Uncle Sam's sloppy record-keeping

JAMES GLASSMAN

WASHINGTON — Imagine that a top accounting firm performs its annual audit of a giant corporation. It finds the books in such a horrific state that it is forced to write in its official transmittal letter: "We are unable to, and we do not, express an opinion on the accompanying financial statements."

Consequences would be swift and dire. The stock of the giant corporation would plummet, its bond rating would fall, the Securities and Exchange Commission would investigate, the CEO might be forced out and the story would be smeared all over the newspapers.

Now imagine that it's not a giant corporation being audited but the federal government. Consequences? Next to zero.

Last year, for the first time in history, the federal government prepared consolidated financial statements that were subjected to an independent audit by the General Accounting Office. The results were an unmitigated disaster.

In a letter to Congress on March 31, James F. Hinchman, who, as acting comptroller general, heads the GAO, wrote, "In summary, significant financial-systems weaknesses, problems with fundamental record-keeping, incomplete documentation, and weak internal controls, including computer controls, prevent the government from accurately reporting a large portion of its assets, liabilities, and costs."

Hinchman said the government could not account for "billions of dollars of property, equipment and supplies." It couldn't "accurately report major portions of the net costs of government operations." It couldn't even calculate the loans that were payable to it or the loans it had guaranteed.

In other words, taxpayers send $1.6 trillion a year to Washington, but the people entrusted with this money don't know what happens to much of it.

The GAO revealed some of the worst abuses a few days ago at a House subcommittee hearing that focused on the Pentagon. Only the conscientious chairman, Rep. Steve Horn, R-Calif., and freshman Rep. Dennis Kucinich, D-Ohio, attended. Kucinich found it "mind-boggling."

James Warren, one of the few to report the hearings, said the GAO findings "dwarf previous claims of federal ineptitude or stupidity."

Eleanor Hill, the Pentagon's inspector general, told the panel that "financial statement data for most DOD funds remain unreliable and essentially not in condition for audit." And, she added, they "cannot produce an audit trail of information."

The results? Well, for one thing, there were more than $10 billion in "problem disbursements" that can't be matched against contracts. Also chilling is that the Pentagon doesn't know the whereabouts of much of its $636 billion in property, plant and equipment.

Kucinich asked if any of the missing military equipment was classified and if the CIA had been involved in figuring out where it ended up. "The answer," said another GAO official, "would be yes."

Horn found these results of the audit particularly "appalling": Housing and Urban Development is making $900 million a year in overpayments on rent subsidies, and the Health Care Financing Administration is making $23 billion in overpayments on Medicare.

In order to get the federal books to balance, the GAO had to plug in $12 billion in "unreconciled transactions." And that's a net figure. In fact, there were more than $100 billion worth of such dealings — in positive and negative amounts. Try this technique if you're Ford or General Electric and investors will take your stock down 20 percent or so.

Anyone who runs a business knows that the first rule is to keep honest, clean and complete records. To do less is unethical, and often criminal. Gore and Treasury Secretary Robert Rubin owe that much to America's citizens.

Glassman is a fellow at the American Enterprise Institute.

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Whistle-blower now fighting former allies

By Tom Lowry
USA TODAY

READING, Pa. - Bob Merena thought he would be able to call a government fraud hotline, report alleged billing by his employer, SmithKline Beecham, and then return to his quiet suburban life here.

He says he had never heard the term whistle-blower.

That was in 1993. Today Merena remains locked in a legal battle not with the obvious opponent, SmithKline Beecham Clinical Laboratories, but with the Justice Department.

In February 1997, Merena, a Broomall, Pa., computer billing analyst was awarded $32.5 million, the largest award in a whistle-blower case.

Instead, Merena is at war with Justice Department lawyers, who are fighting a judge's decision to award Merena and two other whistle-blowers $52 million. Merena once believed department officials were his friends. Now he says they have betrayed him and turned a well-intentioned act of coming forward into a bitter episode.

"I see these guys spending more money fighting me than they did on fighting SmithKline," says Merena, 38. "I'm just one guy, my lawyer had me worry about my kids in college. This time this was over. I laughed. But now I'm not so sure." His daughter is 13; his son is 8.

Whistle-blowers, typically individuals who accuse their companies of defrauding the government, pay a high price emotionally, financially and professionally.

That is one reason Congress said they should receive generous awards - up to 30% of what the government recovers.

"Whistle-blowers are the eyes and ears of the government. They should be treated as patriots," says Sen. Charles Grassley, R-Iowa, who helped write the whistle-blower law.

But the downside was the law could induce others from coming forward with evidence of fraud, whistle-blower advocates say.

"This case has some fairly chilling aspects of the community of whistle-blowers and their lawyers," says Lisa Hovland, head of Taxpayers Against Fraud, a nonprofit group that supports whistle-blowers.

Merena and his family have been through hell, Grassley says. Justice should not pay him with his legal bills, he plans to argue on appeal that Merena and the others do not deserve so much money because the amount of useful information they provided was limited.

Roadmap of fraud

But Merena says he worked hundreds of hours undercover at SmithKline and then with FBI and other government agents to provide the government a roadmap into alleged billing fraud.

When Merena called the government fraud hotline, he was referred to the U.S. Attorney in Philadelphia. He met with the head of the office's civil fraud division for several hours, then hired a lawyer and filed a whistle-blower lawsuit alleging the fraud.

By law, such lawsuits are sealed until a judge orders them opened.

Merena continued to work at SmithKline, providing information to his lawyer, Mark Raspanti, who then passed it to the U.S. Attorney. Raspanti says Merena was a nervous wreck. "Sometimes, he'd call me from a pay phone and say 'A bunch of executives just went into a meeting. I think they found out about me.' I'd say 'Relax. Rob. Executives have meetings,'" Raspanti says.

Merena worked undercover for 16 months in what became a "war room," a small office the government rented in suburban Philadelphia where agents reviewed boxes of subpoenas and documents and computer files. Merena acted as an interpreter and computer consultant, fielding a steady stream of questions and calls from agents who worked in tiny offices arrayed around his desk.

Emotional, financial toll

Being a whistle-blower has taken its toll, Merena says. He left a $52,000-a-year job to work on his case.

"It was a dream position. A few years ago, I was commuting to work every day," Merena says. "My house was in the city. My kids were in the suburbs. I had a high price emotionally, financially and professionally.

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O’Leary admits whistle-blowers face reprisal

By Peter Eisl
USA TODAY

WASHINGTON — In a remarkable, videotaped deposition to air today in federal court, former Energy secretary Hazel O’Leary says workers who expose flaws at nuclear weapons plants and labs regularly are harassed and undermined by their bosses.

There “has been a practice of repeated and long-term reprisal that visits (a whistle-blower) in the place he or she is most vulnerable” by “questioning the employee’s competence,” O’Leary testifies.

Federal law bars retaliation against whistle-blowers, and the Department of Energy and its contractors face a spate of suits alleging violations.

O’Leary’s testimony, obtained by USA TODAY, has implications beyond the case for which it was given — a suit by Joseph Carson, a DOE safety inspector who says his career was ruined by raising concerns about the Oak Ridge nuclear weapons site in Tennessee.

O’Leary’s testimony offers high-level corroboration for whistle-blowers’ complaints.

“This takes the genie out of the bottle,” says Robert Seldon, Carson’s lawyer, of Project LAW, a group that represents whistle-blowers. “You’ve got a Cabinet secretary testifying under oath that the DOE… systematically violates the rights of its employees. This testimony could be used in every whistle-blower case against DOE.”

It is rare for a former Cabinet secretary to testify against his or her own agency.

Carson says DOE managers cut his duties and ordered his transfer after he alleged, among other things, that a worker was crushed by an illegal hoist and a welder died unnecessarily in a fire.

The DOE says Carson is a disgruntled worker who was properly disciplined for violating reporting procedures and harassing colleagues.

O’Leary, Energy secretary from 1993-96, initiated reforms to protect whistle-blowers.

DOE officials say they’ve made great progress in addressing a culture of reprisal.

But O’Leary, in an interview, says problems remain. “These are important issues that deserve the light of day,” she says of her testimony. “The old way, I suspect, is slipping back.”
FBI whistle-blower feels vindicated

Scientist spent decade complaining about lab's rush to judgment before probe found deficiencies.

By Carol D. Leonnig WASHINGTON - Many times in his career as the FBI's top explosives expert, Frederic Whitehurst found himself torn between the science he cherished and the criminal convictions his bosses wanted.

Always, Whitehurst said, he stood by the science.

Even when his tests failed to support a guilty answer, or when they hinted that the bureau's suspect might be the wrong person. Even, he said, when his bosses at the FBI's respected crime laboratory got angry that his reports weren't helping put bad guys in jail.

"One guy told me, 'You either rewrite that report or we'll get a bright college student in here to replace you.'" Whitehurst recalled.

His love for the precision of science turned Whitehurst into the bureau's albatross.

For 10 years, he complained to each rung of the Justice Department's management, searching for someone to address his concern that the lab was rushing to judgment in such major cases as the World Trade Center and Oklahoma City bombings. His supervisors considered Whitehurst a rigid know-it-all whose standards were impossibly high.

Now, with an inspector general's report supporting his complaints of seriously flawed lab reports, Whitehurst has become a whistle-blower's hero.

FBI Deputy Director William Esposito said the bureau plans to hire an outside scientist to run the lab and have an outside review team monitor the creation of new lab procedures.

"I'm elated," said Whitehurst, a 49-year-old Greenville, N.C., native with a doctorate in chemistry from Duke University. "They chose to attack me and not seriously look at the problem (before). Now they have to look."

His judgment questioned

But Whitehurst has not been completely vindicated. While the report upheld some of Whitehurst's important allegations, it also found that many of his serious charges that former lab colleagues engaged in perjury, fabrica-
N.Y. police named in brothel scandal

Precinct praised for Times Square rebound had officers who patronized prostitutes, Giuliani says.

By Dan Berry
THE NEW YORK TIMES

NEW YORK — For as long as 15 years, New York City police officers at the precinct responsible for eradicating much of the tawdriness from Times Square frequented a neighborhood brothel — in uniform and while on duty — for free sex. Mayor Rudolph Giuliani and police officials acknowledged Friday.

After a while, investigators say, the brothel's madam became so concerned about having a uniformed presence among her clients that she made her apartment available to those carrying police badges. There, investigators say, on-duty officers from the Midtown South precinct relaxed, had sex with prostitutes and made telephone calls to their homes.

Some officers from Midtown South also patronized a massage parlor that tended to move to various locations within their Manhattan precinct, investigators say. At least one visit was memorialized by the parlor's video-surveillance camera, which filmed police officers entering the establishment and demanding sex, say investigators. They say that the film footage is now in their custody.

So far, 19 officers and a sergeant from the Midtown South precinct have been confined to desk duty, their badges and guns confiscated, on administrative charges that they frequented the brothel, officials said. Three other precinct supervisors, including the commanding officer and the executive officer, have been reassigned.

In addition, the police department's internal affairs bureau and the Manhattan district attorney's office are investigating the possible criminal links between officers from Midtown South, with headquarters at 357 West 35th St., and the brothel, which until a year ago operated just four blocks away, above a store at 355 West 39th St.

Police Commissioner Howard Safir revealed details of the case at a late-night news conference Thursday, because, he said, a newspaper was about to publish a story about it. "And I thought it was much more important to the public and to the department that we get our message out very clearly, unfiltered and unedited," he said Friday.

Several investigators said Friday that they were disappointed by the decision to go public. They said that the investigation was on the cusp of expanding, thanks to a recent break in the case: the cooperation of at least one of the implicated police officers.

"How far does it go? Were there other crimes being committed? Were higher-ups involved?" asked one investigator, who spoke on condition of anonymity. "Now we'll never know."

But Robert Morgenthau, the Manhattan district attorney, praised the department's internal-affairs operation and maintained that investigators would continue trying to identify all of the officers involved. "The investigation is going to be aggressive and pursued intensively," he said.

Investigators said that the implicated police officers could face felony charges of falsifying records and bribery — for receiving a sex act in exchange for not enforcing the law — as well as official misconduct, a misdemeanor.

During a sometimes-testy news conference at City Hall on Friday afternoon, Giuliani and Safir sought to emphasize what they said were the positive aspects of the case.

"This is a 10- to 15-year-old situation," Giuliani said. "We caught it. About the only thing you can honestly say is this administration did a better job than was done in the last 10 to 15 years in finding out about this.

"There is a business called reflexive, knee-jerk criticism, and you can do that if you want," the mayor added.
CBS prepares for full-scale war

CBS and Dan Rather were caught Friday in a “Wag the Dog” moment, and the mass media hardly even blinked. Since the movie came out, it seems we’ve blinded ourselves even more to the difference between fiction and real news. Aliens could attack, and we’d think it was a “War of the Worlds” broadcast. A White House intern could make unsubstantiated charges against the president, and we’d take it as gospel. Perhaps we’re so cynical we don’t even care to discern the difference anymore.

Here are the basics — CBS, in testing a closed-circuit link between its Washington and New York bureaus, accidentally broadcasted a “rehearsal” between anchor Rather and Pentagon correspondent David Martin to a communications satellite. News stations and people with access to Satellite G4 saw what they thought was a war with Iraq, complete with “live footage” of an attack on Baghdad. CBS wowed the lucky viewers with 3-D graphics showing cruise missiles and their routes and targets. Rather reported it was not known how many casualties there were. A CBS staffer admitted in the Los Angeles Times, “If I’d seen the report, I would have thought we were at war.”

Perhaps this was a foreshadowing of what is to come — a viewer said Rather assured viewers could now get back to the Grammys — which won’t until the Feb. 25 — and CBS would return with updates.

Unless CBS has an inside source in the government and knows something we don’t, just what does it think it was doing? CBS spokeswoman Kerri Weitzberg claimed it was simply testing new graphics and theme music just in case a war occurred. How reassuring. Do we even get an anthem as they did in “Wag the Dog?”

An event such as Rather being caught “practicing” for a war cries for some serious media criticism. Doesn’t it bother anyone that CBS already has computer graphics and theme music for a war that doesn’t exist? The mass media simply had a ‘good laugh about CBS’ “embarrassment” and essentially said “whoops!” No one seemed to question the disturbing premise that CBS is ready with pre-made graphics, and Rather is ready with a solemn voice to deliver pre-written news to the gullible public.

Maybe we shouldn’t be surprised. According to “Unreliable Sources,” a book by Martin Lee and Norm Solomon, CBS was exposed in 1989 for having aired fake combat footage and false news reports about the war in Afghanistan a few years earlier. It had staged scenes of guerrilla warfare and turned footage of a Pakistani jet on a training run into a Soviet plane bombing villages. Seriously — who’s wagging who here? Is the government manipulating the media? Are the media manipulating us? Why is the headline “U.S. Prepares for Air Strikes” next to “Peace Talks Continue in Iraq” on The Associated Press wires? Are we aiming for war or peace? Is it a mass conspiracy to “deceive, inveigle and obfuscate,” as Agent Scully once theorized?

The government is obviously playing off lazy journalists, our collective amnesia and our lack of critical thinking skills to spin the news. In an interview with an Italian journal about Iraq, Noam Chomsky pointed out Saddam Hussein was grossly abusing his citizens when he was our favored ally and trading partner. After the Gulf War, we silently watched him crush the Iraqi democratic rebellion. Chomsky remarked we’ve been flagrantly ignoring U.N. resolutions since the 1970s, when we outwardly condemned the genocide in East Timor as we secretly sent arms to the Indonesian killers. He quotes from the memoirs of U.N. ambassador Daniel Patrick Moynihan, in which he gleefully recalls he rendered the United Nations “utterly ineffective in whatever measures it undertook.”

In “Wag the Dog,” Robert DeNiro and Dustin Hoffman repeatedly mark their media-created war must be real because they’re watching it on television. If we see Rather listing American war casualties in Iraq and CBS’ “live footage” of military action on television, is it real? How can we tell the difference anymore in the intellectually infantile, visually slick propaganda machine we call the media?

The fact is we have no clue what is real and what isn’t nowadays, so turn off your television and expand your mind.