

Defense Dept. Can't Keep Credit Card Spending in Check

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The Enron, Worldcom, Tyco and other big business accounting scandals have cost investors billions, so can you imagine a company that can't account for not billions - but for more than a trillion - dollars?

The company in this case was not actually a company; it was your government. So the money being spent was your tax dollars.

The accounting is so lax, defense department employees used your tax dollars - maybe millions of the more than a trillion that the department can't account for - to buy things like engagement rings, clothing, groceries, even Elvis photos from Graceland, according to Sen. Charles Grassley, R-Iowa.

Other fraudulent purchases included computers, digital cameras, women's lingerie and jewelry and escort services in New Jersey, according to Gregory Kutz, the director of financial management and assurance at the General Accounting Office.

These spending sprees happened because the Defense Department's policy of giving out credit cards to . almost anybody.

The department's idea was to make buying supplies more efficient. However, one credit application that the government uses, allows even people with bad credit ratings to get credit cards. An employee with a horrendous credit record can just check "Box B" on the form, and Bank of America is "not authorized" to check their credit rating. The employee can still get a government credit card.

From Louis Vuitton to Breast Implants

Don't you wish your employer would let you do that? Then you could buy things like Louis Vuitton bags, Lego robots, \$300 headsets, and rooms at Bally's casino. One Pentagon employee used his card to buy his girlfriend breast implants. He at least paid the money back, but employees who bought laptops, Palm Pilots and digital cameras didn't. The Navy can't even figure out where many of those items went.

"Over 99.99 - well, 99.98 - percent of our purchases are for legitimate government use," said Captain Ernest L. Valdes, who defended the Navy's record at a congressional hearing.

When Rep. Steve Horn, R-Calif., cited an example of a woman who bought a \$400 Coach briefcase with her government credit card, Valdes said the woman who made that purchase was a good employee. "She probably made an honest mistake and happened to be at Nordstrom's and purchased that bag. I think she'll do better next time," he said.

Next time? Right. It's not as if she was fired. The government rarely fires anybody. Many employees who misused their cards weren't even reprimanded. One Navy employee used her credit card to buy a stove, groceries, and \$12,000 in personal items. What happened to her? She was promoted!

Deirdre Lee, a Defense Department procurement officer, assured Rep. Horn in the hearing that

the department would "investigate the appropriate circumstances and take the appropriate action."

That would be comforting - except that they've held two more hearings and the shopping sprees continue.

At the last hearing, Sandra Peck, Assistant Secretary of the Army, Financial Management and Comptroller, said, "I've been in this position for eight months and I've just now come to understand the scope of this. . Give me six months, and let's see what we can do about this."

\$4,000 Lost for Every American

I'm not hopeful that they'll do much about it, given that at least one Congressman, Rep. Tom Davis, R-Va., wants to double the purchase limit on some government credit cards.

"Allowing your purchasers to go out and get the government the best deal, at the end of the day, will save the government far more money, and we can do a better job of cutting down on abuse as well," Davis said.

I asked him whether they should first fix the credit card fraud problem before increasing the purchase limits.

"We spend a lot of time and effort in government making sure that people can't steal money. And we're usually pretty successful at that," he said.

"Usually. But not in this particular case," Davis acknowledged.

Is this a "particular" case? These credit card purchases are just the latest in a long line of examples of the Pentagon's poor money management. A 2000 audit found the Defense Department couldn't account for more than a trillion dollars. That's equal to losing \$4,000 for every single American.

When private corporations squander investors' money, we insist that they face consequences. But, when it comes to the government, almost nothing ever changes.

Rep. Janice Schakowsky, D-Ill., says, "DOD [Department of Defense] management is not just bad, it's atrocious."

And we should INCREASE their credit card limits? Give me a break!