

## Update on the \$21 Trillion in Unsupported Adjustments at the Department of Housing and Urban Development and the Department of Defense

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It has now been about nine months since Catherine Austin Fitts and I released a [report](#) demonstrating how official government records indicate that the Department of Housing and Urban Development (HUD) and the Department of Defense (DoD) had \$21 trillion in undocumented adjustments over the 1998-2015 period. Over the past several months, I have repeatedly tried to contact the Office of the Inspector General (OIG) in an effort to obtain additional information regarding the nature of the unsupported adjustments. However, no information has been provided and the OIG is no longer responding to inquiries.

In late May 2018, a graduate student at Michigan State University found on the OIG website the most recent report for the DoD, which summarizes unsupported adjustments for fiscal year 2017. However, this document differs from all previous reports in that all the numbers relating to the unsupported adjustments were redacted. That is, all the relevant information was blacked out. The report can be accessed [here](#).

Recently, a C-Span video recording came to my attention in which [David Norquist](#), Comptroller of the DoD, offers an explanation to Congressman Walter Jones regarding the nature of the \$6.5 trillion in unsupported adjustments for the Army in fiscal year 2015. You can view his testimony [here](#). To summarize, Norquist says that unsupported adjustments are the result of changes in the “property book” that can amount to hundreds of billions of dollars. According to Norquist, since the system that tracks the property book is not integrated with the system that tracks the general fund ledger, large unsupported adjustments are required for reconciliation. Though it is not entirely clear from his testimony, it seems Mr. Norquist is suggesting that changes in the valuation of property and equipment due to depreciation, base closures, equipment becoming obsolete, etc. is leading to large undocumented adjustments.

If I were present at the hearing, I might have asked Mr. Norquist follow-up questions. The [report](#) highlighting unsupported adjustments of \$6.5 trillion does indeed indicate that \$164 billion in unsupported adjustments were needed to address issues related to “property” (see page 27 of the report). The \$164 billion in unsupported adjustments is substantial; what properties, equipment, etc. required changes in valuation? Further, \$164 billion accounts for less than two percent of the \$6.5 trillion. Why were an additional \$6.3 trillion in unsupported adjustments needed? Because the reports that are available to the public do not offer detailed explanations and additional data are unavailable, we are left to “trust” that the authorities are offering an accurate assessment...it is not possible to verify using data or other documentation.

While Norquist’s description of the unsupported adjustments is not the only one that has been offered, some evaluation to assess the veracity of this explanation is possible. Consider the case of the Army for which we found \$11.5 trillion in unsupported adjustments over the 1998-2015 period. During this time period, authorized general fund Army spending was about \$2 trillion. We know from other sources that about 40 percent of the Army’s budget is allocated to personnel costs, and thus was not used for

purchasing property, equipment, and the like. For purposes of this exercise, let's assume that the remaining amount (60 percent of the \$2 trillion, or \$1.2 trillion) is used to purchase property, equipment, etc., and suppose all of this spending is fully written off at 100 percent. For how many years could the Army write off all non-personnel spending and then call it an unsupported adjustment? Between 1998 and 2015, the Army's average annual budget was about \$118 billion, of which about \$71 billion annually was for non-personnel spending. If we divide \$11.5 trillion by \$71 billion, we see that the Army could have fully written off all non-personnel spending for the past 163 years (assuming a stable budget allocation in real terms), and then called it an unsupported adjustment. From this evaluation, it seems that Mr. Norquist's explanation does not hold up to a modest level of scrutiny.

Here is a summary of three notable developments since the fall of 2017:

- 1) The OIG has not provided any additional information and has not responded to the questions we posed in our report, despite having offered to provide more information following an [interview](#) I gave on Michigan Radio in January 2018.
- 2) The latest OIG report regarding DoD unsupported adjustments in fiscal year 2017 is now available, but all numbers and figures referring to unsupported adjustments have been redacted. Thus, it is not possible to ask questions about unsupported adjustments for fiscal year 2017. If undocumentable adjustments simply reflect computer communication problems, why has the DOD OIG redacted the numbers in their report regarding undocumentable adjustments in fiscal year 2017?
- 3) The explanation offered by Mr. Norquist regarding the \$6.5 trillion in unsupported adjustments for the Army in fiscal year 2015 appears to be insufficient and does not appear to hold up to scrutiny.

We continue our efforts to increase transparency and provide information regarding the degree to which the US government is complying with financial reporting laws and the US Constitution.