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Opening Statement of Rep. Henry A. Waxman Chairman, Committee on Oversight and Government Reform Waste, Fraud, and Abuse at K-Town: One Year Later June 25, 2008

On June 28, 2007, almost exactly one year ago today, this Committee held an oversight hearing on the Defense Department's single largest construction project in the world: a massive 840,000 square foot mall being built in Germany called the Kaiserslautern Military Community Center (KMCC), also referred to as the K-Town Mall.

This facility will have an eight-story 350-room hotel, a movie theater with stadium seating, and large retail areas. A military spokeswoman called the K-Town Mall "a smaller version of the Mall of America in Minnesota."

Last year, GAO testified that this project was in "serious trouble." They told us it was millions of dollars over budget, had no validated cost estimate, and had no working completion date. GAO told us about the mall's defective and continuously leaking roof, which was going to cost millions of dollars to repair. And GAO told us about serious construction mistakes like kitchen exhaust ducts sealed with flammable insulation.

We also obtained a report from the Air Force Audit Agency detailing 35 different deficiencies in the Air Force's management of this project. And we were informed of several ongoing criminal investigations of U.S. officials involved with this project, including one official who fled to Dubai instead of agreeing to testify before this Committee.

During last year's hearing, officials from the Air Force essentially told us not to worry. They said that despite problems identified by GAO and the auditors, the project was under control. They promised that even if the project came in late, it would be under budget.

Part of good congressional oversight is sustained congressional oversight. So today, we are having our second hearing on the K-Town Mall.

Today we will hear from the GAO team that has been tracking this project closely. Unfortunately, their testimony will sound like the movie Groundhog Day. The project has gone further over budget and has been further delayed. Here is what today's GAO report says:

With few visible changes, no reliable construction completion date, rising repair costs, and continuing construction quality problems, the KMCC will continue to be a high-risk project.

What is most troubling about this year's report is that new problems are compounding the old ones. In addition to the faulty roof and the dangerous kitchen exhaust ducts, GAO has now identified long cracks in the concrete foundation of the building. Nobody yet knows the full extent of this damage, how long it will take to repair, or how much these repairs will cost.

Another new concern GAO raises is that the Air Force is not counting millions of dollars of costs in its budget estimates. These include costs to design portions of the mall, costs to rework deficiencies like the roof and the foundation, and costs to assign additional Air Force personnel to this project.

GAO has also raised serious questions about \$38 million in German funds that have been provided for the project. Although the Air Force believes this is a grant from the German government, the Germans apparently believe it is only a loan. And they expect to be repaid.

Finally, GAO reports that the criminal investigations of U.S. officials involved with this project "have matured significantly" since our last hearing and that several officials are being investigated for "dereliction of duty and bribery."

Here is the bottom line. This facility was supposed to cost \$120 million and be open by 2006. But today, GAO projects that the project will cost well over \$200 million and may not be open for business until some time in 2009. Even at that point, GAO predicts, "it will likely take years before all issues related to this project, including litigation and potential construction quality problems, are resolved."

As a result, 50,000 service men and women who live and work on or near Ramstein Air Base lack modern facilities. Soldiers traveling to and from Iraq and Afghanistan are deprived of promised amenities. And service members around the world have reduced funding for morale, welfare, and recreation.

At yesterday's hearing on the Afghan ammunition contract, I said that over the last eight years, there has been a complete breakdown in the procurement process. Today's hearing is more evidence of pervasive dysfunction in federal contracting. And this hearing is particularly frustrating because the glaring problems that we identified a year ago have not been fixed.

We need accountability for problems like the ones we've found at the K-Town Mall and those responsible ought to face appropriate consequences.

We urgently need a new approach that welcomes oversight and demonstrates a commitment to fixing problems and protecting taxpayers from waste, fraud, and abuse. I look forward to working with all my colleagues to make this goal a reality.