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'Cash for clunkers' car dealers investigated

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By Gregory Korte, USA TODAY

WASHINGTON — The government is investigating at least 20 car dealerships it claims violated the rules of last year's cash-for-clunkers program. Government auditors say up to \$94 million in rebates may be ineligible because they lack the proper documentation.

One year after the \$3 billion car-buying frenzy, the National Highway Traffic Safety Administration has reached an enforcement phase. Nine dealers have paid a total of \$71,500 in fines.

NHTSA spokeswoman Karen Aldana said there's no evidence of widespread fraud and noted that the violations are a small fraction of the 18,915 dealers who participated. The program allowed 678,418 new car buyers to get rebates up to \$4,500 for trading in older, less fuel-efficient models.

But there have been problems:

- Trade-ins supposed to be destroyed may have been illegally shipped overseas. Gary Middleton, a program manager for the U.S. Department of Transportation's Inspector General's Office, told a fraud awareness conference last month that his office received information that about two dozen cars were exported. David Wonnemberg, a spokesman for the office, clarified: "At this point, it's allegations."
- Informal letters to dealers have yielded \$878,000 in improper payments being returned to the U.S. Treasury, Middleton told the conference.
- Seven of 22 junkyards visited by government inspectors had not submitted information on destroyed trade-in vehicles to the National Motor Vehicle Title Information System, a federal database. Without that information, the government can't confirm the trade-ins were destroyed — a key component of the program.

Paperwork hassles caused problems from the beginning as demand overwhelmed the claims process. The NHTSA assumed it would get about 3,000 requests a day. In the first 10 days, it got more than seven times that many.

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The inspector general's office looked at a sample of those claims and concluded that 3.3% of them — totaling almost \$94 million in rebates — were missing key paperwork.

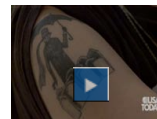
"We project that almost 22,000 transactions lacked supporting documentation, such as proof of insurance, in the CARS database at the time of our audit," Assistant Inspector General Joseph W. Comé wrote in an April report. But "some of these transactions might ultimately prove to meet program requirements with additional documentation."

The NHTSA responded that further reviews of missing paperwork proved the payments were "fully supported and appropriate."

"We're now concentrating our efforts on making sure dealers and disposal facilities are continuing to comply with the rules and regulations of the program," Aldana said in a written statement. "Our activities include conducting field visits to make sure vehicles are being disposed of properly and scrutinizing transactions for possible violations. If we find that a dealer or disposal facility is not compliant with the rules of the program, the agency will take civil action."

The agency has issued violations against at least 10 dealers, Aldana said, and all but one have paid fines. She would not give many details, citing privacy rights of the dealers.

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She did identify the first two dealerships cited: Prothro [Chevrolet](#) of Manning, S.C., and Gary Wood [Chrysler](#) of Aurora, Mo. Both paid \$21,000 in fines.

"I feel like they prosecuted me because they could," said Wood, who sold 14 cars through the program, according to NHTSA records.

A fired salesman turned him in for keeping a used pickup on the lot more than three months after it was supposed to be destroyed, said Wood, who blamed a junkyard that went out of business. A lot attendant put 20 miles on the odometer by using it to ferry garbage to a trash bin.

Wood said that he was wrong but that the NHTSA was heavy-handed. "If you get run over by the train for standing on the tracks, is it the train's fault? Not necessarily."

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