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## ETHER ZONE

THE INTELLIGENT ALTERNATIVE

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## THERE OUGHT TO BE A LAW!

GOVT CALLING THE ENRON KETTLE BLACK

By: Daniel Sargis

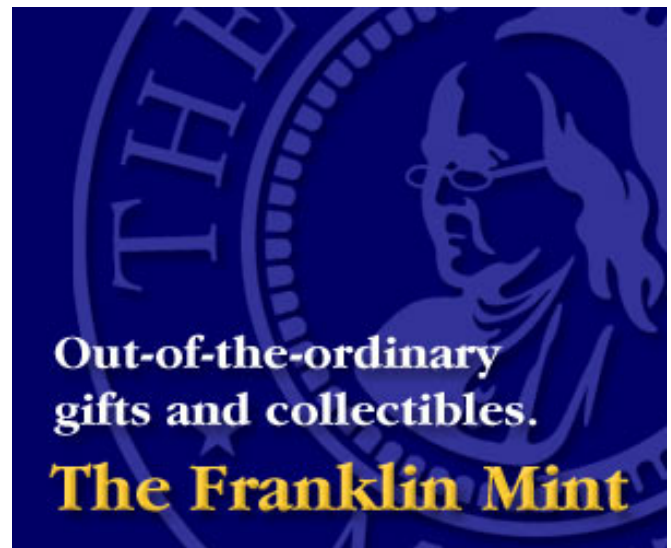
With the Beltway- Boobs in a frolic making new laws and regulations that handcuff the average citizen to governmental power (abuse?)...it seems that the fox is guarding the henhouse. In a recent study, *The Top 10 Examples of Government Waste*, the Heritage Foundation's Brian M. Riedl barely scratched the surface of the "riskiest scheme" ever foisted upon the American public...trusting the U.S. government with your money!

In a recent "press release" discrediting the President's Social Security reform effort, Tweedle-Dum-Pelosi and Tweedle-Dee-Reid accuse Mr. Bush of creating a "risky scheme" that "place (s) retirees at the mercy of the stock market." With a Social Security Trust Fund that has been fleeced dry for decades, by Presidents and Congresses alike, to satiated their gluttony for patronage and pork...what could be more "risky" than trusting politicians and bureaucrats with your money. At least Enron would give you a company pen.

In the wee-hours following the disclosure of the Enron debacle, the Securities and Exchange Commission filed a Complaint charging the founder and five other former top officers of Waste Management, Inc. with perpetrating a massive financial fraud lasting more than five years. The Commission alleged that, beginning in 1992 and continuing into 1997, defendants engaged in a systematic scheme to falsify and misrepresent Waste Management's financial results and thereby enrich themselves and keep their jobs. This is one of those pots-and-kettles moments.

The Beltway response to stem corporate "irregularities" was the passage of the Sarbanes-Oxley Act of 2002 (SOX). SOX has effectively turned control of publicly traded companies over to the discretion of government bureaucrats and the courts. Of course, SOX was also a gift to trial lawyers.

At the same time as SOX became the law of the land, U.S. politicians and bureaucrats engaged in an on-going conspiracy to fleece the American people out of their hard-earned dollars and intentionally obfuscate that



fleeing. This conspiracy continues unabated to the present.

In his brilliantly constructed piece on government waste (theft?), Riedl highlights little examples that are huge insults to the industry of the American taxpayer. His lead example is the "Missing \$25 Billion... The government knows that \$25 billion was spent by someone, somewhere, on something, but auditors do not know who spent it, where it was spent, or on what it was spent." The Federal solution was to throw the \$25 Billion under the heading "Unreconciled Transactions Affecting the Change in Net Position."

Section 404 of the SOX Act "Requires each annual report of an issuer to contain an 'internal control report', which shall: (1) state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting; and (2) contain an assessment, as of the end of the issuer's fiscal year, of the effectiveness of the internal control structure and procedures of the issuer for financial reporting."

Section 302 of the SOX Act requires that "The CEO and CFO of each issuer shall prepare a statement to accompany the audit report to certify the appropriateness of the financial statements and disclosures contained in the periodic report, and that those financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the issuer."

By coupling Sections 302 and 404 any publicly traded company that had \$25 Billion gone missing would immediately be sued to death and, in all likelihood, the CEO and CFO would be vacationing in Leavenworth. But the worst a government bureaucrat gets is an early retirement with a full pension and health benefits.

And, speaking of health benefits...Riedl also found that "Air Force and Navy personnel used government-funded credit cards to charge at least \$102,400 for admission to entertainment events, \$48,250 for gambling, \$69,300 for cruises, and \$73,950 for exotic dance clubs and prostitutes." Not to be outdone, Department of Agriculture employees "...diverted millions of dollars to personal purchases through their government-issued credit cards... Taxpayer-funded purchases included Ozzy Osbourne concert tickets, tattoos, lingerie, bartender school tuition, car payments, and cash advances."

Under the threat of criminal prosecution, the internal controls required by SOX are supposed to either prevent or immediately discover frauds like these. In the end, SOX regulations would place the sole responsibility for these "irregularities" squarely on the personal shoulders of the CEO and CFO.

Apparently, politicians and bureaucrats hide behind the deft acuties of the: (1) U.S. Government Accountability Office (GAO); (2) Congressional Budget Office and (3) Inspector General's Office. It would appear that these oversight agencies are charged with protecting their pensions while "irregularities" occur beneath their noses and then, protecting their pensions while they obscure and explain-away these "irregularities".

On another front, Congress is in the process of allowing states to start re-opening toll roads. The U.S. House passed a \$284 billion highway bill that would lift the ban against charging tolls on interstates and the Senate is likely to approve this shortly. Members of Congress are feigning that gas taxes alone are not sufficient "to rebuild the 50-year-old, crumbling freeways, and that local jurisdictions will have to find more local dollars". Why are the freeways "crumbling" when there is a fully-funded Highway Trust Fund to maintain them?

With SOX in mind: how many taxpayer dollars have been paid into The Highway Trust Fund (HTF); how many taxpayer dollars have actually been spent from this fund on "highways"; how many taxpayer dollars have been diverted from this fund for unapproved purposes and what is the current balance of this fund? My God...this is starting to sound like the Social Security Trust Fund. Where did all that money go?

Included in the group of federal "trust funds" are the Social Security Trust, the Medicare Trust, the Military Retirement Trust, the Civilian Retirement Trust, the Unemployment Trust, the Railroad Retirement Trust, the

Airport Trust, and the Highway Trust. The government owes these "trusts" almost \$4 Trillion dollars that have been diverted from their pledged purpose to finance Congressional gluttony for "the other white meat".

The American taxpayer is being drained by an internal federal financial system rife with lies, obfuscation and outright fraud. And, instead of going to jail every time the government almost hits the financial wall, they just go back into your pockets for another "fix". To have you pay the fuel taxes at both the federal and state levels that you have been paying and then tell you "here come the tolls" because we are broke is purely criminal. There ought to be a law.

When Senator Sarbanes and Representative Oxley looked around at the Enrons of this world their immediate thought was "there ought to be a law". Well, we now have the Sarbanes-Oxley Act of 2002 and it's the right time to apply its standards to the operation of the federal and state governments' finances. Wouldn't that be a hoot!

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