



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

For Immediate Release

Tuesday, September 13, 2005

Grassley works to prevent abuse of government purchase cards, safeguard hurricane aid dollars

WASHINGTON — Sen. Chuck Grassley said that the guidance issued today by the Office of Management and Budget to control expenditures on government employee purchase cards is helpful but that Congress needs to act to further protect taxpayers from abusive spending.

“It’s good to see the Office of Management and Budget do what it can to keep a check on the use of purchase cards by government employees,” he said. “Now Congress should also use its authority to reduce the outrageous increase in the purchase card limit that slipped through on the Katrina spending bill. We should include responsible spending language in additional hurricane relief legislation that will pass. This way, we can make sure every relief worker can do what’s necessary, just like they did after 9-11, without increasing the risks and opportunities for abusive spending.”

Grassley last week protested the increase in the purchase-card limit from \$25,000 to \$250,000 that was included in the \$51.8 billion supplemental spending measure for the Hurricane Katrina relief effort. He relayed his concerns to other lawmakers in a letter that was also signed by Sens. Susan Collins and Joe Lieberman. (Copy-pasted below this news release is the text of that letter and the text of today’s announcement by the Office of Management and Budget.)

Grassley said that he has worked to include new legislative language in a package of health care assistance items for hurricane victims that is under development by the Senate Committee on Finance, where he is Chairman. The proposal would limit individual federal employees to purchases of \$50,000 with their government purchase cards unless there is written supervisory approval.

Grassley has sought to hold government employees accountable for purchase card expenditures since 2000, when he began working with the Government Accountability Office to document outrageous abuses by employees of the Defense Department. In addition to putting pressure on Pentagon officials to better audit employee purchases, Grassley has subsequently helped to win annual passage of a requirement for the Defense Department to limit the number of government cards that could be issued; evaluate the creditworthiness of an individual employee before issuing such a card; prohibit the issuance of a card to those found not credit worthy; and establish guidelines and procedures for disciplinary actions. He has also pursued legislation to permanently apply these requirements and make additional reforms at all federal agencies, though this initiative has not won congressional approval.

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE 2005-24

September 13, 2005

OMB ISSUES GUIDANCE FOR KATRINA RELIEF CONTRACTS

As part of its efforts to ensure agency hurricane relief purchases fully comply with Federal regulations, the Office of Management and Budget (OMB) today issued new guidance to Federal agencies' chief acquisition officers and chief financial officers regarding new streamlined hurricane procurement policies enacted in the recently-passed hurricane relief supplemental appropriations act. Such guidance is regularly issued following a change to laws that impact agency operations.

Last week, Congress raised the threshold for purchases to \$250,000 from \$25,000 for procurements of property or services determined by the head of an executive agency to support Hurricane Katrina rescue and relief operations. Office of Federal Procurement Policy (OFPP) Administrator David H. Safavian and Office of Federal Financial Management (OFFM) Controller Linda M. Combs issued the guidance today for purchases made by the government wide purchase card to clarify the management controls in place.

“By cutting the red tape on contracts less than \$250,000, we can help get food, water and housing to victims as soon as possible,” Safavian said. **“At the same time, this guidance helps make sure that adequate management controls are in place to ensure that taxpayers’ dollars are spent efficiently and responsibly in support of disaster victims. Businesses throughout the private sector – particularly ones in the affected region – will play a critical role in the disaster relief effort. After the immediate crisis has subsided, we will re-evaluate the need for this provision.”**

To protect taxpayers’ interests, the new OMB guidance requires agency heads to identify the individuals who are authorized to use the higher threshold and establish policies for determining whether a transaction is “in support of Hurricane Katrina rescue and relief operations” as allowed by Congress. The guidance also requires agencies to conduct follow-up reviews of transactions and increase their own management controls to mitigate risk under the new streamlined procurement authority.

Visit www.whitehouse.gov/omb to view new guidance. For additional information, please contact OMB Communications at 202-395-7254.

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For Immediate Release

Thursday, September 8, 2005

Grassley, Collins, Lieberman work to prevent hurricane aid dollars from misuse, abuse

WASHINGTON – Three senators today urged congressional leaders to prevent a massive increase of 1,600 percent in the amount of money government workers are allowed to charge to government purchase cards as part of the \$51.8 billion spending package for hurricane relief.

The text of the letter protesting the proposed increase follows here. It was sent by Sens. Chuck Grassley, Susan Collins and Joe Lieberman.

September 8, 2005

Majority Leader William H. Frist
United States Senate
United States Capitol S-230
Washington DC, 20510

Speaker Dennis Hastert
House of Representatives
United States Capitol H-232
Washington DC, 20515

Chairman Thad Cochran
United States Senate
Committee on Appropriations
United States Capitol S-128
Washington DC, 20510

Chairman Jerry Lewis
House of Representatives
Committee on Appropriations
United States Capitol H-218
Washington DC, 20510

Ranking Member Robert Byrd
United States Senate
Committee on Appropriations
United States Capitol S-128
Washington DC, 20510

Ranking Member David Obey
House of Representatives
Committee on Appropriations
United States Capitol H-218
Washington DC, 20510

Dear Colleagues:

Included in the President's emergency FY 2005 supplemental request for Hurricane Katrina aid is a provision raising the limit for emergency "micro-purchases" on government credit cards from \$15,000 to \$250,000, a more than 1,600% increase. Government-wide, there are about 250,000 of these cards in use. The Government Accountability Office (GAO) demonstrated as recently as last year that ineffective management oversight and weak internal controls led to misuse and abuse of these cards. The GAO has reported finding "numerous purchases of personal items, such as jewelry, designer leather goods, clothing, stereo equipment,

food, and entertainment charged to government purchase cards." Over the years we have been very concerned about the flagrant misuse of government purchase cards on the taxpayer dime.

The depth of the tragedy here seems overwhelming. At the same time, however, we should not allow the immediate needs of this disaster to trump the need for oversight and accountability for the spending that will occur on these purchase cards.

If history is any lesson, failing to implement sufficient controls will likely allow aid to be diverted away from its intended purpose of benefiting survivors of the hurricane. Wasting money does nothing to help Katrina victims. We are concerned that this provision is too broad and the risks too great with such a staggering increase in micro-purchase authority. Therefore, we request that this provision be modified to, for example, implement a more reasonable limit, perhaps \$50,000 (about three times more than was approved after the 9/11 disaster) and require that larger purchases receive prior approval from senior level federal officials.

Sound financial controls are essential in any emergency situation to ensure that aid flows efficiently, effectively, and appropriately to the victims. Your attention to this matter is critical to ensuring that this disaster is not compounded by a federal response that is vulnerable to fraud, waste, and abuse.

Sincerely,

Chuck Grassley
United States Senator
Chairman of the Committee on Finance

Susan Collins
United States Senator
Chairman of the Committee on Homeland Security and Governmental Affairs

Joe Lieberman
United States Senator
Ranking Member of the Committee on Homeland Security and Governmental Affairs