



Ignoring the Pentagon's Multi-Trillion-Dollar « Accounting Error »

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Mondialisation.ca, 04 septembre 2016

[FAIR](#) 2 septembre 2016

Région : [USA](#)

Thème: [Global Economy](#), [Militarization and](#)

[WMD](#)

In 2014, the New York Times ([10/12/14](#)) ran a major investigative piece by reporter James Risen about several billion dollars gone missing, part of a shipment of pallets of \$12 billion—\$14 billion in C-notes that had been flown from the Federal Reserve into Iraq over a period of a year and a half in an effort to kickstart the Iraqi economy following the 2003 US invasion. Risen reported that about \$1.5 billion of the cash, somehow stolen, had been discovered in a bunker in Lebanon by a special inspector general appointed to investigate corruption in the US occupation of Iraq. The article got front-page play.

Earlier that same year, the Washington Post ([4/7/14](#)) ran a story reporting the US State Department inspector general's finding that during Hillary Clinton's years as secretary, the State Department had lost records for or misreported some \$6 billion in government contracts. (State claimed the money was not lost, just not accounted for.)

These stories are basic Journalism 101, the kind of bread-and-butter reporting on government that one expects from a major news organization. So how to explain that neither of these prestigious and influential newspapers—or practically any of the corporate media in the US, for that matter—bothered to mention it when the Pentagon's inspector general this year issued a report blasting the US Army for misreporting \$6.5 trillion (that's not a typo; it's trillion with a T) as its spending total for the 2015 fiscal year.

Now, clearly that number cannot be correct, since the entire Pentagon budget for 2015 was a little over \$600 billion, or less than 10 percent of what the Army was saying it had spent.

Even if this were just an outrageous accounting error, it would certainly seem to merit a news article. But the IG's office did not see it as a laughing matter. The 63-page report, released July 26 at the direction of Principal Deputy Inspector General Glenn A. Fine (the last IG left office in January and hasn't been replaced), concludes:

The Office of the Assistant Secretary of the Army (Financial Management & Comptroller) (OASA[FM&C]) and the Defense Finance and Accounting Service Indianapolis (DFAS Indianapolis) did not adequately support \$6.5 trillion in year-end JV adjustments made to AGF data during FY 2015 financial statement compilation. The unsupported JV adjustments occurred because OASA(FM&C) and DFAS Indianapolis did not prioritize correcting the system deficiencies that caused errors resulting in JV adjustments, and did not provide sufficient guidance for supporting system-generated adjustments.

In addition, DFAS Indianapolis did not document or support why the Defense

Departmental Reporting System-Budgetary (DDRS-B), a budgetary reporting system, removed at least 16,513 of 1.3 million records during third quarter FY 2015. This occurred because DFAS Indianapolis did not have detailed documentation describing the DDRS-B import process or have accurate or complete system reports.

As a result, the data used to prepare the FY 2015 AGF third quarter and year-end financial statements were unreliable and lacked an adequate audit trail. Furthermore, DoD and Army managers could not rely on the data in their accounting systems when making management and resource decisions.

There's a lot of jargon and a lot of use of DOD acronyms in there, but the key point that makes this story newsworthy is the last sentence (as well as the alarming bit about 16,500 missing records). If the Army is making up numbers—and that's exactly what "unsupported adjustments" means to an accountant—then nobody, not a reporter, not a congressional oversight committee, not even an inspector general, can tell what allocated funds are actually being spent on, where the money really went, whether programs are cost-effective, or even whether funds were misused or stolen. And we're talking about the single biggest department in the US government, which accounts for more than one-half of all discretionary federal spending each year.

When I called the Pentagon's public affairs office for a response to the IG's report, it was a week in coming. Finally Bridget Serchak, chief of public affairs for the DOD Office of Inspector General, emailed me this:

For clarification, these numbers reflect changes made in Fiscal Year 2015.... These adjustments do not adjust the budget amount for the Army. The dollar amounts are possible because adjustments are made to the Army General Fund financial statement data throughout the compilation process for various reasons such as correcting errors, reclassifying amounts and reconciling balances between systems. The general ledger data that posts to a financial statement line can be adjusted for more than the actual reported value of the line. For example, there was a net unsupported adjustment of \$99.8 billion made to the \$0.2 billion balance reported for Accounts Receivable.

Remember, this is just a report on the Army's budget. It turns out that the same kind of indecipherable, fantastical and unauditible accounting is being done by the Navy, the Air Force and the Marines.

U.S. Army fudged its accounts by trillions of dollars, auditor finds



Reuters (8/19/16) had one of the few media reports on the Pentagon's mammoth accounting errors.

One news outfit that did report on this scandal is Reuters. Journalist Scot J. Paltrow first reported on the DOD's doctored ledgers and inscrutable accounting in 2013 in a series of stories that culminated in an article published on November 18, 2013, headlined ["Special Report: The Pentagon's Doctored Ledgers Conceal Epic Waste."](#)

Paltrow also wrote a report on the latest IG's report, published by Reuters on August 19, headlined ["US Army Fudged Its Cccounts by Trillions of Dollars, Auditor Finds."](#)

Where the rest of the media took no notice of the Pentagon IG's scathing report, preferring to focus instead on the report of another IG over at the State Department who had investigated Democratic presidential candidate and former Secretary of State Hillary Clinton's improper and illegal use of a private server in her home to handle her official State Department business, Paltrow homed in on the reason this is a big story. He went to a major Defense Department critic to explain:

"Where is the money going? Nobody knows," said Franklin Spinney, a retired military analyst for the Pentagon and critic of Defense Department planning.

The significance of the accounting problem goes beyond mere concern for balancing books, Spinney said. Both presidential candidates have called for increasing defense spending amid current global tension.

An accurate accounting could reveal deeper problems in how the Defense Department spends its money. Its 2016 budget is \$573 billion, more than half of the annual budget appropriated by Congress.

The thing is, the Pentagon has been at this dodgy game for decades. In 1996, Congress passed a law requiring all federal agencies to comply with federal accounting standards, to produce budgets that are auditable and to submit an audit each year. At this point, two

decades later, the Pentagon has yet to comply with that law, and therefore cannot be audited.

It is the only federal agency that is not complying or, the IG's report suggests, even trying to comply.

One would think that would be newsworthy, but apparently for the major newsrooms of the US, not so much.

Edward Herman, noted media critic and co-author with Noam Chomsky of the book *Manufacturing Consent*, says the media love to report on Pentagon waste—things like the epic cost overruns on the F-35 boondoggle that still can't fly in combat or a \$600 toilet seat. That kind of story, he says "is something the media and public grasp easily." Such reporting, he argues, "shows the Pentagon makes mistakes but not that it is massively looting the public coffers." It also "shows that the media is on the alert in protecting the public interest."

Herman says, "Repeated failure to report on a refusal by the Pentagon to allow an audit represents a major media failure, and one that is almost surely very costly to the general public." He adds:

The failure to take up this important story reflects, at a deeper level, the power of the Pentagon and the unwillingness of the media or politicians to challenge it. Only power and the derived conflicts of interest can explain this remarkable ability of the Pentagon to avoid a legally required audit.

Requests for comment from the New York Times and the Washington Post about their non-coverage of this \$6.5-trillion Pentagon scandal went unanswered as of press time.

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