

DOD, HUD Defrauded Taxpayers Of \$21 Trillion From 1998 To 2015

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Last year, a Reuters [article](#) brought renewed scrutiny to the budgeting practices of the U.S. Department of Defense (DOD), specifically the U.S. Army, after it was revealed that the department had “lost” \$6.5 trillion in 2015 due to “wrongful budget adjustments.” Nearly half of that massive sum, \$2.8 trillion, was lost in just one quarter. Reuters noted that the Army “lacked the receipts and invoices to support those numbers [the adjustments] or simply made them up” in order to “create an illusion that its books are balanced.”

Officially, the DOD has acknowledged that its financial statements for 2015 were “materially misstated.” However, this was hardly the first time the department had been caught falsifying its accounting or the first time the department had [mishandled](#) massive sums of taxpayer money.

The cumulative effect of this mishandling of funds is the subject of a [new report](#) authored by Dr. Mark Skidmore, a professor of economics at Michigan State University, and Catherine Austin Fitts, former assistant secretary of housing.

Their findings are shocking.

“Losing” the equivalent of the national debt

The report, which examined in great detail the budgets of both the DOD and the Department of Housing and Urban Development (HUD), found that between 1998 and 2015 these two departments alone lost over \$21 trillion in taxpayer funds. The funds lost were a direct result of “unsupported journal voucher adjustments” made to the departments’ budgets.

According to the Office of the [Comptroller](#), “unsupported journal voucher adjustments” are defined as “summary-level accounting adjustments made when balances between systems cannot be reconciled. Often these journal vouchers are unsupported, meaning they lack supporting documentation to justify the adjustment [receipts, etc.] or are not tied to specific accounting transactions.” The report notes that, in both the private and public sectors, the presence of such adjustments is considered “a red flag” for potential fraud.

The amount of money lost is truly staggering. As co-author Fitts noted in an interview with USA Watchdog, the amount unaccounted for over this 17 year period amounts to “\$65,000 for every man, woman and child resident in America.” By comparison, the cost per taxpayer of all U.S. wars waged since 9/11 has been \$7,500 per taxpayer. The sum is also enough to cover the entire U.S. national debt, which broke \$20 trillion less than a month ago, and still have funds left over.

What’s more, the actual amount of funds lost — measured at \$21 trillion – is likely to be much higher, as the researchers were unable to recover data for every year over the period, meaning the assessment is incomplete.

Best way to avoid finding is not to look

While the sheer amount of money lost is shocking enough, also troubling is the fact that such

fraudulent behavior on the part of DOD and HUD has been accepted by the federal government for years. In fact, [Reuters notes](#) that the Defense Finance and Accounting Services (DFAS) refers to the preparation of the Army's year-end statements as "the grand plug" — where "plug" is accounting jargon for the insertion of made-up numbers. In addition, in 2015, DFAS was unable to accurately put together the year-end statements for the department, as more than 16,000 financial data files had been erased from its computer system.

Furthermore, the Department of Defense has, unlike other government departments, not been subjected to annual audits and had merely been "hoping" to successfully meet the requirements for an audit by the end of September 2017. This deadline was not met — a failure that the Government Accountability Office (GAO) foreshadowed back in 2011, based on the fact that the military has not been able to implement a standardized system allowing it to know how much money it has and where it is going.

The GAO has raised the alarm on this issue for over 25 years, but its concern has continually fallen on deaf ears.

A likely reason for the lack of oversight, despite the well-known nature of the department's grave accounting problems, is the fact that weapons manufacturers and government contractors are the [largest beneficiaries](#) of DOD budgeting errors and waste. Given those weapon manufacturers alone spent nearly \$30 million on donations to political campaigns last year, Congress and much of the federal government are likely unwilling to bite the hand that feeds — even if it means ignoring massive and systemic fraud.

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