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Faulty Data Used for Army Corps Projects

By *Michael Grunwald*
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A Pentagon investigation has concluded that three top Army Corps of Engineers officials manipulated an economics study in an effort to justify a billion-dollar construction binge on the Mississippi and Illinois Rivers. The probe also found that the agency has a systemic bias in favor of huge projects that keep its employees busy and accommodate powerful industries.

The 168-page report on the investigation released this morning represents an extraordinary rebuke to the Corps, whose leaders had predicted at congressional hearings that it would fully vindicate their public works agency. Instead, investigators for the Army inspector general substantiated several allegations of misconduct lodged by Corps whistleblower Donald Sweeney, who was removed as head of the controversial economics study after he determined that the costs of massive lock expansions to taxpayers would far outweigh the benefits.

"I'm heartened that people took my concerns to heart," Sweeney said. "I'm happy that the Army didn't shy away from a very complex investigation in a politically charged atmosphere."

The investigators found that Corps deputy chief Gen. Russell Fuhrman, division commander Gen. Phillip Anderson and district commander Col. James Mudd all helped taint the most extensive and expensive study of navigation improvements in Corps history. Fuhrman and Mudd retired before the investigation was completed; Anderson now commands the agency's South Atlantic division. The Army report did not confirm Sweeney's allegations of wrongdoing by Gen. Hans Van Winkle, head of the civil works program, or by several civilian employees. It also found insufficient evidence to show that Sweeney was demoted because of his no-construction findings.

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But the report went well beyond the seven-year, \$57 million study of the Upper Mississippi system, challenging the overall ability of the Corps to conduct honest analyses of projects it hopes to build. The investigators noted a "widespread perception of bias among the Corps employees interviewed," including almost every Corps economist interviewed. The investigators concluded that the agency's aggressive recent efforts to expand its budget and missions, as well as its eagerness to please its corporate customers and congressional patrons, have helped "create an atmosphere where objectivity in its analyses was placed in jeopardy."

"The testimony and evidence presented strong indications that institutional bias might extend throughout the Corps," the investigators wrote. They noted that even the agency's retired chief economist told them that Corps studies were often "corrupt," and that several Corps employees cited "immense pressure" to green-light questionable projects.

Defense Secretary William S. Cohen has forwarded the report to Army Secretary Louis Caldera for possible disciplinary action, as well as "consideration of any necessary changes in Army rules, regulations and practices concerning the conduct of [Corps] studies." Fuhrman, Anderson and Mudd all denied the allegations when confronted by the investigators. The new commander of the Corps, Gen. Robert Flowers, said in a recent interview that he has not seen a need for major reforms at the agency, but noted that he had not yet seen this report.

This morning, Caldera announced that he has directed Flowers to review the report – as well as an upcoming National Academy of Sciences evaluation of the study itself – and propose any warranted changes to Corps navigation studies next year. Special Counsel Elaine Kaplan praised the report, but called on the Pentagon to take action sooner than that.

The Army Corps usually works in relative obscurity, but it is a vast and far-reaching agency, with a \$12 billion annual budget and a larger work force than Microsoft Corp. It presides over many of the nation's most contentious environmental issues, from the restoration of the Florida Everglades to the water wars on the Missouri River to the proposal to breach the Snake River dams. It also evaluates locks, dams, levees and other water projects proposed by members of Congress, and builds the ones it deems worthwhile.

In February, The Washington Post reported Sweeney's allegations about the so-called Upper Mississippi study, backed up by a trail of e-mails that appeared to order the study team to manufacture a rationale for construction. One urged the economists "to develop evidence or data to support a defensible set of . . . projects." Another declared that if the economics did not "capture the need for navigation improvements, then we have to find some other way to do it." Yet another memo revealed that top generals had announced an agency-wide initiative to "get creative" with studies in order to green-light new projects.



"They will be looking for ways to get [studies] to 'yes' as fast as possible," the memo announced. "We have been encouraged to have our study managers not take 'no' for an answer. The push to grow the program is coming from the top down."

Sweeney filed a disclosure with the Office of Special Counsel, which oversees whistleblower allegations throughout the federal government, and Army Secretary Louis Caldera announced a wide-ranging review. But the Corps commander at the time, Gen. Joe Ballard, assured Congress that when the investigation was complete, "the integrity of the Corps will be intact, and you will know that the trust you have traditionally placed in the Corps is well-founded."

But the investigators did not agree. They found, in the words of one Corps planner, that the agency's leaders saw the study as a "giant construction opportunity." They concluded that Mudd deliberately manipulated a key variable in an economics model to boost projections of barge traffic, barely nudging the projected benefits of new locks above the projected costs.

The report also blames Fuhrman and Anderson for creating a climate where manipulation was likely. Fuhrman, for example, criticized Sweeney's conclusion that no lock expansions were necessary, declaring the Corps should be an advocate for inland navigation. "His advocacy guidance was the first step in the development of a climate that led to abandonment of objectivity in the economic analysis," the report said. The e-mail trail makes clear that at higher echelons of the Corps, evidence that weakened the case for construction was routinely described as "bad news"; anything that strengthened it was "light at the end of the tunnel."

Anderson, meanwhile, was taken to task for failing to clarify orders from Fuhrman that appeared to pressure the team to concoct a case for construction. The investigators also found that he gave preferential treatment to the barge industry, allowing its representatives to become "improperly involved in the economic analysis." At one point, according to the report, the industry was given sole responsibility for a portion of the Corps economics work. "The barge industry was viewed as a partner during the study," the report found.

The report's real surprise was the criticism of institutional bias at the Corps, which was not even part of Sweeney's formal allegations. The investigators traced this bias to three factors: a "Program Growth Initiative" devised by the agency's generals to boost their budget, an agency-wide emphasis on "customer satisfaction" in an atmosphere where the customers in question want new projects, and an inherent conflict of interest for Corps districts whose budgets are determined by the amount of projects they approve. "These influences created a tension with the honest broker role inherent in . . . studies," it said.

In September, a series of Post stories raised similar questions about Corps studies, with one article chronicling an array of errors the agency made while analyzing a dredging project desired by the Port of Baltimore. Congressional leaders then considered a series of dramatic reforms for the Corps, including independent reviews for all major studies, stricter benefit-cost requirements and tougher environmental standards. Ultimately, though, they decided on a study of future reforms, and promised more hearings next year. Water projects, after all, are a form of currency on Capitol Hill, and the Corps is a highly popular agency.

At a news conference this morning, Sweeney said he hopes his disclosures will provide some momentum for big changes at the Corps. He also acknowledged that he will not hold his breath.

"I think this is an opportunity for change," said Sweeney, who still works in the agency's St. Louis District. "It's remarkable that the Army found systemic bias at the Corps. . . . But in my heart of hearts, I'm an economist. I'm a professional cynic. I just don't know."

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