

Hilltown View by Matt L. Barron

John McCain and Defense Fraud: Two Peas in a Pentagon Pod Part 1

Rural people are by nature frugal and self-reliant. We abhor waste as much at the kitchen table or in the feedlot as we do in federal agencies.

Which brings us to Sen. John McCain's track record regarding waste, fraud and abuse connected to the Department of Defense (DoD). McCain holds himself out as a fiscal conservative who is tight with a buck. Each year, when Congress takes up the various appropriations bills, McCain rails against the various earmarks which his fellow senators insert to direct spending to their states.

On May 23 of this year, McCain lashed out at the DoD's deal with Boeing on aerial tankers saying "I am extremely disappointed that the Department of Defense has approved the lease of Boeing 767 aircraft for use as aerial tankers, a profligate waste of federal revenues. This is a great deal for the Boeing Company that I'm sure is the envy of corporate lobbyists from one end of K Street to the other. But it's a lousy deal for the Air Force and for the American taxpayer." McCain continued "In all my years in Congress, I have never seen the security and fiduciary responsibilities of the federal government quite so nakedly subordinated to the interests of one defense manufacturer."

These statements ring hollow given the fact that between 1985-1992 McCain pocketed \$8,000 in PAC money from Boeing. Since 1990 the company has had 36 instances of misconduct and alleged misconduct concerning the area of government contracts. Boeing has paid \$357,973,000 in fines/penalties, restitutions and settlements as a result of their taxpayer rip-offs. In 1998 Boeing was charged with 207 violations of the Arms Export Control Act and the International Traffic in Arms Regulations. Boeing allegedly unlawfully exported defense articles to Russia, Ukraine and Norway. The company paid a \$10 million civil penalty. In 2000, Boeing was charged with 110 violations regarding the Arms Export Control Act and the International Traffic in Arms Regulations. The charges pertained to munitions and defense articles (technical data) exported to Australia, Singapore, Malaysia, Turkey, Spain and Italy. Boeing paid a civil penalty of \$4.2 million. In April 2006, Boeing paid a fine of \$15 million to settle federal allegations that it broke the law by selling commercial airplanes equipped with a small chip that has military applications. It is among the largest fines a company has ever faced for violations of the Arms Control Export Act, which regulates the sale of defense products to overseas interests. In May 2006, Boeing agreed to pay \$615 million to end a three-year Justice Department investigation into reported defense contracting scandals.

McCain's hypocrisy is significant because as a member of the Senate Armed Services Committee (he is now the ranking minority member), he has feasted on PAC money from the defense industry. During his first term in the Senate, McCain accepted campaign cash totaling \$58,200 from political action committees of corporations and prime defense contractors who were convicted of defrauding the Pentagon on weapons contracts, or have been accused of cheating the American taxpayer.

Consider the following examples from early in McCain's Senate tenure:

GTE Corporation: In September 1985 its Government Systems Division pleaded guilty to improperly obtaining internal Pentagon planning documents, and agreed to pay \$580,000 to DoD for the costs of the investigation. Total contributions to McCain: \$5,000.

Litton Industries: In July 1986, the massive shipbuilder agreed to pay \$15 million in penalties and restitution to DoD. It had pleaded guilty to defrauding the Pentagon of \$6.3 million in its military work at that time. Total contributions to McCain: \$10,300.

Unisys Corporation: In June 1991, the firm paid a \$190 million fine for a wide-ranging conspiracy to use inside information to defraud the government to bid on Pentagon contracts. Total contributions to McCain: \$2,300.

United Technologies Corporation: On August 28, 1992, the company pleaded guilty to four felony counts and agreed to pay \$6 million in penalties for admitting to conspiring to defraud the government by using insider information to bid on two Pentagon contracts. Total contributions to McCain: \$5,600.

So while McCain talks tough today about the Boeing tanker deal today, he has looked the other way early in his career when the Reagan and Bush I administrations did not aggressively prosecute military contract fraud under the False Claims Act. In fact in McCain's first Senate term, the Department of Justice succeeded in pushing Congress to consider weakening the act by prohibiting government employees from bringing cases under it. In about half of the more than 300 False Claims lawsuits filed by citizens since the law was strengthened, the government decided to take no action at all during that timeframe.

In the Pentagon/Justice Department joint undercover sting *Operation Ill Wind* to crack down on Pentagon fraud, the total penalties of \$420 million was less than half the cost of a single B-2 stealth bomber.

Next week in Part II: McCain's defense fraud connections from the last decade.