

THE PENTAGON NUMBERS: FAILURE BY ANY MEASURE

After years of avoiding the legal requirement that the Pentagon undergo a thorough financial audit, which cost some \$413 million and covered every military asset, from buildings, fences, storage tanks, planes, computers, spare parts, invoices, purchase orders and contracts, it was recently completed by 1,200 outside accountants and analysts.

The Pentagon had nearly three decades to prepare for this accounting Judgment Day. While federal agencies were mandated by Congress in 1990 to begin performing annual financial audits, the Pentagon resisted for so long that it became the last one to comply with the law. Private companies, accountable to shareholders, couldn't get away with that.

"We failed the audit," Deputy Defense Secretary Patrick Shanahan told reporters with a curiously nonchalant air. "We never expected to pass it."

The Army, Navy, Air Force and Marines and most other divisions failed, which means they were unable to show that they were properly keeping track of their finances and assets. The Government Accountability Office, put the Defense Department on its list of agencies vulnerable to fraud, waste and abuse in 2015.

The auditors couldn't account for where all the money went in the world's largest military organization- \$2.7 trillion in assets and \$2.6 trillion in liabilities because of flaws in information technology systems.

The Pentagon is an enormous bureaucracy — three million people, 15,700 aircraft, 280 ships, 585,000 facilities at 4,700 sites worldwide, an annual budget of \$700 plus billion — The Department manages a worldwide real property portfolio that spans all 50 states, U.S territories, and foreign countries, infrastructure includes more than 585,000 facilities (buildings and structures) located on more than 4,700 sites worldwide. These sites represent nearly 26.9 million acres that individually vary in size from training ranges with over 3.5 million acres to single weather towers or navigational aids isolated on sites of less than one one-hundredth (0.01) of an acre.

Some experts say that expecting a clean bill of health on the first audit was never realistic. The United States has appropriated and is obligated to spend an estimated \$5.9 trillion (in current dollars) on the war on terror through Fiscal Year 2019. This number differs substantially from the Pentagon's estimates of the costs because it includes not only war appropriations made to the Department of Defense spending in the war zones of Iraq, Syria, Afghanistan, Pakistan, and in other places the government designates as sites of "overseas contingency operations," but also includes spending across the federal government that is a consequence of these wars- related spending by the Department of State, past and obligated spending for war veterans' care, interest on the debt incurred to pay for the wars, and the prevention of and response to terrorism by the Department of Homeland Security. While the federal budget deficit has skyrocketed to \$779 billion — and the military is insisting it needs more money.

Granted a virtual blank check to fight terrorism, it still gets most of what it wants. It accounts for more than half of the federal discretionary spending, with a budget greater than the military spending of the next seven countries combined, including China and Russia.

If the US continues on its current path, war spending will continue to grow. The Pentagon currently projects \$80 billion in Overseas Contingency Operations (OCO) spending through FY2023. Even if the wars are ended by 2023, the US would still be on track to spend an additional \$808 billion to total at least \$6.7 trillion, not including future interest costs. Moreover, the costs of war will likely be greater than this because, unless the US immediately ends its deployments, the number of veterans associated with the post 9/11 wars will also grow. Veterans benefits and disability spending, and the cost of interest on borrowing to pay for the wars, will comprise an increasingly large share of the costs of the US post 9/11 wars.

There are major flaws in how the Pentagon handles its information technology. The flaws include failing to revoke the credentials of former employees and using systems that can be hacked.

Officials said the auditors accounted for all major military equipment, even



discovering \$53 million worth of uninstalled missile motors at Hill Air Force Base in Utah that were cataloged erroneously as "not in working condition." That's an improvement from January, when defense officials acknowledged that they had lost track of 39 Black Hawk helicopters.

But the Pentagon was found to lack the systems and controls needed to "provide assurance over the existence, completeness and the valuation of inventory and related property recorded in the financial statements." In all, the audit identified 20 "material weaknesses" that "could adversely affect DoD's financial operations."

They discovered ineffective payment systems, outdated financial management information technology systems, and an inability to substantiate that Pentagon real estate assets were properly cataloged and valued, among other complaints. We don't know how the Pentagon's money is being spent. We know what the total appropriated funding is for each year, but we don't know how much of that funding gets spent on the intended programs, what things actually cost, whether payments are going to the proper accounts. If this was happening in the private sector, people would be fired and prosecuted.

The auditors estimated that the Pentagon made "improper payments" — which lacked sufficient or appropriate documentation or approvals — of \$957 million in 2017 and \$1.2 billion in 2018. While even that larger amount is a fraction of the overall Pentagon spending, such payments grew by 25 percent over those two years, a worrying trend that needs to be reversed.

Anyone expecting the discovery of pilfered funds will be disappointed. The audit wasn't looking for fraud — which generally refers to malicious illegal activities — and Defense Department officials said it found none. (Different audits examine different aspects of an organization.) Its purpose was to determine whether accounts could be reconciled. But it would be misleading to imply that such an immense bureaucracy is not also experiencing actual fraud, abuse or waste. Cost overruns and performance issues with such major weapons as the F-35 fighter jet and missile defense systems have been well documented in the past, raising doubts about the Pentagon's ability to responsibly manage funds.

The Special Inspector General for Afghanistan Reconstruction has spent six years documenting more than \$400 million in questionable costs, unfinished projects and poorly executed programs, and pursuing

132 criminal convictions, in Afghanistan, the site of America's longest-running war.

Earlier this year, in an action that's likely to perpetuate fraud, the normally obscure **Federal Accounting Standards Advisory Board**, that sets the accounting standards for all federal agencies proposed a new guideline saying that agencies that operate classified programs should be permitted to falsify figures in financial statements and shift the accounting of funds to conceal the agency's classified operations. (No government agency operates more classified programs than the Department of Defense, which includes the National Security Agency.) The new guideline became effective on October 4, just in time for this year's end-of-year financial statements.

Even by its own priorities- Readiness to pursue war, the pentagon fails. As the unfavorable audit comes at the same time that a recent congressionally mandated study reached the conclusion that despite all the money spent on defense, the United States today is so weakened that it "might struggle to win, or perhaps lose, a war against China or Russia." The study also found that America's military superiority and technological edge over those two major adversaries has eroded.

The Pentagon, defense hawks in Congress and defense contractors relentlessly push for bigger military budgets and will continue to do so. The commission that did the study recommended future annual increases of 3 percent to 5 percent above inflation, which could give the Pentagon a budget of \$972 billion per year by 2024, a cumulative increase of 44 percent over the current budget, according to Taxpayers for Common Sense. But throwing more money at the Pentagon doesn't automatically make it more effective. Nor does it translate into better national security, as America's "forever wars" in Afghanistan and elsewhere demonstrate.

President Dwight D. Eisenhower, who retired from the military as a five-star general after leading Allied forces to victory in World War II, said in a 1953 speech, "**Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed.**" What would Eisenhower say today about a Pentagon that deliberately misleads the people's representatives in Congress in order to grab more money for itself while hunger, want, climate breakdown, and other ills increasingly afflict the nation?

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