

At EPA, waste, fraud and abuse

By Larry Fisher

The United States government can't balance its books and can't properly explain how it spent \$1.8 trillion last year or account for \$1.6 trillion in such assets as parts, buildings, missile launchers, tanks and paper clips. So The Washington Times reported on April 1. But the Clinton administration and the General Accounting Office (GAO) were quick to reassure us that steady improvements in financial accounting are occurring, as evidenced by the number of agencies which *did* pass their audits. One of those agencies that has both passed (last year) and failed (this year) the GAO audit is the Environmental Protection Agency (EPA).

As a senior EPA staff accountant, I can assure you that EPA's financial statements were no more accurate last year than this year. And the agency's bookkeeping has not, despite the Clinton administration's reassurances, been improved. The EPA Office of the Inspector General's (OIG) has repeatedly found that: "We continue to be unable to assess the adequacy of the automated internal control structure as it relates to automated input, processing and output controls." (March 2, 1998 audit report).

In fact, the focus of inquiry should be on those agencies, like EPA, that have ostensibly *passed* their GAO audits. The reason is because it is impossible for any federal entity to produce accurate, reliable financial statements, given the flawed, government-wide standards that govern all agency accounting systems. These standards and policies include a mishmash of accounting/budgeting verbiage written by the GAO and the Office of Management and Budget (OMB) and a non-related, separate set of input/output requirements overseen by the Federal Accounting Standards Advisory Board (FASAB), comprised of the Department of the Treasury and again the GAO and OMB.

Since the government cannot

Larry Fisher has 29 years of federal accounting and systems experience and is currently a staff accountant at the Environmental Protection Agency in Research Triangle Park, North Carolina.

automate/generate any intelligible output (an integrated set of financial statements comparable to a private corporation) from these agencies' mandated input, then what is the purpose of the reams of supporting policies, standards and input/output requirements? Still, these oversight agencies persist in requiring all federal entities to adhere to an ever-increasing mishmash of arbitrary, incomprehensible and nonintegrated accounting/budgeting standards.

The result, of course, is millions spent on useless financial software (requiring endless bureaucratic tweaking), and — surprise! — trillions in waste, fraud and abuse.

Why would federal policy-making bureaucrats spend so much time, money and resources following fundamentally-flawed, government-wide policies and standards which no one can explain but still will not question? There are two basic reasons.

First, and most significant, because the FASAB is comprised of the GAO (the congressional watchdog and finger-pointer in identifying waste, fraud and abuse of other federal entities), Treasury and OMB, EPA (and all agencies) go along with these meaningless standards because of possible reprisals from OMB and GAO in the form of decreased budgets and/or a GAO audit. Furthermore, these agencies don't really want the powerful centralized agencies to have unrestricted access to the hard-number realities of their operations. Better to keep all agency reports subject to management's manual manipulations.

Second, and equally significant, government has never made the connection between qualified, competent managers, accountability and cost-effective operations. If you were to look at the technical backgrounds of the individuals occupying government financial management, policy-making positions (chief financial officers and their staffs), you would find that the vast majority of these managers have little or no formal education in finance, accounting or computer systems. How do you get government accountability with financial managers who have degrees in history, French, engineering and political science? Why would such managers tolerate employees who question standards they themselves don't understand and could care less about?

In the late 1980s, I fruitlessly brought these problems to the direct attention of Sen. William Roth and top officials at OMB and GAO. Next, I raised the issue (even proposing several solutions) with my current employer (EPA's chief financial officer and her staff) and received a subtle transfer threat for my trouble (I had already earned the dubious distinction of "whistle blower" in 1993).

In 1996, I formally questioned Elmer Staats, Chairman of FASAB and other key members, including John Koskinen (OMB), Holden Hogue (Treasury) and Vice President Al Gore (director of the White House "Reinventing Government" initiative) about the inadequacy of the government-wide accounting standards. While I received courteous letters from all parties (except Mr. Gore and Elmer Staats), no effort was ever made to contact me or otherwise address my concerns. On June 8, I gave a lengthy presentation to staff officials for Sen. Fred Thompson, Chairman of the Government Affairs Committee, to summarize key reasons for these ongoing stories of waste.

I was told by Bill Greenwalt, his assistant, that while he understood the issues, he did not feel that the senator could get any support in the United States Senate for addressing accounting-related issues or problems. I guess trillions of wasted taxpayer dollars resulting from failed financial systems, with their incoherent and illogical supporting government policies and standards, are not worth the precious time of our elected and appointed officials!

What is it going to take to put the government's financial house in order? Perhaps once the press and the American people see this as their problem (and not solely that of the green eyeshade government accountants who have the impossible job of making this mess work), things will begin to change. Perhaps outraged American taxpayers will note that 300,000 Native Americans recently filed a class action lawsuit against the government to recover billions in missing royalties and other income that have disappeared from the Department of Interior's Bureau of Indian Affairs Trust Funds.

Without action, soon, this is a \$1.8 trillion lawsuit waiting to happen. Perhaps then the politicians and bureaucrats will sit up and take notice!