

U.S.'s Missing \$Trillions Make Mainstream At Last

Scoop
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- Scoop Editor's Introduction
- Notes On What a Trillion Dollars Is
- Pentagon is winning the battle for \$400bn budget
- Pentagon Fights For (Its) Freedom
- COLOR CODES - The Deja Vu View, Back to abnormal
- Military waste under fire - \$1 trillion missing

Scoop Editor's Introduction

Scoop readers will be well aware of the tale of the missing trillions of dollars from the US Department of Defense. The story of the missing trillions that the world's biggest military organisation has been unable to properly account for has till now been mainly confined to the fringes -- though it was originally published in *Insight Magazine* (A Washington based investigative magazine owned by the *Washington Times* company) in reports by Kelly Patricia O'Meara. The missing monies are a central plank to the work of Scoop Columnists Catherine Fitts and Chris Sanders.

For the original missing trillions stories see, "Government Fails Fiscal-Fitness Test" posted on April 29, 2002 (<http://www.insightmag.com/main.cfm?include=detail&storyid=246188>). The elevation of this blockbuster story into the mainstream came after the *San Francisco Chronicle* ran a front page investigative piece a week ago. The full text of this article is included below for archival and educational purposes.

Since publication of the *Chronicle* article several more mainstream mentions have been made of the story in other media including as you see below *CBS news* and the *Guardian* in the United Kingdom.

Notes On What a Trillion Dollars Is

Finally, when reading the following it is worth pausing for a moment to consider just how much USD\$1 trillion is.

A stack of 10 \$100 dollar bills is roughly 1 mm thick and USD\$10,000 in \$100 dollar bills is a centimetre thick. From this we can deduce.

\$1 million = a 1 meter high pile of \$100 dollar bills.

\$1 billion = a kilometer high pile of \$100 dollar bills.

\$1 trillion = a 1000 kilometer high pile of \$100 dollar bills (enough to stretch from Washington to New York three times -- or from Christchurch to Auckland.)

\$3.3 trillion = 3300 kilometers of \$100 dollar bills (enough to stretch easily from New Zealand to Australia or most of the way across the United States.)

Or put another way . . .

US GDP is roughly USD\$10 Trillion a year -- ten times USD\$1 Trillion -- and three times the \$3.3 Trillion unaccounted for by the DoD. NZ GDP is roughly USD\$50 Billion -- one twentieth of \$1 Trillion.

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So much for the peace dividend: Pentagon is winning the battle for a \$400bn budget

Despite huge military inefficiency, Republicans return US defence spending to cold war levels to buy cold war weaponry

Julian Borger in Washington and David Teather in New York

Thursday May 22, 2003

The Guardian

The biggest US defence budget since the cold war is being rammed through Congress by the Republican majority this week despite persistent questions over waste and the Pentagon's own admission that it cannot account for more than a trillion dollars. . . .

Some Democrats in Congress have vigorously objected to the bill, at a time of unbridled Pentagon waste. In an open letter to leaders of both parties, they said: "To date, no major part of the department of defence has passed the test of an independent audit."

The Pentagon's own inspector general recently admitted that the department could not account for more than a trillion dollars of past spending. A congressional investigation reported that inventory management in the army was so weak it had lost track of 56 airplanes, 32 tanks, and 36 missile launchers.

"There's no accountability," said Danielle Brian, head of the Washington budget watchdog, Project on Government Oversight. "Any other agency would be closed down but the Pentagon is Teflon. Any challenge to the Pentagon is seen as unpatriotic." . . .

The Pentagon budget currently accounts for half of all the US government's discretionary expenditure, and is nearly twice the defence spending of the next 15 of the world's military powers combined.

The 'something for everyone' budget suggests that the Pentagon's close ties with the defence industry have outweighed the reforming zeal the new administration brought to office. As a recent *New York Times* article pointed out, James Roche, the outgoing air force secretary (now taking over the army) is a former president of Northrop Grumman; his assistant secretary Nelson Gibbs is another Northrop alumni. An under secretary at the air force, Peter Teets, was chief operating officer at Lockheed while Michael Wynne, a defence department under secretary, was a former senior vice-president at General Dynamics. The defence secretary himself, Donald Rumsfeld, is an ex-director of a General Dynamics subsidiary and Paul Wolfowitz, deputy defence secretary, acted as a consultant to Northrop.

Full version: <http://www.guardian.co.uk/Print/0,3858,4674259,00.html>

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Pentagon Fights For (Its) Freedom

May 19, 2003

CBS

(CBS) The Pentagon would get expanded powers to shift personnel and money, avoid regulations and reduce the reports it provides to Congress under a Bush administration proposal that both the House and Senate may debate this week.

Defense officials say the Defense Transformation for the 21st Century Act will increase efficiency and eliminate waste, but opponents believe the bill would erode congressional oversight.

According to the *San Francisco Chronicle*, the plan is designed to address problems like \$1 trillion in spending the Pentagon's Inspector General recently said was not properly accounted for, and the missing equipment reported by the General Accounting Office, which included 56 airplanes and 32 tanks.

Full version: <http://www.cbsnews.com/stories/2003/05/19/national/main554514.shtml>

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COLOR CODES

The Deja Vu View

Back to abnormal

Stephanie Salter, Insight Staff Writer

May 25, 2003

San Francisco Chronicle

War's over. Back to normal. Which means . .

The United States is on orange alert again. (Raise your hand if you knew we were ever off.) Increased "chatter" -- the spook euphemism for deadly terrorist threats -- is to blame. Chatter plus recent suicide bombings in Israel, Riyadh and Casablanca.

Normal before last weekend was "Casablanca," the 1943 movie starring Humphrey Bogart and Ingrid Bergman. But young Muslim extremists transformed the fabled Moroccan city into a line from the film: "My dear Mademoiselle, perhaps you have already observed that in Casablanca human life is cheap." . . .

But normal also means it's OK again to criticize the Defense Department. Thus, the Pentagon must explain to federal bean counters how it lost track of \$3 trillion in spending (yes, trillion), as well as 56 planes, 36 missile command launch units and 32 tanks.

Full version:

<http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2003/05/25/IN244074.DTL&type=printable>

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Military waste under fire

\$1 trillion missing -- Bush plan targets Pentagon accounting

by Tom Abate, Chronicle Staff Writer, Page A-1

May 18, 2003

San Francisco Chronicle

The Department of Defense, already infamous for spending \$640 for a toilet seat, once again finds itself under intense scrutiny, only this time because it couldn't account for more than a trillion dollars in financial transactions, not to mention dozens of tanks, missiles and planes.

The Pentagon's unenviable reputation for waste will top the congressional agenda this week, when the House and Senate are expected to begin floor debate on a Bush administration proposal to make sweeping changes in how the Pentagon spends money, manages contracts and treats civilian employees.

The Bush proposal, called the Defense Transformation for the 21st Century Act, arrives at a time when the nonpartisan General Accounting Office has raised the volume of its perennial complaints about the financial woes at Defense, which recently failed its seventh audit in as many years.

"Overhauling DOD's financial management operations represent a challenge that goes far beyond financial accounting to the very fiber of (its) . . . business operations and culture," GAO chief David Walker told lawmakers in March.

What Happened To \$1 Trillion?

Though Defense has long been notorious for waste, recent government reports suggest the Pentagon's money management woes have reached astronomical proportions. A study by the Defense Department's inspector general found that the Pentagon couldn't properly account for more than a trillion dollars in monies spent. A GAO report found Defense inventory systems so lax that the U.S. Army lost track of 56 airplanes, 32 tanks, and 36 Javelin missile command launch-units.

And before the Iraq war, when military leaders were scrambling to find enough chemical and biological warfare suits to protect U.S. troops, the department was caught selling these suits as surplus on the Internet "for pennies on the dollar," a GAO official said.

Given these glaring gaps in the management of a Pentagon budget that is approaching \$400 billion, the coming debate is shaping up as a bid to gain the high ground in the battle against waste, fraud and abuse.

"We are overhauling our financial management system precisely because people like David Walker are rightly critical of it," said Dov Zakheim, the Pentagon's chief financial officer and prime architect of the Defense Department's self-styled fiscal transformation.

Among the provisions in the 207-page plan, the department is asking Congress to allow Secretary of Defense Donald Rumsfeld to replace the civil service system governing 700,000 nonmilitary employees with a new system to be detailed later.

The plan would also eliminate or phase out more than a hundred reports that now tell Congress, for instance, which Defense contractors support the Arab boycott of Israel and when U.S. special forces train foreign soldiers, as well as many studies of program costs.

The administration's proposal, which would also give Rumsfeld greater authority to move money between accounts and exempt Defense from certain environmental statutes, prompted influential House Democrats to write Speaker Dennis Hastert last week complaining that the proposals would "increase the level of waste, fraud, and abuse . . . by vastly reducing (Defense) accountability."

"The Congress has increased defense spending from \$300 billion to \$400 billion over three years at the same time that the Pentagon has failed to address financial problems that dwarf those of Enron," said Rep. Henry Waxman, D-Los Angeles, one of the letter's signatories.

Saying critics of the bill "were arguing for more paperwork," Hastert spokesman John Feehery said his boss would support the Bush reforms on the House floor. "The purpose is to streamline the Pentagon to become a less bureaucratic and more efficient organization . . . while also making it more accountable," Feehery said.

Process Will Take Months

The debate will center around the defense authorization bill, the policy-setting prelude to the defense appropriations measure that comes up later in the session. With the House and Senate considering different versions of the transformation proposals, it will be months before each passes its own bill and reconciles any differences.

But few on Capitol Hill would deny that, when it comes to fiscal management, Defense is long overdue for "transformation."

In congressional testimony Rumsfeld himself has said "the financial reporting systems of the Pentagon are in disarray . . . they're not capable of providing the kinds of financial management information that any large organization would have."

GAO reports detail not only the woeful state of Defense fiscal controls, but the cost of failed attempts to fix them.

For instance, in June 2002 the GAO reviewed the history of a proposed Corporate Information Management system, or CIM. The initiative began in 1989 as an attempt to unify more than 2,000 overlapping systems then being used for billing, inventory, personnel and similar functions. But after "spending about \$20 billion, the CIM initiative was eventually abandoned," the GAO said.

Gregory Kutz, director of GAO's financial management division and co-author of that report, likened Defense to a dysfunctional corporation, with the Pentagon cast as a holding company exercising only weak fiscal control over its subsidiaries -- the Army, Navy, Air Force and Marines. Today, DOD has about 2,200 overlapping financial systems, Kutz said, and just running them costs taxpayers \$18 billion a year.

"The (Pentagon's) inability to even complete an audit shows just how far they have to go," he said.

Kutz contrasted the department's loose inventory controls to state-of-the-art systems at private corporations.

"I've been to Wal-Mart," Kutz said. "They were able to tell me how many tubes of toothpaste were in Fairfax, Va., at that given moment. And DOD can't find its chem-bio suits."

Critics Called Unpatriotic

Danielle Brian, director of the Project on Governmental Oversight, a nonprofit group in Washington, D.C., said waste has become ingrained in the Defense budget because opposition to defense spending is portrayed as unpatriotic, and legislators are often more concerned about winning Pentagon pork than controlling defense waste.

"You have a black hole at the Pentagon for money and a blind Congress," Brian said.

But things may be changing.

GAO's Kutz said Rumsfeld has "showed a commitment" to cutting waste and asked Pentagon officials to save 5 percent of the defense budget, which would mean a \$20 billion savings.

Legislators are also calling attention to Defense waste. "Balancing the military's books is not as exciting as designing or purchasing the next generation of airplanes, tanks, or ships, but it is just as important," Sen. Robert Byrd, D-W.V., said last week. In a hearing last month about cost overruns, Rep. John Duncan, R-Tenn., of the House Committee on Government Reform said: "I've always considered myself to be a pro-military type person, but that doesn't mean I just want to sit back and watch the Pentagon waste billions and billions of dollars."

But while Capitol Hill sees the need, and possibly has the will to reform the Pentagon, the devil remains in the details, and the administration aroused Democratic suspicions when it dropped its 207-page transformation bill on lawmakers on April 10 -- leaving scant time to scrutinize proposals that touch many aspects of the biggest department in government.

"We have as much problem with the process as with the substance," said Rep. John Spratt, D-S.C., who co-signed Waxman's letter calling the transformation bill "an effort by the Department to substantially reduce congressional oversight and public accountability."

Defense's Zakheim counters that the reform proposals would "remove the barnacles of past practices (and provide) DOD with modern day management while preserving congressional oversight and prerogatives."

But Waxman, a critic of the administration's handling of Iraqi reconstruction contracts, called the proposals "a military wish list" to take advantage of "the wartime feeling."

"Secretary Rumsfeld is hoping to march through Congress like he marched through Iraq," Waxman said.

Original version: <http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2003/05/18/MN251738.DTL&type=printable>

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