

Engineer Misuses Corporate Credit Card in a Big Way

Written by Nick Sanders
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World Wide Technology, Inc. is a very large, privately owned, Minority Business Enterprise that [describes](#) itself as a “global systems integrator with \$6.7 billion in annual sales and more than 3,000 employees.” The company sells IT-related “solutions” plus consulting services of various types. It sells those products and services to companies in the private sector, as well as to public sector entities. With respect to the public sector, WWTI has BPAs, ID/IQs and MAS contracts. It has a NASA SEWP contract, a NETCENTS 2 contract, a couple of SPAWAR MACs, a couple of NIH vehicles, and several other agency-specific awards. In other words, it is a player in the Federal contracting arena.

And yet, an employee of WWTI was able to misuse \$476,000 in company funds to pay for an addiction to online strippers.

Nobody should be surprised that employees will abuse company credit cards. It’s a known thing—one we’ve [discussed](#) before. But this computer engineer from Gilbert, Arizona, seems to have set some kind of record for corporate credit card and expense report abuse. John Berrett was recently indicted on five counts of wire fraud related to his misuse of a corporate credit card, misuse that he allegedly attempted to hide by filing false expense reports.

What Berrett allegedly said he used his corporate credit card for: traveling to meet, train and entertain the company’s customers; computer-networking supplies and training materials.

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What Berrett allegedly actually used his corporate credit card for, over a 13 month period: buying tokens used to pay online strippers; giving one stripper about \$27,000 to pay for her college tuition, buy new tires and finance her parents' utility bill; gifts for his favorite performers, including chocolates, flowers, shoes, wine, a handbag, a television, a laptop and an iPod; and other such worthy uses of corporate overhead funds.

According to one local news [article](#) —

Documents state that Berrett's claim of a 'bribe for the UNIX guys' was actually about \$225 in wine for one stripper. He bought another stripper a digital piano, headphones and extended warranty worth about \$2,300, but claimed it was fiber-optic cables, disc drives and patch cords, records show. Berrett also is accused of buying himself a gift: Records show he spent about \$130 on a sex toy touted as a 'top selling pleasure products brand for men' but told the company he had purchased a training guide with practice questions.

Assuming the allegations are true, what lessons might we learn from this sad story?

First of all, what kind of spending limits were put on Berrett's corporate credit card? He spent \$476,000 over 13 months, which works out to about \$36,600 per month in expenses. Did nobody at WWTI think that level of spending was a tad unusual? How hard would it have been to rack and stack employees based on credit card usage, and take a hard look at the top ten percent of all spenders, to see what in the heck they were spending their money on? Not hard, we assert. Not hard at all.

Also, don't companies get reports showing employees' credit card usage? Every place we've worked or seen, a corporate credit card means corporate visibility. Were no reports available? Were the reports available, but nobody reviewed them?

The only way this makes sense is if there were no corporate credit cards. Instead, employees were allowed to use their own personal credit cards and just submit expense reports for the corporate-related expenses. Even so, somebody could have reviewed the expense reports for propriety, for compliance with corporate policies, and for cost allowability (assuming expenses were charged to overhead for allocation to one of the many Federal contract vehicles).

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One obvious lesson here is that corporations need to have their own credit cards, and require employees to use them exclusively for corporate expenses, just as a means to have visibility into employee expenses. In addition, having a corporate credit card permits the company to block certain vendors ... say, for instance, online stripper sites.

Moreover, when a company permits employees to use their own personal credit cards for corporate expenses, those companies are missing out on volume discounts and other rebates offered by credit card companies. Just to come up with one hypothetical example, those companies are allowing their employees to earn frequent flyer miles or even cash back rebates, when instead the companies could be booking incentives and using those incentives to lower their overhead rates.

Another lesson here is what kind of internal controls does this multi-billion dollar contractor have in place, such that an employee can rack up those kind of expenses over a period in excess of one year? At a minimum, who reviewed and approved all those expense reports? Who signed-off on purchases of "optic cables, disc drives and patch cords" worth more than \$2,000? Who signed-off on an expense report that said "bribe for the UNIX guys" and thought that was an appropriate expenditure of corporate funds?

Given the lack of scrutiny applied to this one employee's expense reports, what does that say about all the other employees' expense reports? Remember, WWTI is a government contractor. Presumably it has contracts with the Allowable Cost and Payment clause in them, which invokes the Cost Principles of FAR Part 31. What other kind of nasty unallowable costs have snuck into the direct and indirect expenses? We don't know, but we do know that this sad news story should be seen as a humongous audit lead for any DCAA folks in the area.

So: use corporate credit cards and don't let employees use personal credit cards. Set individual spending limits. Block certain vendors. Get individual expenditure reports from the credit card issuer and review them. Rack and stack employees by spend and scrutinize the top ten percent of spenders. Ensure each expense report is reviewed and approved by somebody who understands what is an appropriate reimbursable expense, and what is verboten.

Those are not really advanced controls over employee credit card usage. They are kind of fundamental, actually. Stuff that any multi-billion dollar government contractor should have

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implemented as a matter of course.

Stuff that you should be implementing right now, if you haven't already done so.