

Enron On The Potomac

By **George C. Wilson**

■ Lawmakers return this week to a compost heap of phone messages, staff memos, political tracts, newspaper clips, party invitations, government and non-government reports. They would be well served, and hopefully enraged, if they pulled out of the pile one mercifully thin non-government report detailing how the Pentagon — despite years of promises — still does not know where many of its taxpayers' billions are going.

"The Defense Department's financial management practices would put any civilian company out of business," concluded Kwai Chan in his little-noticed but devastating report entitled "Financial Management in the Department of Defense: No One is Accountable." Chan, until last year an assistant inspector general for the EPA and before that an executive at the GAO, wrote the report under the sponsorship of Business Leaders for Sensible Priorities, a privately funded pressure group that recently took out a full-page ad in *The New York Times* calling for the resignation of Defense Secretary Rumsfeld because of alleged incompetence.

Chan's report suggests Congress is tolerating an Enron on the Potomac by allowing the Pentagon to flout the Chief Financial Officers Act lawmakers passed in 1990 to "bring more effective general and financial management practices to the federal government." Laments Chan: "Today, if the Defense Department were a private business, it would be involved in a major scandal. Despite congressional concern, several government oversight reports and much time, the Defense Department still has the same severe financial management problems — so much so that it seems to be an accepted part of the system. No one really pays much, if any, attention to the issue, not even the press."

Driving Chan to that despairing conclusion were such findings as these set forth in his report:

— Because of the jumble of accounting systems used by the Defense Department, nobody can determine "the magnitude of fraud, waste or abuse. These are not just unmeasured but unmeasurable." Chan noted that Pentagon Comptroller John Hamre told Congress in 1995 that the Pentagon had 250 finance and accounting systems in 1990, "most incompatible with each other."

A year later, Pentagon Inspector General Eleanor Hill told Congress the number "stood at 324 in 1991 and is down to 122 now." Notes Chan, "The Comptroller and the IG couldn't even agree as to the number of financial systems they started with in 1990 when the CFO Act was passed."

— The Pentagon could not ex-

plain how \$1.2 billion worth of its supplies were shipped to Iraq but never reached the Army addressees. "While DoD doesn't know where most of their supplies are [or] what condition they're in," states Chan after reviewing GAO reports, the Pentagon has \$35 billion worth of supplies and equipment it doesn't need. "Just like losing track of the money, DoD loses track of its supplies."

— "GAO estimated that DoD purchased at least \$100 million in airline tickets that it did not use and did not claim refunds [for] from 1997 to 2003."

Sen. Robert Byrd, D-W.Va., at Rumsfeld's confirmation hearing by the Senate Armed Services Committee in 2001, noted that the Pentagon's own inspector general had acknowledged that it could not give an accounting for \$2.3 trillion the Defense Department spent. "The state of affairs did not occur on your watch, but you are inheriting it. Now my question to you is, Mr. Secretary, what do you plan to do about this?"

"Decline the nomination," Rumsfeld quipped, provoking a ripple of laughter. Rumsfeld went on to say that he felt "some folks from outside" the government would have to devise a system to straighten out the Pentagon's accounting mess. "I think it is going to take a period of years

to sort it out. I recognize the problem, and, if it is not solved, I hope at least when I leave that it will be better than it was when I came in," he said

I asked Chan, who read piles of studies by GAO and other government watchdog agencies before writing his own report, whether Rumsfeld has made any headway in cleaning up the accounting mess at the Pentagon. "I've seen no improvement," Chan said. "It appears worse." Chan noted that the Pentagon is spending a lot more money today that it was five years ago, virtually assuring that the waste is greater. "Everybody is playing with the money," he said of Pentagon dollars, "and nobody seems to care about it."

Chan's recommendation is for Congress to give the Pentagon comptroller the power and money needed to fire people who fail to bring order out of the current chaos in financial management. But I have heard Pentagon leaders pledge accounting reform for 40 years now. The Defense Department is too politicized to reform itself, in my view. When was the last time we had a fully certified accountant, rather than a political operative, as chief financial officer or inspector general?

Nothing will change, as I see it, until Congress takes the Special Counsel route and appoints a distinguished panel of outside financial experts, including accountants, and makes its recommended overhaul of Pentagon financial practices the law of the land.

"The Defense Department's financial management practices would put any civilian company out of business," concluded Kwai Chan, former assistant inspector general for the EPA.

■ **"Forward Observer,"** an insider's look at defense and military topics, appears every other Monday in **CongressDailyAM**. Special Correspondent George C. Wilson can be reached at gwilson@nationaljournal.com.