

# Wasted Riches

New Senate committee report reveals government departments routinely waste billions upon billions of dollars each year through financial mismanagement.

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## InsightMag.com

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The horrific events of Sept. 11 temporarily sidelined the bitterly partisan haggling about the federal budget. But a growing number of insiders on Capitol Hill are becoming convinced that the debate about how the nation's financial resources are used may be as important as any debate concerning the "first war of the 21st century," and very well may determine the success of future actions in that war.

With the dust still settling from the attacks on the World Trade Center and the Pentagon, unity has been the order of the day, with little time or inclination for finger-pointing about the breakdown of intelligence, home defense and readiness. The time for this will come soon enough. **There are for the moment few willing to go on record about how outrageously financial resources have been squandered during the last eight years. But the fact is that trillions of dollars have been appropriated by Congress without accountability and with no systematic means of determining whether the level of**

appropriation is enough or even if the money was spent for its appropriated purpose. It is almost as though the profligate “Boss Tweed” of New York’s Tammany Hall had been resurrected on the federal level (see Tweed on cover).

Already there is talk about renewed deficit spending among both Democrats and Republicans to fund the war on terrorism and to accommodate new economic-stimulus packages, including another round of tax cuts. **But critics quietly are asking how future spending needs even can be approximated without reliable accountability.**

Financial fudging in the Cabinet departments long has been a sore point for the inspectors general (IGs) and the General Accounting Office (GAO), charged with keeping an eye on waste and abuse. Now President George W. Bush has entered the fray. He is well aware that to win a war — whether it be a war on drugs, crime, hunger or terrorism — every resource is precious. He made that clear in his 2002 Management Agenda, where he said: **“Without accountability, how can we ever expect results? Under my administration, we will bring this cycle of failure to an abrupt end.** As president, I will hold affected agencies accountable for passing their audits not later than 2002. I will say to those in place, ‘Get your audits right.’”

*What is the “cycle of failure” to which the president is referring?* While there are numerous examples of god-awful financial mismanagement among federal agencies and departments, nowhere is it worse than in the area of national security. **Last year (and every year since audits**



**have been required) the Department of Defense (DOD) not only could not produce a clean audit but was unable to account for at least \$1.1 trillion** (see "Rumsfeld Inherits Financial Mess," Sept. 3).

Little wonder the president ordered a complete reorganization of the DOD. To understand the importance of fiduciary responsibility even in a time of crisis, consider that if Defense Secretary Donald Rumsfeld and the Bush team at the Pentagon had that \$1.1 trillion today, it could buy 244 Nimitz-class aircraft carriers at a cost of \$4.5 billion each, 19,298 F/A18-E/F Super Hornet Fighters at a cost of \$57 million each or 343,750 Bradley fighting vehicles at a total cost of \$3.2 billion. Furthermore, using a reasonable estimate of \$3 billion, the \$1.1 trillion that is unaccounted for could pay for the construction of 367 brand-new Pentagon buildings, or seven Pentagons per state.

Insight offers these hypotheticals to help focus on accountability and spending priorities at a time when the popular impulse may be to damn the torpedoes and speed the spending. The consensus of national-security specialists is that **funding levels hardly can be blamed for the Clinton-era intelligence and policy failures that made possible the Sept. 11 attacks.**

In any case, Congress has oversight of all appropriated

funds and shortly will determine how much is needed per department and agency to run the federal government for fiscal 2002. Congress for years has been concerned about how wastefully tax money is spent and is taking corrective actions to rein in the problem at all levels. (Bob's Note: This is pure bullshit. For the last 8 years it didn't matter whether the Republican's or the Democrap's were in power. Nobody ever seriously considered fiscal responsibility in Clinton's Criminal era.) In June, Sen. Fred Thompson (R-Tenn.) (Bob's Note: this is the same Fred Thompson who let Clinton off the hook in crime after crime during his expensive and worthless "investigation" of Clinton's crimes against the United States.), ranking minority member on the Senate Governmental Affairs Committee, issued the two-volume report Government on the Brink, the first in years seriously to address waste, fraud and abuse within the federal government.

According to the Thompson report, "Because of its size and scope, and the terrible way it is managed, the federal government wastes billions and billions of your tax dollars every year. The waste, fraud and abuse reported to the Governmental Affairs Committee each year is staggering. Of course no one knows exactly how much fraud, waste and mismanagement cost the taxpayers because the federal government makes no effort to keep track of it." (Bob's Note: This is another lie. If Thompson and the other "Senators for Life" had ever bothered to do anything with the hundreds, perhaps thousands, of whistleblowers on financial abuse in the Clinton years a great deal of this "fraud, waste and mismanagement" would have been stopped. But because they were all afraid of what each of their FBI files had in them, at least 1,000 files exclusively on Republican's, Clinton could extort their silence on this and practically any other political issue he desired. That is the reason why this article misses the point. The last 8 years everybody in Congress marched in lockstep with the Clinton Criminals or they suffered the penalty. Honest politicians often lost their seats in congress.)



Using data provided by a variety of official sources, including the IGs of each federal agency and the GAO, Thompson's Government on the Brink provides a comprehensive guide to each agency's strengths and weaknesses. **What is most revealing, however, is the number of departments that simply cannot account for billions of dollars.** Consider the following from the Thompson report:

Department of Defense: "Despite the massive audit effort, the Department of Defense could not overcome the fundamental inadequacy of its financial-reporting systems and produce reliable data. The department continues to confront pervasive and complex financial-management problems that can seriously diminish the efficiency of the military services' support operation. There is no major component of the Defense Department that can balance its books."

Department of Agriculture: "Because its financial management is so deficient, the department can't ensure that its financial statements are reliable and presented in accordance with generally accepted accounting principles. For fiscal 2000 — the seventh straight year — the Agriculture Department failed its annual financial audit."

Department of Education: "With the exception of fiscal year 1997, the Department of Education has not received an unqualified or 'clean' opinion on its financial statements since its first agencywide audit. That means it can't even balance its books once a year. Needless to say, it can't manage its money on a day-to-day basis."

Department of Health and Human Services: "The Department got an unqualified or 'clean' opinion on its financial statements for fiscal year 2000. However, it still can't use its financial systems for day-to-day management. The department's clean opinion came only after billions of dollars of discrepancies were figured out many months after the end of the fiscal year."

Department of the Treasury: "GAO has reported that the federal government is not able to properly and consistently compile financial statements, identify and eliminate

intragovernmental transactions or reconcile the results of operations in the financial statements with the budget results.”

And these summaries are just a sample of nearly a dozen departments plagued with financial problems. Eleven of the 24 major federal agencies and departments have financial-management problems, and of those 11 none received a grade higher than D-plus from Rep. Steve Horn (R-Calif), chairman of the House Government Reform subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations. For years he has reported on the state of federal management in an annual report card.

Despite the inability of the federal bureaucrats properly to account for their funds, their budgets remain the same or have been increased. For fiscal 2002 the president requested increases for both the DOD and the Department of Education. The total amount requested for the 11 departments and agencies unable properly to account for their money comes to nearly \$1.4 trillion — some 86 percent of the total fiscal 2002 budget request of \$1.9 trillion. Already this figure has been augmented in light of recent events with the supplemental \$40 billion for use in the wake of the Sept. 11 attacks.

No one is sure just how much of that \$40 billion will be used by the DOD, but how it is used is important. John Schofield, communications director for the House Appropriations Committee, tells Insight: “We’re always monitoring agencies, regardless of the crisis. But there’s a broad consensus that the president needed some authority and flexibility to do some things immediately.”

Brenna Hapes, House Budget Committee communications director, agrees. “We’re not sure yet where to expect budget increases, but we’re always looking for ways to ensure that the money given to agencies is spent wisely and appropriately. As for the \$40 billion request, oversight hasn’t been our focus in the last week-and-a-half. We need to balance and make sure that we have what we need for however long it takes.” But, concludes Hapes, “we don’t want it to be carte blanche either. Congress is going to retain the authority to monitor how the money is spent, and that was a lot of the discussion



surrounding the supplemental.”

Thomas Stanton, an attorney and academic at the Johns Hopkins Center for the Study of American Government, is upbeat about how the federal government will pull it together. “This country is pretty good in a crisis and there’s good reason to get the [financial-tracking] systems working well, and I’m optimistic. Our problem has been that we didn’t have a demand for results and some agencies have done their own thing. I think a possible next step is an oversight committee that says, ‘We’re gonna give you tough love. We’re gonna work with you and move you until you’re a capable agency.’ It just can’t be a case of firing a shot over the bow and everything is going to be all right.”

“Tough love” in the form of financial accountability may be one outcome of the crisis that began Sept. 11. Congress has acted to ensure the president has at his grasp all the resources necessary to do what is needed. Now, more than ever, it is necessary that the federal government be held accountable for responding responsibly.

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