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Government Accounting Scandals

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Liberals are hoping to use the issues of corporate crime and Bush/Cheney contacts with big business to score gains in the November elections. But the federal programs and agencies that the liberals have run for most of the last 50 years make the accounting tricks of Enron and WorldCom look pale by comparison. Fortunately, some journalists are starting to set the record straight.

One of the best stories was written by Martin Crutsinger of Associated Press and ran in several newspapers around the country under such headlines as "U.S. Gov't Uses Creative Accounting" and "Government Unrivaled in Botched Bookkeeping." His story began: "Lost in all the outrage over the corporate accounting scandals is one fact politicians do not like to acknowledge: The auditing problems at American companies cannot rival the bookkeeping shambles of the world's largest enterprise — the U.S. government. Exaggerated earnings, disguised liabilities, off-budget shenanigans — they are all there in the government's ledgers on a scale even the biggest companies could not dream of matching."

He noted that WorldCom Inc. executives brought the company to the brink of bankruptcy after using improper accounting to pad earnings by \$3.8 billion. But when the Congress wanted to bolster the bottom line on the federal budget, it simply changed a date for corporate tax payments that resulted in \$33 billion more in revenue. As we've noted on several occasions, the federal government can't even pass a routine audit. In 1998, the federal government was supposed to improve its bookkeeping to the point of passing such an audit. But Crutsinger notes that, "Unfortunately, the General Accounting Office has not been able to sign off on any of the five annual documents so far, contending that the bookkeeping is still too shoddy to get an auditor's seal of approval. The 2001 report featured \$17.3 billion in what was described as "unreconciled transactions" — money that simply could not be accounted for."

Based on the AP story and other material, USA Today ran its own story headlined, "Washington masks deficits using accounting tricks," which focused on similar problems. It said, "Lost in all of the political posturing over a worsening federal deficit and spreading corporate scandals is one ugly fact: The accounting tricks used by U.S. companies are nothing compared with Washington's bookkeeping circus."

Senator Charles Grassley made headlines recently when he revealed the results of a GAO

investigation finding that some 200 Army personnel used government charge cards to get \$38,000 in cash that they spent on "lap dancing and other forms of entertainment" at strip clubs near military bases. That gets attention because of the sex angle. More mundane and boring topics, such as the liabilities of the Social Security program, don't get as much attention.

The Social Security system will begin running a deficit by 2016. "In today's dollars," says the Tax foundation, "the system's cumulative deficits total more than \$22 trillion through 2075. In present value terms, the system's unfunded liability stands at \$12 trillion."

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