settlements for misconduct and fraud – all while making huge profits on those government contracts.

In 2011, I requested a report from the Pentagon on this very issue. Incredibly, that report showed that hundreds of defense contractors and their parent corporations that had defrauded the U.S. military, or settled allegations of fraud, received more than \$1.1 trillion in Pentagon contracts over the previous decade. For example, since 1995, Boeing, Lockheed Martin and United Technologies have paid nearly \$3 billion in fines or related settlements for fraud or misconduct. Yet, those three companies received about \$800 billion in defense contracts over the past 18 years.

What is your strategy to prevent future fraud so that defense contractors cannot continue to fleece American taxpayers? What steps are you taking to prevent defense contractors from defrauding the DoD? How high of a priority is this issue for you?

Cost Overruns in the Acquisition Budget

As you know, the acquisition budget at the Department of Defense suffers from chronic cost overruns and operational delays. According to the Government Accountability Office (GAO), out of a \$1.46 trillion DoD acquisition portfolio, around \$484 billion is due to cost growth above the original cost estimates. Moreover, \$259 billion of this cost growth occurred after programs had already begun production. According to GAO, “many DoD programs fall short of cost, schedule, and performance expectations, meaning DoD pays more than anticipated, can buy less than expected, and, in some cases, delivers less capability to the warfighter.”

What is the Pentagon doing to hold defense contractors accountable for the significant cost overruns that American taxpayers have been forced to pay? What steps are the Pentagon taking to combat cost overruns in the future?

Thank you for your attention to these important issues, and I look forward to your response.

Sincerely,



Bernard Sanders
Ranking Member
U.S. Senate Budget Committee

CC: The Honorable Patrick M. Shanahan, Deputy Secretary of Defense; the Honorable Ellen M. Lord, Under Secretary of Defense for Acquisition, Technology, Logistics; the Honorable David L. Norquist, Under Secretary of Defense (Comptroller); and the Honorable John H. Gibson II, Chief Management Officer.