



Statement for the record by Senator Charles E. Grassley of Iowa

United States House of Representatives

Committee on Oversight and Reform

**Price Gouging in Military Contracts: New Inspector General Report Exposes Excess Profit
Obtained by TransDigm Group**

January 19, 2022

On December 13, 2021, the Department of Defense (DoD) Office of Inspector General (OIG) released yet another audit of TransDigm Group Inc. Sadly, the DoD OIG came to the same conclusions it has for nearly two decades, after multiple audits of TransDigm and its business practices. After decades of oversight, I'm afraid this has become a broken record – the DoD spends too much money – or is overcharged – and then the OIG comes along and lays out some lackluster recommendations. Not a single person is held accountable for tax dollars wasted.

Here are the facts. The DoD OIG has audited TransDigm contracts three times and has published three accompanying reports. The first report was published in 2006. The second report was published in 2019. And lastly, the most recent report – which I co-requested DoD OIG perform – was published in December of 2021. What has changed over the last 15 years? Unfortunately, not much. DoD OIG has nearly-identical recommendations in all three reports. They have routinely recommended that DoD perform adequate cost analysis prior to purchasing spare parts, obtain adequate cost or pricing data, and unfortunately, the most infuriating recommendation – request voluntary refunds for overcharging the DoD. This has happened for 15 years and it seems that nothing has improved.

If I've learned anything in my time in the United States Congress, and through decades of oversight over the DoD, it's that unless held accountable, the DoD will continue to waste taxpayer dollars to the detriment of fiscal responsibility and national security. Our warfighters deserve better. Now, let me be clear – DoD is not the only one that needs to be held accountable for the waste that has resulted from these contracts. Companies routinely take advantage of DoD's lack of fiscal accountability, and come out guns blazing to keep raking in record profits. Year in and year out, companies take advantage of the taxpayers by overcharging the DoD on spare parts by refusing to provide adequate cost data to the DoD so that there is no way to substantiate what they are charging. DoD has the tools to enact change within the Defense Federal Acquisition Regulation (DFAR) to potentially address some of these concerns, and DoD has agreed to some of these OIG recommendations. Yet, this most recent report indicates that the problem with these contracts remains.

In 2019, I went to the Senate Floor and stated that I had reached three conclusions with respect to the 2019 DoD OIG report on TransDigm:

First, fiscal controls at the DoD are AWOL – missing entirely. The Pentagon has not cleaned up its books, and won't for the foreseeable future. It cannot adequately track how money is spent or where it is going. Unless DoD can track expenditures and connect the dots to determine who benefits from certain DoD contracts, we will continue to see egregious price-gouging and companies knowingly reaping the benefits.

Second, the leadership team at the OIG has routinely exhibited an alarming hands-off approach towards stopping waste, fraud, and abuse. Without pointed recommendations that cut to the heart of many of the issues DoD faces with its accounting, the OIG signals to the DoD that it's ok to keep going along to get along. This maintains a business as usual attitude that is unacceptable. DoD OIG must take a stand against waste, fraud, and abuse that once and for all ends the charade.

Third, the pattern of egregious price-gouging by TransDigm and its subsidiaries – along with other companies – has gone unimpeded for decades. We can continue to go back and forth about how much a private company can make in profit, what is right, and what is excessive, which is difficult to determine in the absence of robust market competition. Private companies are, and must continue to be, allowed to make reasonable profits for goods and services. But we do know that the DoD is at the mercy of companies – especially those that are sole-source providers of certain parts that the DoD apparatus relies upon to maintain functioning airplanes, tanks, helicopters, and many other items necessary to protect the homeland—and this reliance means companies can charge as much as they want. Unfortunately, this leaves the taxpayers on the hook, and the DoD susceptible to price-gouging.

Since this 2019 speech, nothing substantively has changed. This time around, DoD OIG found much of the same as its previous two audits: excess, unreasonable profits and manipulative practices. Companies that support our DoD must stop the greed and the DoD must be held accountable for its lackluster attitude toward spending. It's high time that the Congress work hand-in-hand with the Pentagon to find bipartisan solutions to end these practices. DoD must take a staunch approach to waste, fraud, and abuse. In order to end spare-parts price-gouging, the DoD must have a handle on who actually makes the spare parts, who owns the design of the spare parts, and if the part is truly unavailable elsewhere in the marketplace.

Congress must take a more hands-on approach toward oversight over the DoD. The Committees of jurisdiction must finally get around to conducting deep, cutting oversight over the U.S. government's largest agency. We cannot continue shoveling money into a fire, watching as it happens, and pretending that everything is fine. Our tax dollars should go toward supporting the warfighter, not paying thousands of dollars for a simple spare part that costs peanuts to make.

I want to thank this Committee for holding this hearing, for taking this issue seriously, and for continuing the fight against waste, fraud, and abuse at the DoD. My oversight efforts will not stop. I will continue pushing back against DoD, DoD contractors, and those that wish to keep the gravy train running. As I often say, quoting Justice Brandeis, "Sunshine is the best of disinfectants." We must continue shining the light on waste, fraud, and abuse.