

Defense Criticized on Fraud The American Banker

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By Damian Paletta Federal investigators testified before a House Governmental Affairs subcommittee Wednesday that the Defense Department's efforts to curb credit card fraud by employees have been ineffective.

Commanding officers from the Navy Public Works Center and the Space and Naval Warfare Systems Center, which were investigated by the General Accounting Office from November to February, also appeared at the hearing to pledge further reform. But the vows were met by stern words from skeptical lawmakers.

"We are now going to be considering a budget that requests an unprecedented increase in the defense budget, and I think it is appropriate to scrutinize every dollar, every million dollars, every billion dollars," said Janice D. Schakowsky, D-III.

Sen. Chuck Grassley, R-Iowa, pointed out several instances of abuse -- including shopping sprees, gambling, automated teller machine withdrawals, and a breast-enlargement operation -- that were charged to government accounts. He called for tougher controls but offered no specific proposals.

The issue is important because the federal government is one of the largest users of credit cards. Federal government agencies, through the General Services Administration, contract with five major banking companies to provide cards that employees use to purchase supplies or other items, rent cars, or cover other expenses.

Defense Department employees use cards issued by U.S. Bancorp, Citigroup Inc., and Bank of America Corp., which could bear part of the brunt of implementing any new controls. --