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**LATEST ROUND OF FINANCIAL MISMANAGEMENT UNCOVERED
AT THE PENTAGON**

**AIR FORCE PERSONNEL CHARGE
ONLINE GAMBLING AND CRUISE TICKETS
TO GOVERNMENT-ISSUED CREDIT CARDS**

WASHINGTON, D.C. - The Government Accounting Office (GAO) uncovered the latest round of financial mismanagement at the Pentagon. The GOA, at the request of U.S. Representatives Jan Schakowsky (D-IL), Steve Horn (R-CA) and Senator Charles Grassley (R-IA), examined the use of government-issued travel and purchase cards by U.S. Air Force Personnel. GAO auditors found instances of fraud and abuse, including charges at online gambling establishments, gentlemen's clubs, and cruise tickets and purchases of sunglasses, designer leather laptop cases, and taxidermy services.

"How many more embarrassing GAO reports have to be released for the Pentagon to get serious about financial mismanagement and illegal use of taxpayer dollars? The GAO's latest findings on the Air Force travel and purchase cards programs are another example that these problems still exist," Schakowsky said.

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"It is unpatriotic for the Pentagon to allow for the ongoing abuse of public funds. Taxpayer dollars should be used to make our nation safer and to fairly compensate our service personnel. I will continue to work with my colleagues in the Congress to force the Pentagon to clean up its act," said Schakowsky, who is the ranking member on Horn's subcommittee on Government Efficiency

The Government Accounting Office provided the following summary for reports [GAO-03-292](#) and [GAO-03-298](#)

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Today the U.S. General Accounting Office released reports discussing the results of its audits of the Air Force's Government Travel and Purchase Card programs. The reports stated that Air Force management attention has improved delinquency rates in the Travel Card program, and improved the overall control environments of both programs. However, for fiscal year 2001 and into fiscal year 2002 for the travel card, GAO found egregious instances of fraud and abuse. These abuses included charges at online gambling establishments, gentlemen's clubs, and cruise tickets associated with travel cards; and purchases of sunglasses, designer leather laptop cases, and taxidermy services associated with purchase cards.

The GAO audits and investigations were done at the request of Representatives Stephen

Horn and Janice Schakowsky and Senator Charles Grassley. The case study sites selected by GAO were from locations across the nation including Nellis (Nevada), Hill (Utah), Travis (California), Edwards (California), and Lackland (Texas) Air Force Bases.

GAO's audit of the Air Force travel card program found that the Air Force's delinquency rate was the lowest of the three services and was only slightly higher than other federal agencies. As in other reports issued by GAO on the Navy and Army's travel card programs, GAO found that low- and midlevel enlisted personnel-- Airmen to Technical Sergeants with basic pay levels ranging from about \$11,000 to \$28,000--accounted for a high percentage of the delinquencies. The report also stated that Bank of America, the travel card issuer, has charged off over \$12 million dollars in bad debts related to Air Force accounts. However the report also showed that the volume of dollars charged off has been decreasing in recent months due in part to the institution of a salary offset program.

However, despite improvements in delinquency management, GAO found that a weak control environment contributed to significant travel card fraud and abuse across the Air Force. With respect to fraud, GAO found that for the 18 months ending March 31, 2002, over 6,300 Air Force personnel wrote non-sufficient fund (NSF) or bounced checks, while more than 400 may have committed bank fraud by writing 3 or more NSF checks to Bank of America. Similar to GAO's findings for the Army and Navy, abuse of the travel card was substantial, with purchases of

- Cruises;

- Casino and Internet gambling;

- Entertainment, including tickets to see the Dallas Cowboys, the Backstreet Boys, and NSYNC; and

- Adult entertainment including 187 transactions at Gentlemen's Clubs such as Cheetah's Lounge in Las Vegas and several transactions at brothels.

GAO found little evidence of disciplinary action against Air Force personnel who misused the travel card. Of the 58 cardholders with the most significant fraud or abuse that GAO investigated, only 19 had any evidence of disciplinary action.

GAO also found that 32 of these 58 travel card abusers had active secret or top secret clearances in August 2002. In addition to travel card abuse, these individuals often had other financial problems including numerous charged-off credit cards, bankruptcy, and foreclosed home mortgages. GAO found that these individuals present security risks

to the Air Force. For example, a C-5 mechanic that abused the travel card over several years was able to maintain a secret clearance. This individual, who had severe gambling problems, was not effectively dealt with until caught stealing body armor and chemical-biological protective masks destined for Afghanistan.

One of the root causes of the travel card problems was that the Air Force provided a travel card to individuals regardless of their prior credit history. This flawed policy resulted in individuals with prior severe credit problems-including bankruptcy, numerous charged off credit card balances, foreclosed home mortgages, and repossessed automobiles-being provided with a government travel card and then repeating their prior pattern of abuse. The Byrd-Grassley Amendment to the fiscal year 2003 Department of Defense Appropriations Act requires DOD to deny a travel card to individuals with severe prior credit problems. If effectively implemented by DOD, implementation of this Act should result in keeping government credit cards away from individuals who are likely to abuse them.

GAO's audit of the Air Force's purchase card program found a weak overall control environment similar to that of the Navy and Army. For example, GAO found cardholders with as many as 10 purchase cards, and cards with credit limits that exceeded spending by as much as 20 to 1. In addition, GAO found a proliferation of purchase cards at the Air Force, with 1 purchase card for every 7 Air Force employees.

While GAO found significant control breakdowns, Air Force management has made strong efforts to improve the program. Implementation of standard policies, annual audits, and automated controls have helped to strengthen controls over the purchase card program. For example, the Air Force has directed its purchase card bank-U.S. Bank-to automatically suspend purchase card accounts that have not been reconciled after 60 days.

Even with these improvements, GAO found numerous instances of improper and abusive charges, and significant breakdowns in the program. For example, GAO found that Air Force purchase cards were used for

- Sunglasses, including \$540 for Oakley's that were justified as "paratrooper goggles;"

- Food provided to employees during unit lunches and planning conferences held at their normal duty stations. One dinner and show charged to official representation funds, although permitted, included alcohol charges of about \$800 for 18 people, which appeared excessive;

- Clothing, including dresses and a blazer for civilian employees to wear while participating in an awards ceremony;

- **Unneeded computers, purchased with fiscal year-end funds in September 2001, including 20 computers and monitors that were still in the original boxes in June of 2002;**
- **Designer leather goods including laptop cases costing \$224 to \$595 each; and**
- **\$300 spent on taxidermy services to prepare a shoulder mount of a "road kill" mule deer, represented as for educational purposes.**

At the request of Representatives Horn and Schakowsky and Senator Grassley, GAO is continuing its work on DOD credit cards including a comprehensive audit of the centrally-billed travel program.