

**Opening Statement of
Senator Susan M. Collins
Chairman, Committee on Homeland Security and
Governmental Affairs**

**“DHS Purchase Cards: Credit Without Accountability”
July 19, 2006**

Today, the Committee will examine the results of a joint investigation conducted by the Government Accountability Office and the Department of Homeland Security’s Office of Inspector General into wasteful and potentially fraudulent uses of DHS’s purchase cards.

Government purchase cards are similar to the personal credit cards that many of us carry, but with a notable difference – the American taxpayer pays the bill. The government is responsible for paying all charges by purchase cardholders, regardless of what was purchased or whether the buyer got a fair price. When used properly, purchase cards

allow agencies to streamline the acquisition process and reduce costs when buying goods and services or paying government contractors. When used improperly, purchase cards enable wasteful and even fraudulent transactions.

The American people expect the federal government to spend their tax dollars wisely – especially in this time of great fiscal pressures and a large budget deficit. That is why this Committee has undertaken many investigations to expose and eliminate wasteful spending. Indeed, this is not our first investigation into the misuse of purchase cards. In 2004, this Committee held a hearing on the purchase card program used by the Department of Defense. We heard from Mr. Kutz, one of our witnesses today, about a lack of oversight and internal controls at DoD. It is disturbing that he will tell us today about a similar lack of oversight and internal controls at DHS.

Today’s hearing will focus on spending associated with DHS purchase cards in the months both immediately preceding and following Hurricanes Katrina and Rita, when DHS was given expanded authority for using purchase cards. I opposed raising the micro-purchase threshold to \$250,000, fearing that hurried and wasteful spending might occur. GAO’s investigation indicates that my fears were warranted.

The use of government purchase cards has soared from less than \$1 billion in fiscal year 1994 to more than \$17 billion in fiscal year 2004. In FY 2005, DHS spent \$430 million through the use of purchase cards issued to more than 9,000 cardholders. It is critical that agencies establish and enforce adequate internal controls to ensure that cardholders are responsibly using purchase cards, or are held accountable if they are not. This becomes more urgent as purchase cards increasingly are used not only for “micropurchases” under

\$2,500, but also for making contract payments in much greater amounts, as happened in the aftermath of Hurricane Katrina. DHS, however, failed to implement controls and safeguards across the Department to prevent the misuse of purchase cards.

Government purchase cards are to be used only for official purposes, and they are to be used responsibly. But GAO discovered numerous instances in which cardholders entered into questionable and wasteful transactions on the taxpayers' dime.

For example, investigators found that FEMA purchased 200 laptop computers for the New Orleans Police Department. These were meant to be on loan to the Police Department while its own equipment was unusable. But when GAO and the DHS IG attempted to locate the computers, they could not find more

than half of the computers, 22 printers, and 2 GPS units, translating into approximately \$170,000 of lost property.

Another example involved the unwarranted purchase of eight high-definition televisions, including a 63-inch plasma TV, purchased at a cost of nearly \$8,000 at the end of the fiscal year. Until GAO inquired, these televisions had not been entered into the agency's inventory records. The GAO investigators were able to locate these televisions, but the plasma TV had not even been removed from its box six months after it had been purchased. Clearly, this was not a necessary purchase. The GAO also found cases of excessive prices, duplicative payments, and wasteful purchases.

In addition to testimony from GAO, we will also hear from the Chief Financial Officer of DHS, David Norquist. The CFO's office is responsible for administering DHS's purchase

card program. Mr. Norquist has been in his new position for just under two months, so he is not responsible for the poor management of DHS’s purchase card program during the time period that was the subject of this investigation. But he is responsible for ensuring better management and accountability in the future.

Providing assurance to the American people that the federal government is shopping responsibly and honestly is essential. That is why several members of this Committee – Senators Coleman, Lieberman, Levin, and Akaka – joined Senator Feingold and me in introducing the “Purchase Card Waste Elimination Act.” This legislation finally passed the Senate last month. Perhaps if it had been signed into law last year, this audit would have had different results. The bill requires the Office of Management and Budget to issue guidelines to assist agencies in improving the management of

purchase card programs, that the General Services Administration identify additional opportunities to achieve savings, and that OMB report annually to Congress on the progress agencies are making on both of these fronts. I hope this hearing will encourage prompt passage in the House and enactment of this important legislation.

I welcome all of our witnesses today and look forward to hearing their views and recommendations to address waste, fraud, and abuse in DHS's purchase card program.