

### POGO 2006 Annual Report

Project On Government Oversight

We must not confuse dissent with disloyalty. When the loyal opposition dies, I think the soul of America dies with it. - EDWARD R. MURROW

### Table of Contents

LETTER FROM THE DIRECTOR	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
ABOUT POGO	2
HOW POGO WORKS	
ACCOMPLISHMENTS IN 2006	
POGO CELEBRATES 25 YEARS	THE TELL Y
GOOD GOVERNMENT AWARD	8
GOOD GOVERNMENT HALL OF FAME	
POGO PEOPLE	
STATEMENT OF ACTIVITIES	11
SUPPORTERS IN 2006	

# Letter from the Director

### Dear Friends,

In 2006, the Project On Government Oversight celebrated its silver anniversary. It was a great year!

To open 2006, we marked our impressive past and looked to our bright future by holding a gala at the Army-Navy Club here in D.C. The gala was a time to catch up with old friends and get to know new ones. It was also a time to present our Good Government Award and to induct the first class of POGO's Good Government Hall of Fame.



We thought it was important to break from our investigations into corruption and other misconduct to recognize those who have done so much to make our government more honest, open, and accountable.

Throughout 2006, POGO played central roles in such efforts as holding contractors accountable for failures in Iraq reconstruction and the Hurricane Katrina relief effort; challenging a culture of lax security in the nation's nuclear weapons complex; and improving Congress' ability to conduct effective oversight.

It is with this last effort that we chose to close this remarkable year. POGO launched our Congressional Oversight Training Seminars for Capitol Hill staff. This series of monthly training sessions brings both a Republican and a Democratic panelist with extensive oversight experience to work with Congressional staff on the nuts and bolts of how to oversee the Executive Branch. Over 200 Hill staffers attended at least one of the seminars, where they were reminded that oversight is not partisan, and that the Legislative Branch must reassert its role as an equal branch of government to be effective. At the end of each series, POGO certifies regular attendees as having completed the oversight training.

2006 was a good year for POGO, and ending it with the oversight training seminars was fortuitous timing: 2007 is shaping up to be the Year of Oversight. POGO will continue to hold the government accountable for its actions, and will transform the government's renewed focus on oversight into positive change. We are grateful to you, our supporters, for making it possible to do so.

Sincerely,

amelle brian

Danielle Brian, Executive Director



# About POGO

The Project On Government Oversight (POGO) is an independent nonprofit that, for twenty-five years, has investigated and exposed corruption and other misconduct in order to achieve a more accountable federal government. Over those years, POGO has grown stronger, more effective, and more diversified in the scope of issues we tackle.

Now, in this time when public concern about ethics in government is at an all-time high, POGO is even better able to effect necessary change.

Since its founding in 1981, POGO has used investigative journalism techniques to uncover information that the government or its contractors rather we not uncover. By working with government whistleblowers and expert insiders, using the Freedom of Information Act, and conducting in-depth research, POGO has been able to take on the deep-rooted systemic problems that threaten the integrity of the federal government and U.S. democracy.

With the hard-won information from our investigations, POGO develops findings and recommendations that are then used by policymakers and members of the news media to draw attention to and fix systemic government problems.

### POGO's investigations have:

- ▶ Pierced the veil of government secrecy, which has dramatically expanded since September 11 and has provided a cover for incompetence, corruption, and subservience to powerful special interests.
- Exposed examples of government agencies that are failing to fulfill their missions.
- ▶ Bridged the hostile partisan divide, which has damaged the ability of policymakers to improve government.
- Challenged government decisions where the influence of special interests has overridden the public's interest.

POGO is often asked to testify at Congressional hearings about our investigative findings, and to provide background information and questions to Congress, Executive Branch officials, the Government Accountability Office, and numerous Inspectors General. By applying internal and external pressure through the media, the public, government insiders, and policymakers, POGO helps ensure that the federal government implements policies and programs in a manner that benefits all Americans.

The Project On Government Oversight is critically important. By shining a spotlight on government waste, inefficiency, mismanagement, and malfeasance, POGO works to keep government honest. It is no exaggeration to say that its work is never done, and it is needed now more than ever.

— CLARK KENT ERVIN, FORMER INSPECTOR GENERAL, DEPARTMENT OF HOMELAND SECURITY

### How POGO Works

- **IDENTIFY** systemic corruption or other misconduct in the federal government
- Launch INDEPENDENT investigation
- Work with whistleblowers, insiders, and other knowledgeable individuals to research and CONFIRM findings
- Recommend SOLUTIONS for substantive change
- **INFORM** public of findings
- Work with government officials to initiate systemic policy IMPROVEMENTS
- Ultimate goal: Achieve a more ACCOUNTABLE federal government

### POGO's Accomplishments and Progress in 2006

#### IMPROVING CONGRESSIONAL OVERSIGHT

In recent years, a variety of factors have led to the demise of vigorous Congressional oversight of the Executive Branch, including bitter partisanship and the declining experience of Congressional staff members. In 2006, POGO launched a monthly training series aimed at teaching a new generation of Congressional staff the art and science of government oversight. Veteran Capitol Hill and Executive Branch investigators and investigative journalists imparted their wisdom about such topics as working with whistleblowers and insiders, investigating companies, rooting out documents from government agencies, preparing for oversight hearings, and the rights of Congress to access classified information. The training series was co-chaired by Senator Charles Grassley (R-IA), Senator Carl Levin (D-MI), Representative Christopher Shays (R-CT), and Representative Rush Holt (D-NJ).



#### HOLDING GOVERNMENT CONTRACTORS ACCOUNTABLE

Since 2000, in just a short span of six years, government contract spending doubled from \$200 billion to \$420 billion. This increase in spending followed a decrease in taxpayer protections-a rollback that contractors had long been advocating.

Over this same period, POGO has been a central player in the effort to inform the public about the government's failures to hold its contractors accountable. In 2006 alone, POGO educated policymakers about contracting problems in such issue areas as Irag reconstruction and the Hurricane Katrina response effort. POGO's 2006 report, Federal Contracting: Lessons Learned from Hurricane Katrina, provided key insights to Congress about the need for reforms to prevent contracting debacles in future emergency response actions. Highlights from POGO's work on contractor accountability in 2006 include:

Improving Taxpayer Protections. A much-anticipated government report on contracting rules endorsed many of POGO's recommendations to strengthen taxpayer protections in contracting. The report, completed by a panel of contracting experts, was a blow to the contracting industry, given that the report is serving as a road map for efforts to reform the system.

Fighting Wasteful No-Bid Contracts. In 2006, the Air Force suspended the \$860 million no-bid, commercial item, aircraft spare parts contract with Hamilton Sundstrand, based on POGO's release of a previously-unreleased DOD IG report. That report stated that the government was paying outrageously high prices for aircraft spare parts-in some instances, 900 percent higher than prices paid by other commercial and government buyers. POGO has used this example to educate the public and Congress about the perils of risky no-bid contracts.

sed jet Program

Tain

nron

A BILLION HERE, A BILLION THERE

#### PROTECTING NATIONAL SECURITY

The "Iron Triangle"—Congress, the Pentagon, and defense contractors—is stronger than ever before. The resulting decisions line the pockets of special interests at the expense of legitimate national security needs. In 2006, POGO continued to draw attention to numerous cases where national security was compromised by greed and incompetence. Highlights from POGO's national security work in 2006 include:

▶ Fighting Conflicts Of Interest. At a highly-charged Senate hearing in July, POGO testified about its investigative findings that the head of an influential federally funded research center, the Institute for Defense Analyses, held stock options in companies that stood to benefit from his institute's research on the F-22A fighter jet. The controversial revelation led to the resignation of the official, and prompted government research centers to strengthen conflict-of-interest rules to prevent future conflicts of interest.

▶ Challenging Wasteful Defense Spending. The Air Force announced \$168 million in savings from the restructuring of a contract to purchase C-130J military airlift planes. This restructuring was a result of POGO's 2005 report, *Taxpayers Carry The Load: The C-130J Cargo Plane Does Not*, on abuses in the contract, and the efforts of Senator John McCain.



#### HOLDING OIL AND GAS INDUSTRIES ACCOUNTABLE

Every year, a little-known agency inside the Department of Interior is responsible for collecting billions of dollars in fees, known as royalties, from multinational oil companies drilling on federal and Indian lands. A series of investigations by POGO in the 1990s exposed that the agency, the Minerals Management Service (MMS), was falling down on the job of collecting royalties, and prompted almost \$1 billion in increased collections. In 2006, POGO re-opened its investigations in this area. We exposed that MMS was refusing to audit oil companies drilling on federal and Indian lands, despite the fact that conducting audits is the only way to ensure the companies pay fair value. With sky-rocketing gas and oil profits, it is concerning that royalties collected have plummeted by as much as \$100 million annually.

#### CHALLENGING EXCESSIVE GOVERNMENT SECRECY

Since the 9/11 terrorist attacks, the federal government has been on an unrestrained secrecy binge, putting millions of documents out of the public's reach. Yet the documents the government is putting off limits frequently have less to do with keeping our nation secure and more to do with hiding corruption and mismanagement. POGO has been working to get the government to switch its focus from keeping the secrets that protect *it* to keeping the secrets that protect *us*. Highlights from POGO's work on excessive government secrecy in 2006 include:

#### • Countering Excessive Homeland Security Secrecy.

Working with open government advocates and 9/11 family members, POGO helped get legislation passed that makes the Department of Homeland Security (DHS) more accountable in how it applies secrecy designations to documents. This was an important step because, if DHS is allowed to continue overusing secrecy designations, information that could be vital to preventing future disasters will not be shared among federal security agencies or with the public.

What Investigative Reporters and Editors members like best about POGO is that its only agenda is to expose corruption regardless of ideological slant or party affiliation. — JAMES V. GRIMALDI, PULITZER PRIZE RECIPIENT AND PRESIDENT OF THE BOARD OF DIRECTORS, INVESTIGATIVE REPORTERS AND EDITORS, INC.

POGO makes an authoritative and compelling case that, in order to secure its nuclear weapons materials, the Department of Energy must consolidate these materials in a smaller number of defensible facilities. It has also been remarkably effective in educating the key Congressional committees on this subject and, through them, the leadership of the Department of Energy. — FRANK VON HIPPEL, PROFESSOR, PRINCETON UNIVERSITY

#### Strengthening Public Access to Government

**Information.** POGO worked in coalition with dozens of organizations to educate Congress and the public about the need to strengthen the Freedom of Information Act. Although this law has been weakened, it is still the best tool at the public's disposal to shine light on government operations.

#### Strengthening Whistleblower Protections. In

2006, POGO's report, *Homeland and National Security Whistleblowers: The Unfinished Agenda,* helped set the stage for Congress to take a much more aggressive approach to protecting whistleblowers. POGO also continued to expose the failings of the Office of Special Counsel, one of the key agencies tasked with protecting whistleblowers. As a result, that agency is now under federal investigation.

### TRANSFORMING THE NUCLEAR WEAPONS COMPLEX

Although the Cold War ended almost twenty years ago, the federal government continues to sustain an obsolete set of facilities nationwide, which unnecessarily costs billions of dollars and which poses significant homeland security risks. In recent years, POGO's investigations into the nuclear weapons complex have drawn much-needed public attention to the Department of Energy's (DOE) failures to manage the complex, and prompted dramatic reforms nationwide. Highlights from POGO's work on the complex in 2006 include:

▶ Increasing Cyber-Security. POGO has repeatedly exposed cyber-security breaches, and has argued for years that the government should better protect the highly classified nuclear weapons information on its computers. In 2006, POGO exposed an extraordinary breach of security: hundreds of pages of highly classified information from Los Alamos National Laboratory were discovered during a trailer park methamphetamine lab bust. The disclosure resulted in the resignation of the head of the nation's nuclear weapons complex, extensive oversight hearings by the House Energy and Commerce Committee, and numerous government investigations. The incident has brought renewed pressure to adequately protect those of the nation's secrets that do need to be protected.

Improving Nuclear Weapons Security. In 2006, the DOE announced that it would remove all bomb-grade nuclear weapons materials from half of its facilities nationwide, including Lawrence Livermore National Laboratory, which is precariously located in the densely populated San Francisco Bay area. The government's plans are based in large part on POGO's recommendations in its 2005 report, U.S. Nuclear Weapons Complex: Homeland Security Opportunities. As a result of DOE's decision, millions of Americans in communities nationwide will be safer, and billions of taxpayer dollars will be saved in security costs.

Also in 2006, POGO released a new report, *U.S. Nuclear Weapons Complex: Y-12 and Oak Ridge National Laboratory at High Risk.* POGO's investigation revealed, among other problems, that dangerous nuclear materials at the Oak Ridge lab in Tennessee were inadequately protected. As a result, the DOE announced plans to permanently downblend those materials, making them unusable.

• Improving Safety. POGO's investigations drew attention to troubling safety failures at the Pantex nuclear facility in Texas, which is responsible for dismantling nuclear weapons. As a result, the federal government launched an investigation into the excessive overtime hours worked by production technicians and other concerns, and significantly increased the number of workers performing this important task.

### POGO Celebrates 25 Years

In order to mark twenty-five years of fighting for good government, POGO threw a party worthy of the occasion, awarded our Good Government Award, and inducted the initial class of honorees into our newly created Good Government Hall of Fame. To help us celebrate, we invited supporters and honorees to the anniversary gala, which was held in May 2006 at the Army-Navy Club in Washington, D.C. *And what a turn out!* 



More than 250 friends attended what was surely one of the most elegant and spirited events ever held by POGO. Founder Dina Rasor and Executive Director Danielle Brian spoke of POGO's early years sharing offices with the National Taxpayers Union, having unmarked envelopes full of documents detailing entrenched government problems slipped under the door, and fixing wasteful government spending. Best of all, attendees were lavished with inspirational stories about the recipients of POGO's Good Government Award and about the inaugural class of POGO's Hall of Fame.

The event was a wonderful celebration of the past, and gave the attendees new energy to tackle current and future challenges.



POGO is just the kind of watchdog you want keeping an eye on government and politicians—alert, persistent, scrappy, and effective.

— SHEILA KRUMHOLZ, EXECUTIVE DIRECTOR, CENTER FOR RESPONSIVE POLITICS

### Good Government Award

POGO's Good Government Award recognizes Members of Congress and other leaders who provide outstanding service in the pursuit of holding the government accountable to its citizenry. In 2006, POGO honored Senator John McCain and Representative Henry Waxman for their outstanding pursuit of good government, and for their tremendous oversight accomplishments.



#### THE HONORABLE JOHN McCAIN (R-AZ)

Senator McCain has promoted oversight of numerous government programs, including his groundbreaking investigations into the Boeing tanker lease deal and the Abramoff lobbying scandal.

#### THE HONORABLE HENRY WAXMAN (D-CA) ►

Representative Waxman is a leader in government oversight. He has conducted hardnosed investigations into government contracting issues such as the Iraq reconstruction contracts.



POGO has been a vital source of information for those of us who are demanding fiscal responsibility in government. I commend their ability to work in a non-partisan way to fight waste and uncover the truth. — REPRESENTATIVE MIKE CASTLE (R-DE)

## Good Government Hall of Fame

POGO's Good Government Hall of Fame was created to honor people who exemplify the spirit of promoting good government. The initial class of POGO's Hall of Fame is:



▲ Jack Anderson, one of the founders of modern investigative journalism, a crusader against corruption, and credited with breaking numerous stories including Iran-Contra.





Marsha Coleman-Adebayo, Ph.D.,
whose actions led to the creation of the
No FEAR Act, which has mandated that
the government report on discriminatory
and retaliatory actions against employees.



A. Ernest Fitzgerald, veteran Pentagon cost-cutter who battled every administration from Lyndon Johnson to George W. Bush over wasteful military spending.



Colonel David H. Hackworth, U.S. Army, founder of Soldiers for the Truth, and one of the nation's most highlydecorated veterans who challenged Pentagon careerism and incompetence.



 Seymour Hersh, famed muckraking journalist who exposed the My Lai massacre, detainee abuse at Abu Ghraib, and numerous other stories.



▲ Jill Lancelot, founder of Taxpayers for Common Sense, and credited with eliminating billions of dollars in wasteful government spending.



• Honorable John Moss, tireless investigator of governmental abuses who authored legislation creating the Freedom of Information Act, the nation's most important open government law.



Honorable William Proxmire, creator of the famed "Golden Fleece" award, who crusaded against pork barrel spending and money in politics.



**Honorable William Roth,** helped expose wasteful defense spending and drew attention to overpriced spare parts.



▲ Dina Rasor, POGO's founder, who exposed dozens of military spending scandals in the 1980s, including the \$7,600 coffee maker.

**Rockefeller Family Fund,** which has worked at the cutting edge of advocacy in such areas as holding public and private institutions accountable for their actions.



Vice Admiral Jack Shanahan, U.S. Navy (Ret.), highly decorated for his service in the Navy, in retirement has crusaded against wasteful military spending and for prudent military oversight.

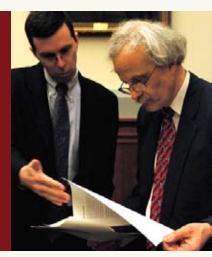


In Jeffrey S. Wigand, whistleblower who exposed the truth about Big Tobacco's disregard for health and safety, a story depicted in the movie "The Insider."



You at POGO are in that special group of people who do not seek financial aggrandizement at the expense of others, but gain personal and professional satisfaction by trying to expose wrong-doing and change things for the better and for the common good. You are very special Americans.

- LETTER TO POGO FROM A. BRYAN SIEBERT, RETIRED DIRECTOR OF THE OFFICE OF NUCLEAR AND NATIONAL SECURITY INFORMATION, DEPARTMENT OF ENERGY



### **POGO** People

#### POGO Board of Directors

David Hunter, Chair Jack Mitchell, Vice Chair<sup>\*</sup> Dina Rasor, Treasurer and Founder Ryan Alexander Henry Banta Lisa Baumgartner Bonds, Ph.D. David Burnham Michael Cavallo Charles Hamel Janine Jaquet Morton Mintz Marjorie Sims Anne Zill

#### POGO Advisory Council

Anne Bartley Patricia Derian Professor Myron Peretz Glazer Wade Greene Representative Steven Horn (R-CA, Ret.) Catherine James Paglia Lawrence Korb Conrad Martin George Perkovich Vice Admiral Jack Shanahan (Ret.) Professor Charles Tiefer

#### POGO Staff

Danielle Brian, Executive Director Scott Amey, General Counsel Todd Bowers, Defense Investigator Beth Daley, Director of Investigations Danielle Downing, Editor Ned Feder, M.D., Staff Scientist Jennifer Porter Gore, Director of Communications Lauren Robinson, Development Associate Keith Rutter, Director of Operations

Pam Rutter, Web Manager

Barbara Schecter, Director for Advancement

Nick Schwellenbach, Investigator

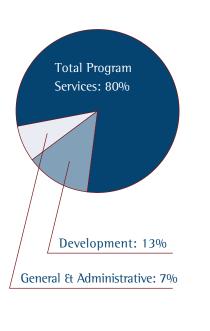
Michael Smallberg, Web Outreach Associate

Peter Stockton, Senior Investigator

"Retired from POGO's Board, as of April 2, 2007.

### Statement of Activities

A commitment we will always keep to our supporters—large and small—is that we practice what we preach. We diligently search for ways to both stretch our dollars and expand our impact.



STATEMENT OF ACTIVITIES For the Year Ended December 31, 2006*			
REVENUE & Support	Grants	\$1,278,445	
	Contributions	148,933	
	Investment Income	91,936	
	Special Events Income	20,203	
	Publications and Other Income	2,204	
	TOTAL REVENUE & SUPPORT	\$1,541,721	
	PROGRAM SERVICES		
EXPENSES	Contract Oversight	\$236,715	
	Nuclear Weapons Security Investigations	195,581	
	Defense and National Security	163,981	
	General Programs	162,869	
	Whistleblower Investigations	60,491	
	Congressional Oversight	41,082	
	Nuclear Power Plant Investigations	25,863	
	Direct Lobbying	19,662	
	Livermore Nuclear Laboratory Investigations	5,073	
	Total Program Services	\$911,317	
	SUPPORTING SERVICES		
	Development	\$147,790	
	General & Administrative	77,443	
	Total Supporting Services	225,233	
	TOTAL EXPENSES	\$1,136,550	
Change in Net Assets		\$405,171	
Net Assets, Beginning of Year 1,04		1,040,059	
Net A	ssets, End of Year	\$1,445,230	
		*Audited	

\*Audited

The efforts of the Project On Government Oversight to shed light on the use—and misuse—of taxpayer money has been invaluable in helping to make government more accountable to the people that it serves. I commend POGO for its continued efforts to promote efficiency and transparency in the federal government. — REPRESENTATIVE RUSH HOLT (D-NJ)

### Foundation Supporters in 2006

Historically, POGO's work was supported by small family foundations and individuals who are dedicated to good government. As POGO has grown in our work, our funding base has also grown, with the larger institutional foundations joining as POGO supporters. POGO does not accept contributions from the government, unions, corporations, or anyone with a financial stake in the outcomes of our investigations. We truly appreciate both our long-time supporters and our newly-found friends.

Anonymous (2)	Richard and Rhoda Goldman Fund	
Francis Beidler Foundation	Robert & Ardis James Foundation	
The Herb Block Foundation	The John D. and Catherine T.	
Harold and Stephanie Bronson Fund	MacArthur Foundation	
(c/o Liberty Hill Foundation)	John E. Moss Foundation	
The Annie E. Casey Foundation	The New-Land Foundation, Inc.	
Cavallo Foundation Inc.	Park Foundation, Inc.	
Citizen's Monitoring and Technical Assistance Fund, RESOLVE	Ploughshares Fund	
	Rockefeller Family Fund	
Colombe Foundation	The Scherman Foundation, Inc.	
The Educational Foundation of America	The Schooner Foundation	
The Fertel Family Foundation		
The Ford Foundation	The Sunlight Foundation	
	Working Assets (Donations Ballot)	
Fund For Constitutional Government		

The Scherman Foundation is proud to have supported POGO for almost twenty-five years. In all this time, POGO has never wavered in its commitment to holding the government accountable to its real boss: the American people. I can't wait to see what the next twenty-five years will bring.

— SANDRA SILVERMAN, PRESIDENT, SCHERMAN FOUNDATION

By demonstrating the fundamental principles that we value most in the military-honesty, integrity and courage-POGO fights the good fight every day.

— PAUL RIECKHOFF, EXECUTIVE DIRECTOR AND FOUNDER, IRAQ AND AFGHANISTAN VETERANS OF AMERICA

### Major Donors in 2006

#### \$25,000+

Paul Newman

#### \$5,000-\$24,999

Anonymous (1) Harriett Crosby Marion Edey Louis Fisher

#### \$1,000-\$4,999

Anonymous (2) Bernabei & Wachtel, PLLC Dinah K. and J. Alexander Bodkin Clifford & Garde, LLP Patricia Derian and Hodding Carter, III Edith Everett David B. Hunter and Margaret B. Bowman David Lochbaum

#### \$500-\$999

Ryan Alexander and Geoffrey Fettus Henry and Caroline C. Banta Danielle Brian and Peter Stockton David Burnham and Joanne Omang Gary Gwilliam Lobel, Novins & Lamont Jeff Ludwig Robert MacLean Mehri & Skalet, PLLC Jack Mitchell Kenneth Mountcastle Jan C. Nielsen Catherine James Paglia Laron D. and Jana E. Robinson Ed Rothschild Vice Admiral Jack Shanahan (Ret.) A. Bryan and Carolyn Siebert Dr. Dennis Rowe and Dr. Susan Stewart **Timothy Strinden Robert Stuart** James C. and Margaret A. Turner Dr. Glenn Walp Anne Zill

#### \$250-\$499

Anonymous (3) Anne Bartley Robert and Norma Bauman Lisa Baumgartner Bonds and Aaron Bonds Louis Clark Beth Daley and Steve Holmer Rev. Charles Demere Myron and Penina M. Glazer Theodore Henry Sheila Krumholz Donna Martin Morton A. and Anita F. Mintz Alexander Moll Ned and Genevieve Rasor Herbert Robinson Keith W. and Pamela J. Rutter Barbara Schecter Franklin R. Silbey Marjorie Sims

POGO also extends thanks to the many contributors who gave between \$1 and \$249 in 2006. You are truly the foundation of our organization. We deeply appreciate all of our generous supporters. If we somehow neglected to acknowledge you here, please let us know and accept our regrets.



# POGO

666 Eleventh Street, NW Suite 900 Washington, D.C. 20001 Telephone: 202.347.1122 Facsimile: 202.347.1116 Email: pogo@pogo.org Website: www.pogo.org