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ONE HUNDRED NINTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

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September 8, 2005

HENRY A. WAXMAN, CALIFORNIA,
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The Honorable Jerry Lewis
Chairman
Committee on Appropriations
H218 The Capitol
Washington, DC 20515

Dear Chairman Lewis:

I am writing about my very serious concerns with a provision in the Emergency Supplemental Appropriations bill for Hurricane Katrina. A substantive provision was inserted in the bill, at the request of the Administration, which would raise the "micro-purchase" threshold from \$15,000 to \$250,000 for purchases relating to relief and recovery from Hurricane Katrina.

Raising this threshold would mean that any federal employee with a government-issued credit card could buy up to a \$250,000 in goods or services in a single purchase. There would be no limit to the number of such purchases. This is an unwise provision that could lead to contract abuse and extensive waste, fraud, and abuse.

The use of government credit cards has a track record, and it is not a good one. In the decade since these credit cards were first introduced, GAO and agency Inspectors General have documented millions of dollars in waste, fraud, and abuse. Recent examples cited in GAO reports include:

- A Navy cardholder who made \$250,000 in unauthorized purchases in less than a year, including buying a dog.¹
- A Navy cardholder who spent \$150,000 for automotive equipment, home building, and general home supplies, some of which the cardholder later resold for cash.²
- A Department of Education cardholder who made fraudulent purchases from pornographic websites, including one named SlaveLaborProductions.com.³

¹ U.S. Government Accountability Office, *Purchase Cards: Navy is Vulnerable to Fraud and Abuse But Is Taking Action to Resolve Control Weaknesses* (September 2002) (GAO-02-1041).

² *Id.*

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There are about 500,000 of these credit cards in use in the federal government, so this provision could ultimately apply to \$150 to \$200 billion in taxpayer funds. The vast majority of federal employees are honest, upstanding people, but the ability to buy up to \$250,000 in any single purchase is a great temptation. In addition, most federal employees are not trained to make purchases of this magnitude to ensure that taxpayers get the best value for their money.

There is another provision in the same section of the legislation that would give trained contracting officers the ability to use emergency procurement procedures passed in response to the terrorist attacks of 9/11. The inclusion of this provision ensures that federal procurements of up to \$250,000 can be made expeditiously, making the credit card provision unnecessary.

The federal response to Hurricane Katrina has been woefully inadequate to date. We should not now compound those problems by creating a situation which will inevitably lead to further waste, fraud, and abuse.

Sincerely,

A handwritten signature in black ink that reads "Henry A. Waxman". The signature is written in a cursive, slightly slanted style.

Henry A. Waxman
Ranking Minority Member

³ U.S. Government Accountability Office, *Government Purchase Cards: Control Weaknesses Expose Agencies to Fraud and Abuse* (May 2002) (GAO-02-676T).