

Ethics of Fiscal Responsibility in Overseas Contingency Operations Funding: Appropriate or Mismanagement?

by Greg A. Suguitan and O. Shawn Cupp

Introduction

To be winners, there must be losers. In 2010, Goldman and Sachs found itself in front of U.S. Congress for profiting at the expense of its clients during Wall Street's financial crisis. This trusted financial institution lured customers into billion-dollar deals knowing they were likely to go wrong claiming their actions were justified so that they could do right by the company's shareholders. Goldman and Sachs, an organization known to cultivate a culture of ruthlessness for profit, was the center of gravity responsible for millions of Americans losing their jobs, their homes, their lives and bringing the national economy to its knees. In some sense, the U.S. government is no different than Goldman and Sachs. As stewards of the national trust, it is necessary for politicians and military leaders to acknowledge the operational and ethical shortcomings of discretionary defense spending between the Department of Defense (DoD) base defense budget and overseas contingency operations (OCO) budget. Currently, it does not seem there is an obvious solution to avoid the misuse of government funds; however, we can seek to improve our fiscal responsibility by exploring our ethical behavior. It is imperative to remain ethical at all levels of service to protect our nation's most important client—the American people.

Our Foundation

Much like Goldman and Sachs, the U.S. government can be viewed as a subject of professional admiration and public scorn both at the same time. The extreme sophistication in the government accounting system and excessive complexities of the environment we operate in as military servicemembers and political government officials distort the borders of right or wrong and how we are engaged to act and make decisions at critical points. It is fascinating that our ethics are commonly among the first to be abandoned when it is believed the decision needed to be made for the greater good of the people. Our commitment to serving our nation is founded on the values, principles, ideals, and codes of conduct guarded by our profession and are deeply implanted into our ethos. As leaders in government, we inherit the duty to maintain the strength to lead ethically while serving our nation. While ethics are supposed to serve as the foundation for our power and existence, we continue to fail to adequately govern our actions and threaten the trust and confidence of the American people. We continue to lie to ourselves and deliberately violate our ethics in the short run and pay will dearly for it years into the future and risk not having enough funds for an impending war with our near-peer competitors.

The framework of fiscal responsibility lacks a precise definition, measurement, and management. We draw our elucidations about what it could mean but have not taken the time to find out what it actually means. For example, the White House webpage doesn't define it but implies that we move closer to it by writing an earmark-free bill, launching a funds-tracking website, cutting the deficit, and eliminating waste and gimmicks in the budget. However, there's no mention of how close all of that gets us to true "fiscal responsibility."¹ A better method to understand fiscal responsibility is to determine if the federal debt is

decreasing, if the budget is balanced, is the debt ratio on target and sustainable, and if the U.S. dollar is steady with a healthy and robust economy.² No one seems to be opposed to being fiscally responsible; however, its lack of definition and individual interpretation creates a basis to violate its ethics.

The OCO Problem

A contingency is commonly defined as “a future event or circumstance that is possible but cannot be predicted with certainty.”³ The dirty little nonsecret of U.S. defense budgeting is the shell game known as the overseas contingency operations (OCO) fund. Ostensibly established for emergency funding needs arising from the wars in Iraq and Afghanistan, it now serves as a cover for spending on systems and platforms outside the strict caps that sequestration imposed on the base budget.⁴ The United States DoD spent approximately \$1.7 trillion in OCO categorized funding.⁵ Over the period from just after 9/11 attacks until today, this funding comprises a substantial amount of the DoD budget. These operations encompass a wide variety of activities, such as combating insurgents and training the military forces of other nations. Since 2010, DoD requested, and Congress authorized and appropriated, separate accounts of OCO base requirements and Operations and Maintenance (O&M) OCO provisions as part of the regular budget cycle.

OCO officially was created in 2001 shortly after the attacks of 9/11. Before then, it started as a transfer fund or emergency fund where monies were reallocated from government programs already appropriated for the fiscal year. These programs were prioritized as less of an importance and received little to no immediate funding needs. Funds were transferred into a consolidated account that also received contributions from partnered nations. The account was an instrument funded by an omnibus budget to cover incremental costs to any contingency operations that were not subject to defense spending limits. Any funds not used were returned or applied toward the support of humanitarian and recovery relief efforts. In many cases, funds were never recovered or used for those purposes. Based upon the political realities of that period, it was decided that accounting for wartime costs would be conducted separately from the standard federal budget process. Since then, two other administrations and the DoD continue to use this practice. But is this an appropriate and transparent budgeting process? What is the “true cost” of combat operations since 1991 to present? What are the long-term consequences of continuing this accounting practice? Is this an ethical dilemma that DoD and Presidential administrations use to keep the “true cost” of overseas operations away from the American public?

Since OCO is not subject to the Budget Control Act of 2011, this budgeting and accounting measure is a “loophole.”⁶ It seems that Congress and DoD can continue to place more costs into OCO. In fact, many of the U.S. Government Accountability Office (GAO) reports attesting to this as circumstance. For example, “DoD does not separately report execution data for base and OCO obligations, although OCO specific obligations are presented separately in DoD’s annual budget justification materials and the DoD’s Cost of War reports.”⁷ In other words, the base budget has OCO added to it. The numbers in Table 1 demonstrate this activity from Fiscal Year 2001 to the Fiscal Year 2018. (See Table 1 on page 177.)

In 2016, Rep. Mac Thornberry, a Texas Republican and chairman of the House Armed Services Committee, proposed a bold strategy that, whether intended as such or not, would restore some truth to defense spending.⁸ He sought to shift \$18 billion in OCO funds to the 2017 base budget to pay for more troops, ships, planes, helicopters, and vehicles that service leaders included in their “unfunded wish lists.”⁹ This proposal would keep the Congressionally-approved base budget for the year intact; however, just barely cover contingency operations expenditures for less than a year. By doing so, it would only be a “Band-Aid fix” to the problem placing the new Trump administration to seek even more funding, which again, is exempt from sequestration.

In 2013, during President Barack Obama’s second term, sequestration set a strict limit on the federal budget-making room to question our ethical responsibility for individual interests. Congress, for example,

| Fiscal Year | Base Budget (in billions) | OCO (in billions) | Total Budget (in billions) | % of Total Budget OCO (in billions) |
|--------------------|--------------------------------------|------------------------------|---------------------------------------|--|
| 2001 | \$287.4 | \$22.9 | \$316.2 | 7% |
| 2002 | \$328.2 | \$16.9 | \$345.1 | 5% |
| 2003 | \$364.9 | \$72.5 | \$437.5 | 17% |
| 2004 | \$376.5 | \$90.8 | \$467.6 | 19% |
| 2005 | \$400.1 | \$75.8 | \$478.9 | 16% |
| 2006 | \$410.6 | \$115.8 | \$534.5 | 22% |
| 2007 | \$431.5 | \$166.3 | \$600.9 | 28% |
| 2008 | \$479.0 | \$186.9 | \$665.9 | 28% |
| 2009 | \$513.2 | \$145.7 | \$666.3 | 22% |
| 2010 | \$527.9 | \$162.4 | \$691.0 | 24% |
| 2011 | \$528.2 | \$158.8 | \$687.0 | 23% |
| 2012 | \$529.9 | \$115.1 | \$645.0 | 18% |
| 2013 | \$527.5 | \$87.2 | \$614.8 | 14% |
| 2014 | \$526.6 | \$88.5 | \$615.1 | 14% |
| 2015 | \$497.3 | \$63.0 | \$560.4 | 11% |
| 2016 | \$524.7 | \$58.6 | \$580.3 | 10% |
| 2017 | \$523.5 | \$82.5 | \$606.0 | 13% |
| 2018 | \$628.8 | \$65.2 | \$694 | 10% |
| 2019 | \$686.1 | \$88.9 | \$716 | 12% |

Table 1. OCO as a percentage (%) of Total DoD Budget.¹⁰

continues to refuse to consider another round of base realignments and closures (BRAC) despite a significant number of unneeded installations.¹¹ That is because those resource-sucking bases and activities represent jobs—and votes—back home. Pentagon leaders sent Capitol Hill a report showing the Defense Department is paying to operate 22 percent more installation and infrastructure than needed. Shutting them down ultimately would save \$2 billion a year, they estimate.¹² Legislators continue to tap O&M funds rather than increase military readiness, end steep cuts to military end strength, and replace stressed aging equipment. These politicians find it very easy to abandon their morals and steal from the taxpayers to keep unneeded installations open and exploit OCO funding. Congress debates over whether to give troops a 2017 pay raise of 1.6 percent or a half-percentage more, 2.1 percent—about \$11 a month to an E-4. And they scramble for a legislative fix to spare 63,000 military widows from losing thousands of dollars in federal assistance checks in 2017.¹³ For Rep. Thornberry, his tactics for his proposed spending confirms it falls in line with his personal agenda and blatant mishandling of the OCO budget.

In another case, it was found that a geographic combatant command “primarily used OCO appropriations to operate its headquarters, although some of the costs were determined to be enduring and were expected to continue after the end of contingency operations.”¹⁴ Even though ethics is stressed all the way to the core of our nation’s culture, there is always some way it will be interpreted differently and applied to our duties especially when it suits us. The Trump administration continued this dubious practice of the previous White House administration and used OCO to fund non-contingency military projects overseas. One of the largest projects known at the moment benefiting from OCO funding is a new Army barracks in Cuba costing approximately \$115 million followed by a \$60 million project at the Muwaffaq Salti Air Base in Jordan ambiguously described as “Supporting Facilities/Utilities” as a budget request.¹⁵ Among these two leading OCO expenses, more projects started in the base defense budget but oddly placed into OCO. An Aircraft Parking Apron Expansion in Djibouti—\$13.4 million, Consolidated Squadron Operations Facility in Qatar—\$15 million, a dormitory in Turkey—\$25.9 million are among examples of the additional overseas developments that take away OCO means to support military operations if conflict occurs; however, it is far from being thought of as a contingency.¹⁶

Ethical Spending Dilemma

It is difficult to maintain the public’s trust and confidence when there is an absence of transparency. Transparency cannot be gained when the system is circumvented. We are taught to internalize ethics and practice it every day to help guide our actions and decision-making process and prevent ourselves from escaping the borders of morality. It may seem easy in theory, but in the reality of Ben Carson, Secretary for the Department of Housing and Urban Development (HUD), instead of upholding the trust of the American people that he serves and is subordinate to, he chose to operate in a wasteful, extravagant lifestyle at the public’s expense. Amidst a proposed cut to the HUD’s operating budget of approximately \$6.8 billion that is almost equal to the Public Housing Capital Fund and Community Development Block Grant program, low-income residents would be vulnerable to eviction.¹⁷ According to federal procurement records, HUD signed a contract to pay an Indiana-based furniture seller \$165,000 for “lounge furniture” intended for its Washington, D.C., headquarters. This is in addition to a separate \$31,000 paid for a dining set consisting of a hardwood table, dining chairs, and a hutch for Carson’s offices, far exceeding the cap of \$5,000 for annual furniture expenses.¹⁸ It may seem traditional for any new employee to redecorate or revive their workplace, but just because they can doesn’t mean they have to. The military involved in actual overseas contingencies often find scraps to construct makeshift furniture and live in canvas-made tents fortified by bags of dirt or sand. There was apparently a lack of oversight and leadership in the HUD organization for not reporting to Congress on their spending.

Fiscal responsibility and unethical behaviors can be further scrutinized when examining the ethical lapses and other matters of Edward Scott Pruitt, Administrator of the United States Environmental Protection Agency (EPA), who currently faces political backlash for his excessive spending of government funds to maintain his lavish lifestyle. Those who hold positions of authority with inherent power are inclined to behave selfishly, irrationally, and beyond reason continuously. Pruitt is a well-spoken individual who has a reputation for holding very prominent positions of power. Before his appointment as Chief of the EPA, he earned himself a juris doctorate, founded a law practice, elected as a senator for the State of Oklahoma, Republican Whip, and Oklahoma Attorney General. Despite his success, skating media reports mounted as Pruitt demoted, reassigned, and isolated ranking officials within his department for questioning his position as head of the agency and his spending habits. Members of Congress to include White House Chief of Staff, John F. Kelly, demanded his resignation for gross misconduct and disrespect to the American taxpayers. CNN reported, Pruitt reassigned his lead security agent on his detail after refusing to drive him through congested Washington, D.C. traffic with lights and sirens to help avoid arriving late for meetings and flights.¹⁹ Pruitt submitted proposals for a \$1,000 membership to a private jet company, two desks totaling almost \$70,000, including one that is bulletproof. He took frequent expensive trips both internationally and

to his home in Oklahoma, costing taxpayers thousands of dollars. His trips mainly consisted of leisure time, and she showed favoritism to two of his top staff aides by endorsing hefty raises.²⁰ His ethics were obviously non-existent when the wife of an energy lobbyist from Williams & Jensen rented a condo to him on Capitol Hill at a steep discount of \$50 a month just to gain his support following budgetary cuts on a Chesapeake Bay cleanup program.²¹ In his February 2017 Senate appointment, he said, “I seek to listen, learn, and lead with you to address these issues we face as a nation and believe in the promotion and protection of a strong and healthy environment are among the lifeblood of priorities of the government, and that the EPA is vital to that mission.”²² His surmountable series of ethically questionable spending practices and sense of entitlement proved to the American people that he is yet another appointed government employee to place the security of the nation at risk.

Although it may seem that our ethics are frequently ignored, there are cases where it triumphs one’s interest. The U.S. government emphatically states through the website of its Office of Personnel Management that “employees have a responsibility to report waste, fraud, and abuse.”²³ To ensure an efficient and honest government, there are programs in place to allow the people who work in the government to report, free from retaliation, when fraud, waste, or abuse occurs.²⁴ All too often, when people decide to take the risk by reporting wrongdoing, they not only aren’t protected but are attacked by the very government whose interests they seek to protect.²⁵ In the case of the HUD furniture purchase, the chief administrative officer and long-time employee was demoted and replaced when she refused to procure beyond the legal furniture expense of \$5,000 and was retaliated against when she exposed another budget shortfall. In a similar case, an esteemed field grade officer deployed to Iraq was responsible for training the Iraqi Army. He faced an ethical predicament when he discovered inconsistencies of funds and weapons being transferred to contractors and the Iraqi Army. There were no actions taken after reporting it to his commanding officer. He proposed to report it further up the chain of command, but his intentions left him being relieved of his duties and redeployed back to the U.S. His suspicions of his commanding officer to cover up the situation found its way to the news media outlets and damaged his career.²⁶

The Conclusion

A fundamental reason the U.S. government and its military share is to protect the American citizens and the homeland. We jeopardize this fundamental when we distance ourselves from our ethics. There is always going to be a lingering suspicion of others whenever someone tries to game the system to emerge as winners risking an unscathed outcome. Fiscal responsibility provides a framework to guide our actions in making choices, our responsibilities and duties, providing funds for appropriate requirements, and creating transparency for the American public. A continuous information campaign directed at the American public about how their taxpayer dollars are being protected is essential. Continuing to exploit the loopholes in the base budget, the defense budget, and OCO will only send our country into a more substantial deficit, making it more challenging to defeat our adversaries in future conflicts. Our ethics must remain whole and unbroken. It provides us with purpose and direction when clear guidance seem non-existent, and it must be preserved as our nation’s values, and beliefs depend on it. It is a pillar of our government and why we continue to be the most superior nation in the world.

End Notes

- 1 Steve Conover. "What Does 'Fiscal Responsibility' Mean?." March 29, 2012. Accessed April 22, 2018. <http://www.aei.org/publication/what-does-fiscal-responsibility-mean>.
- 2 Ibid.
- 3 "Off-Budget, Not Out of Mind." U.S. News & World Report. June 20, 2017. <https://www.usnews.com/opinion/economic-intelligence/articles/2017-06-20/the-overseas-contingency-operations-account-is-just-a-pentagon-slush-fund>.
- 4 Defense News. "BRAC, OCO and Truth In Budgeting." Defense News. August 08, 2017. Accessed March 17, 2018. <https://www.defensenews.com/opinion/intercepts/2016/04/26/brac-oco-and-truth-in-budgeting>.
- 5 U.S. Government Accountability Office, (GAO-18-202R), Defense Budget, Defense Budget: Obligations of Overseas Contingency Operations Funding for Operation and Maintenance Base Requirements, 10 January 2018, Washington, D.C.
- 6 Mindy R. Levit and Marc Lobonte (2012). Congressional Research Service, The Budget Control Act of 2011: The Effects on Spending and the Budget Deficit When the Automatic Spending Cuts are Implemented.
- 7 U.S. Government Accountability Office, 1.
- 8 Defense News.
- 9 Ibid.
- 10 Budget figures obtained for FY 2001-FY 2017 from FY 2014 National Defense Budget Estimate Overview and the FY 2017 National Defense Budget Estimate Overview.
- 11 Defense News.
- 12 Ibid.
- 13 Ibid.
- 14 U.S. Government Accountability Office, (GAO-17-68), Overseas Contingency Operations, OMB and DoD Should Revise the Criteria for Determining Eligible Costs and Identify the Costs Likely to Endure Long Term, January 2017, 2.
- 15 "Off-Budget, Not Out of Mind." U.S. News & World Report. June 20, 2017. <https://www.usnews.com/opinion/economic-intelligence/articles/2017-06-20/the-overseas-contingency-operations-account-is-just-a-pentagon-slush-fund>.
- 16 Ibid.
- 17 Luis Sanchez. "HUD Spending \$165K on 'lounge Furniture' for Office: Report." The Hill. February 28, 2018. Accessed April 17, 2018. <http://thehill.com/homenews/administration/375975-hud-spending-165k-on-lounge-furniture-for-office-report>.
- 18 Ibid.
- 19 Rene Marsh, Sophie Tatum, and Gregory Wallace. "Pruitt Faces Renewed Questions over Cost of Security Detail." CNN. April 08, 2018. Accessed April 22, 2018. <https://www.cnn.com/2018/04/07/politics/epa-pruitt-security-detail/index.html>.
- 20 Theodoric Meyer, Eliana Johnson, Anthony Adragna, Andrew Restuccia, Jennifer Palmieri, Corey

Brettschneider, Jack Shafer, and Gil Troy. "Lobbyist Whose Wife Rented to Pruitt Lobbied EPA despite Denials." POLITICO. April 21, 2018. Accessed April 22, 2018. <https://www.politico.com/story/2018/04/20/pruitt-condo-lobbyist-leaving-firm-543508>.

21 Ibid.

22 "EPA's Administrator." EPA. April 19, 2018. Accessed April 22, 2018. <https://www.epa.gov/aboutepa/epas-administrator>.

23 Daniel L. Davis. "Protect Military Whistleblowers." The Hill. February 01, 2016. Accessed April 17, 2018. <http://thehill.com/blogs/congress-blog/homeland-security/259705-protect-military-whistleblowers>.

24 Ibid.

25 Ibid.

26 "Looking The Other Way." CAPE News. Accessed April 17, 2018. <http://cape.army.mil/case-studies/wcs-single.php?id=38&title=looking-the-other-way>.