

# MONEY

Rochester, N.Y., Wednesday Evening, December 14, 1988

8D

Times-Union, Rochester N.Y., Wednesday, December 14, 1988

## COPING WITH THE TIMES

### Congressman blames system for huge debt

By CLIFF SMITH  
Times-Union

Only accountants heard a talk here last week by a New York congressman who's trying to make the federal government more financially accountable.

It's unfortunate that more of us weren't tuned into U.S. Rep. Joseph J. DioGuardi, R-New Rochelle, who blames Congress for the nation's fiscal mess. He argues that the national deficit and debt are inevitable outgrowths of weak systems of budgeting, accounting and financial management.

DioGuardi, chairman of the House Republican Research Committee's Task Force on Federal Budgeting and Financial Management, said the present systems report the national debt as \$2.5 trillion instead of the \$6 trillion it actually is.

**DIOGUARDI** is the only practicing certified public accountant ever elected to Congress. He was interviewed after his talk at the local CPAs' annual "Outstanding Business Citizen Award" dinner.

He spent 22 years with Arthur Andersen & Co., the international accounting and consulting firm, including 12 years as a partner in its New York City office.

The federal debt grew from \$1 trillion to nearly \$3 trillion in eight years because there's "no effective limit on the world's most expensive credit card," he says. That card, which resembles a MasterCard, is the one used by each U.S. representative to cast votes electronically when the tradi-

Please turn to page 7D

## Coping

From page 8D

tional roll call method is deemed too slow for the occasion.

"No one spends but Congress," says DioGuardi. "And it's that plastic card that forced the U.S. Treasury to write a check for a trillion dollars (for total U.S. expenditures) last year. We raised only \$850 billion, but that credit card let us go \$150 billion further into debt."

In his "truth in government" talks and interviews, DioGuardi stresses "getting away from (the government's) cash-basis budgeting and accounting system."

"Congress took New York City off that system in 1975 as the price of its bailout, but we're still using it. It's designed for politicians so they can accelerate income and defer expenses. It's a shell game. It allows inter-generational rape — the passing of everything on to the next generation."

He compares that "simplistic" accounting method to the way a household checkbook is managed. "In simple terms, imagine planning a family's financial future by only looking at checkbook balances and ignoring other assets as well as current and future liabilities. For one thing, this method ignores the equity being built up in a home as well as the future costs of sending children to college."

**INSTEAD OF** cash-basis accounting, DioGuardi would use "the generally accepted accounting principles that the government imposes on corporations," or what CPAs call "accrual-basis accounting."

Under accrual-basis accounting, corporations must report as a liability, for instance, pension payments to be paid to employees, even though those payments won't be made for 15 or 20 years.

DioGuardi says another serious problem is the mixing of budget accounts. Trust fund accounts in surplus, for example, are added to the unified budget to offset deficits in other areas. Legally, he says, those surpluses cannot be used to pay for spending in non-trust accounts, but through the purchase of Treasury bills, for instance, they're being used to offset non-trust fund deficits.

"WHILE THE public is told that certain taxes and fees will be used to pay for specific programs, these revenues are being used to buy Treasury notes and fund other programs that the public may be less willing to support if it knew," he says.

For instance, about \$5 billion of airline ticket and airport user fees and taxes raised by the Airport and Airway Trust Fund to fund air safety improvements have gone into general revenues to offset the total budget deficit.

He said a \$19.5 billion surplus in Social Security trust funds were used in fiscal 1987 to help offset the deficit.

**BECAUSE OF** the current cash-basis accounting system, says DioGuardi, no provisions are being made for such "very real liabilities" as last year's \$10.8 billion bailout of the Federal Savings and Loan Insurance Corp., which assists troubled S&Ls.

The congressman said the government's more than 200 different accounting systems should be merged into one. He advises splitting the federal budget into one part for capital expenses and one part for operating expenses and appointing a chief financial officer for the United States "such as any other multi-dimensional financial organization has."