

Congress Orders Pentagon To Crack Down On Credit Card Fraud

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BY DAVE AHEARN

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Congress ordered the Department of Defense to tighten the use of credit cards by military personnel, after the General Accounting Office reported a wide array of abuses by Navy personnel assigned the cards, such as buying items ranging from power tools and televisions to beer.

First, the defense appropriations bill now nearing final passage in the Senate says the Department of Defense may not have more than 1.5 million charge card accounts during the fiscal year that began Oct. 1.

Second, the congressional bill says the Pentagon must check the creditworthiness of each person before issuing them a government purchase card or government travel card. Third, there must be predictable disciplinary action for misuse of government charge cards, which Defense Secretary Donald Rumsfeld must establish. Punishment for misuse of the cards could include a review of the cardholder's security clearance, the bill provides.

Aside from cracking down on credit use by individuals, the bill also tightens credit rules for corporations, saying that Rumsfeld must prescribe requirements for eligibility of government "commercial providers" for loan guarantees.

Navy Card Abuses

Some of the most flagrant abuses, however, were committed by individuals in the Navy.

In one instance, the GAO uncovered a plot by seven retailers and Navy cardholders to defraud the Navy of \$89,000.

Other eyebrow-raising items were culled from a random computer search, where GAO randomly looked for potentially shady transactions, such as purchases of items that didn't appear to have much to do with maintaining ships, fighting wars or other official business.

For example, the data-mining search discovered personnel buying computers, cell phones, food, cameras, power tools, televisions, personal digital assistants, clothing and sound systems.

"We identified numerous examples of improper transactions," the GAO reported, such as purchases of goods or services intended for government use but which are not permitted by law, Navy regulations, or DOD policy.

"Improper purchases were made for food, clothing, printing services, office supplies, rental cars and hotel lodging and services," the report stated.

Then there were just flat-out abusive uses of credit cards to buy "designer leather products such as Coach and Dooney and Bourke merchandise, fine china, athletic equipment, beer, \$2,200 flat-panel computer monitors, excessive and uneconomical cell phone use, and transactions for which the Navy does not have any documentation indicating what was purchased."

Fixing the Problem

While the Navy has instituted changes in its oversight of credit card use, the service still has a long way to go before there is assurance that tax dollars are spent properly, the report said.

For example, GAO reviews of credit card transactions turned up questionable purchases where Navy reviewers didn't see a problem. While it's well that the Navy is conducting these reviews, "we question the design and performance of the review" procedures, the GAO stated.

For example, the Navy found problems in only about a tenth of a percent of transactions reviewed, but the GAO found potentially fraudulent, improper, and abusive or questionable transactions in 15 percent of the credit card charges it reviewed.

The report was prepared for Sen. Charles Grassley, (R-Iowa), and Reps. Stephen Horn, (R-Calif.), and Janice Schakowsky, (D-Ill.).