

United States Senate

WASHINGTON, DC 20510

March 6, 2012

The Honorable Leon Panetta
Secretary of Defense
U.S. Department of Defense
Washington, DC 20301-1000

Dear Secretary Panetta,

We write to inquire about a potentially wasteful practice indentified in a report published last week by the *USA Today*, entitled “U.S. 'Info Ops' Programs Dubious, Costly.”

Given the serious financial challenges posed by our massive federal debt and deficit, all aspects of federal spending, including in the Department of Defense (DOD), are facing the prospect of substantial reductions. As a result—and as you know—we need to look in every nook and cranny of the Department’s budget, along with those of all federal agencies, to make sure that we continue to become more efficient and cost-effective wherever possible, and are getting the most bang for our buck. Simply put, we need to get better results for less money in almost everything we do.

In order to empower the Department of Defense in its efforts to achieve this goal, the Department must first improve its financial management systems, including putting into place real financial controls and programs that effectively track the Department’s spending and transactions. As Secretary, you have taken important first steps toward this goal by moving up an important Department of Defense audit-readiness deadline to 2014. We commend you for your leadership on this task, and we pledge our support in helping to prepare the Department for an audit.

To that end, this *USA Today* article highlights an area of DOD financial management that appears to need improving—the Department’s system for awarding wartime contracts. The article discusses a series of defense contracts—valued as high as \$120 million—that the Army awarded to a contractor to conduct information operations services in Afghanistan. Unfortunately, the apparent lack of effective contractor oversight and accountability led to a situation where the Army awarded at least one of these contracts—valued at \$20 million—to a company for “marketing and media services” even after the federal government placed a federal tax lien on the company’s two co-owners for nearly \$4.5 million in delinquent federal taxes. According to the article, this tax lien remains unpaid despite the company’s continued work in Afghanistan.

As you know, when U.S. military personnel have delinquent debts, the Department of Defense can be ordered to garnish their wages until these debts have been settled. If our wartime defense contractors—or any of the Department’s contractors, for that matter—have accumulated sizeable tax debts, then we believe that similar action should be taken against these contractors. At the very least, awarding a contract to a company with delinquent tax debts should trigger the negotiation of a repayment plan that will eventually lead to full payment of the company’s debt to the taxpayers.

In light of this recent development, we request that the Department of Defense provide us answers to the following questions regarding the oversight and financial management of DOD contracts:

First, has the Department withheld a portion of the federal money awarded to this company for the "marketing and media services" contract in order to pay off the \$4.5 million owed to the federal government? Is there a consistent and effective process in place to ensure this type of debt collection?


Second, when deciding on the awarding of the "marketing and media services" contract, was the Department of Defense aware of the current tax lien against the owners of the company receiving the contract? As a standing practice, are companies' tax debt information made available to contract officers and others determining a contract award?

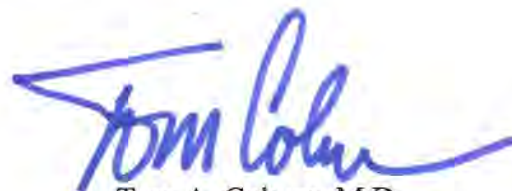
Third and finally, under the Department's current contracting guidelines and procedures, does the tax delinquency of a company competing for a DOD contract negatively impact the chances of the contract being awarded to company? Specifically, how was the "marketing and media services" company's tax delinquency factored into their contract decision? In general, are tax debts a consistent consideration to determine the viability and financial management practices of a potential contract recipient?

Ultimately, we believe that the Department's need to improve contractor oversight is a symptom of the larger problem that DOD's financial management systems are simply inadequate. Now more than ever, we must ensure that the Department of Defense becomes audit ready as soon as possible, and we look forward to supporting your efforts in this critically important mission.

We thank you for your attention to this matter and ask that you please respond to these questions by March 27th, 2012 if at all possible. With best personal regards, we are

Sincerely yours,


Thomas R. Carper
United States Senator


Tom A. Coburn, M.D.
United States Senator