

Project on Government Oversight

REPORTS

AN OPEN LETTER TO THE PRESIDENT:

THE SUPERCONDUCTING SUPER COLLIDER'S SUPER EXCESSES

JUNE 7, 1993

PROJECT ON GOVERNMENT OVERSIGHT

June 7, 1993

President Bill Clinton
The White House

Via Messenger

Dear Mr. President,

The Project on Government Oversight would like to draw your attention to a scandalous abuse of taxpayer dollars in the Superconducting Super Collider (SSC) program. The estimated cost of this program has recently risen to upwards of \$11 billion, even though the original estimates had been for less than half as much, or \$5.3 billion. As you know, there is a raging debate over the value of the SSC program. Putting this debate aside, however, we believe that if tax dollars are going to be allocated to this project, the taxpayers' interests must be protected, and our money must not be squandered.

Currently, the primary SSC subcontractor, Parsons Brinckerhoff/Morrison Knudsen (PB/MK), employs approximately 418 employees to perform the architect/engineering services and conventional construction work on the project. As you will see from the attached charts and invoices, PB/MK appears to be taking advantage of the nature of their contract with DOE, and has been reimbursed for many costs that appear to be excessive.

For example PB/MK has been reimbursed:

- \$3,030 for an office desk and \$1,107.10 for Christmas cards;
- \$21,369.18 for office plants and their upkeep in a single year;
- \$18,403.87 for coffee supplies over a fifteen month period;
- \$1,257,884.32 for travel costs over fifteen months, or an average of \$83,858.95 a month;
- \$1,626,605.71 for relocation costs over fifteen months, or \$3,891.40 per employee if every employee were moved to the SSC facility 30 miles south of Dallas; and
- \$293,668.34 for automobile leasing and rental expenses over fifteen months.

These seemingly excessive charges to the SSC program should not come as a surprise. In 1991, the U.S. House Committee on Science, Space and Technology held hearings where it was revealed that the SSC prime contractor, Universities Research Association, was reimbursed \$12,000 for a Christmas party, \$10,000 for a picnic and \$11,000 for Capitol Hill receptions.

It must be emphasized that when all these charges were ultimately reimbursed by the government, they were not illegal or "unallowable". The problem, in part, is that DOE regulations are typically lax about what constitutes an unallowable cost. The real culprit though is the contract, which like that of the four other major SSC subcontractor contracts, is "cost-reimbursable." This type of contract is standard for the Department of Energy. In other words, if the contractor spends the money, DOE will pay them back, with little oversight and virtually no spending limits.

A DOE Inspector General report was issued last summer that summarized this problem:

"An effort was made to provide some incentive for cost control by the use of a cost-plus award fee contract with the architect-engineering/construction management firm. However, we feel that the current cost reimbursable contract with PB/MK does not provide an incentive for PB/MK to control costs because **all costs incurred are being reimbursed** (emphasis added). Therefore, we believe the PB/MK contract or portions thereof, should be renegotiated to a firm fixed-price contract."

This is the time to send a very strong signal to DOE contractors, and all government contractors, that their free ride is over. The SSC program has incurred cost and scheduling problems despite the fact that it has not even gone beyond the stage of basic tunnelling operations. The GAO wrote in their Feb. 1993 report that:

"The SSC project has reached a crossroads at which key funding decisions need to be made. Currently, the SSC is over budget and behind schedule."

The DOE Inspector General's Office is currently auditing this program and is considering whether to reclassify some of these excesses as "unallowable." You could show that the government is getting serious about cutting costs by making this case a precedent. Require the contractor to return the money to the Treasury, impose stricter standards within DOE on allowable costs, and eliminate the use of "cost-reimbursable" contracts.

We understand that you are deeply concerned about improving the way our government operates, and we believe that this example will be useful in your efforts. You are well aware that excesses such as these have made Pentagon waste and fraud household words and have plagued previous Administrations. We look forward to your response as well as your efforts to correct this problem.

Sincerely,



Danielle Brian
Director

The following are invoices to the Superconducting Super Collider prime contractor for costs incurred by subcontractor Parsons Brinckerhoff/Morrison Knudsen. These expenses were ultimately reimbursed by the federal government. The first few pages contain the Project on Government Oversight's totals for certain expense categories based on these invoices.

Travel Costs

October, 1990	\$144,742.09
November 1990	\$115,066.29
December 1990	\$114,839.13
January 1991	\$119,871.24
February 1991	\$120,735.93
March 1991	\$90,721.18
April 1991	\$74,010.22
May 1991	\$98,685.47
June 1991	\$49,317.47
July 1991	\$52,927.69
August 1991	\$90,263.69
September 1991	\$70,661.54
October 1991	\$43,455.36
November 1991	\$35,740.69
December 1991	\$36,846.33
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TOTAL	\$1,257,884.32
Monthly Average	\$83,858.95

Relocation Costs

October, 1990	\$83,930.35
November 1990	\$64,793.21
December 1990	\$132,685.58
January 1991	\$131,142.34
February 1991	\$127,190.14
March 1991	\$112,268.99
April 1991	\$127,371.71
May 1991	\$241,900.28
June 1991	\$140,059.10
July 1991	\$38,367.80
August 1991	\$99,270.64
September 1991	\$74,406.23
October 1991	\$70,200.00
November 1991	\$117,654.57
December 1991	\$65,364.77
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TOTAL	\$1,626,605.71
Amount per employee ¹	\$3,891.40

¹ Average based on 418 employees

Plants and Plant Care Expenses

February 1991	\$6,996.51
March 1991	\$266.21
April 1991	\$591.09
May 1991	\$9,133.40
June 1991	\$661.70
July 1991	\$543.12
August 1991	\$547.17
September 1991	\$669.82
October 1991	\$670.42
November 1991	\$670.42
December 1991	\$619.32
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TOTAL	\$21,369.18

Coffee Service Expenses

October 1990	\$248.15
November 1990	\$661.51
December 1990	\$232.02
January 1991	\$467.55
February 1991	\$1,054.55
March 1991	\$1,581.13
April 1991	\$1,619.25
May 1991	\$1,416.29
June 1991	\$1,047.59
July 1991	\$1,257.26
August 1991	\$826.94
September 1991	\$2,630.69
October 1991	\$733.68
November 1991	\$1,291.96
December 1991	\$3,335.30
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TOTAL	\$18,403.87
Monthly Average	\$1,226.92

Automobile Leasing and Rental Expenses

October 1990	\$9,220.58
November 1990	\$9,205.00
December 1990	\$12,607.50
January 1991	\$10,695.39
February 1991	\$10,686.85
March 1991	\$13,835.28
April 1991	\$27,977.55
May 1991	\$23,619.87
June 1991	\$25,077.06
July 1991	\$26,863.82
August 1991	\$28,757.83
September 1991	\$31,492.56
October 1991	\$32,593.96
November 1991 ²	
December 1991	\$31,035.09
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TOTAL	\$293,668.34

² November 1991 expenses were incorporated into the October and December 1991 invoices.