

**DHS Purchase Cards: Credit Without Accountability**  
**Senator Joseph I. Lieberman**  
**July 19, 2006**

Thanks, Madame Chairman, for convening today's hearing to examine the Department of Homeland Security's track record on using government purchase cards. Thanks to Mr. Kutz and Mr. Ryan for another first rate job of investigation and analysis on behalf of the Congress and the taxpayers. Your investigation has uncovered what I would call a number of inexcusable abuses of purchase cards, which are symptomatic of larger problems the Department has with management controls and financial oversight. In the interest not just of our responsibility to the taxpayers but, in this case, in the interest of homeland security, these problems have got to be fixed.

Purchase cards, if used properly, can save money for the taxpayer by streamlining acquisitions and reducing administrative costs, especially for small procurements. But absent agency controls, the flexibilities allowed by use of the purchase cards leave our government and taxpayers vulnerable to waste and abuse. The GAO's findings make clear that such waste and abuse and fraud, perhaps, have occurred, and that better controls are urgently necessary.

With over 10,000 purchase card holders at DHS, the potential for waste, fraud, and abuse is enormous. One question I want to ask is whether those 10,000 purchase card holders really ought to have the purchase cards – that’s a very large number. GAO found that in some instances, purchase cards encouraged hasty and sloppy spending in response to Hurricane Katrina.

Senator Collins has mentioned some of them. Here are few others: A purchase card holder bought over 5,000 cases of MREs for Katrina relief from a vendor over the Internet at a cost of more than \$460,000. GAO reaches a sensible conclusion that DHS could have purchased the MREs at a far lower cost through the Defense Logistics Agency or an existing GSA vendor rather than going over the Internet. Another example: FEMA entered a \$178,000 contract with a broker for the purchase of twenty boats at a cost that was 100 percent above retail price. The broker then used the card number to purchase boats and also made additional unauthorized payments totaling \$30,000 using the purchase card that belonged to the DHS employee. And then were the instances where DHS employees made purchases that, shall I say respectfully, seem unlikely to have had a

legitimate government purpose, such as iPods. And an employee of the Coast Guard Academy apparently used a purchase card to buy a home brew beer kit and ingredients to make beer for Academy functions.

Overall, GAO finds that, based on the statistical sample, 45 percent of DHS purchase card transactions were not properly authorized. Clearly the Department needs to do a lot of work quickly to establish adequate procedures for keeping track of goods purchased with these cards. The Department has no formal guidance in place to instruct employees on proper card use, although, perhaps not coincidentally, yesterday evening DHS notified us that it has finally finalized exactly such guidance.

We're going to hear today from the new Financial Officer David Norquist, and I hope that he will tell us about his plans to improve the tracking and control of these cards.

Typically these cards are used for purchases of under \$2,500. But, as GAO's testimony shows, DHS employees have used the cards for significantly larger transactions, including \$178,000 to a boat hauler, which I mentioned earlier.

Because of the possibility of waste and abuse, I strongly opposed a provision added to one of the Katrina supplemental spending bills that would have increased from \$2,500 to \$250,000 the amount that could be charged to a federal purchase card. The Chairman and I successfully reported out a bill from this Committee that would have repealed the provision. Eventually the provision was repealed through a separate amendment to a Transportation Treasury appropriations bill.

DHS officials assured us that while the \$250,000 limit was in effect, the Department never implemented that special authority. But clearly some of the Department of Homeland Security's personnel relied on other procurement authorities to make large purchases. We want to ask today, how did that happen?

In sum, government purchase cards in some circumstances, with adequate controls, bring speed and effectiveness to the procurement process. But they also raise special management challenges. The ease with which the cards may be used may encourage federal employees to purchase unnecessary items, or to rush into spending decisions without spending

enough time to get the best price for the taxpayers. Goods acquired with purchase cards escape the more rigorous inventory controls that accompany paper-based transactions that go through more levels of approval. A card number in the hands of a dishonest vendor can result in fraudulent charges against the account. And, as our April 2004 hearing on purchase cards showed, inevitably, a few federal employees haven't to temptation and have used the purchase cards to purchase personal items.

Our task now is to ensure that DHS implements procedures to prevent the abuse of these cards and takes appropriate disciplinary or legal action against those who abuse the cards or use them fraudulently. The reputation of the Department and the confidence of taxpayers and Congress depend upon this action. Thank you.