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SENATE HOMELAND SECURITY CMTE HOLDS HEARING ON GAO INVESTIGATION INTO THE MISUSE, ABUSE OF DHS PURCHASE CARDS

WASHINGTON, DC—Senate Homeland Security and Governmental Affairs Committee Chairman Susan Collins and Ranking Member Joe Lieberman today led a committee hearing to discuss the findings of a recent Government Accountability Office (GAO) investigation into the misuse of government purchase cards by the Department of Homeland Security during the months immediately preceding and following Hurricane Katrina. The hearing, titled “DHS Purchase Cards: Credit Without Accountability,” focused on investigative work that was requested by the Senators. The GAO found numerous cases where questionable items, such as iPods and a 63-inch plasma television, were purchased using the cards, as well as instances where DHS was unable to account for items such as flat bottom boats and laptop computers.

Witnesses included Managing Director of GAO's Forensics Audits and Special Investigations, Greg Kutz, and DHS Chief Financial Officer David Norquist.

Following initial news reports of the GAO's findings and prior to the Committee hearing this morning, a DHS official notified Committee investigators that the Department was able to locate some of the items that it was unable to find during the course of the GAO's investigation.

"I am convinced that the items identified in the GAO report would still be missing were it not for this GAO investigation and our Committee's hearing," said Senator Collins. She added, "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 it is so disturbing that this new GAO investigation uncovered yet more evidence of wasted taxpayer dollars following Hurricane Katrina. DHS lacks the most basic safeguards to prevent waste, fraud, and abuse in the purchase card program and has left the door wide open for these abuses."

Senator Collins also said that she opposed the increase of the purchase card threshold from \$2,500 to \$250,000 that was authorized after Hurricane Katrina for fear that it would leave open opportunities to wasteful spending. "GAO's investigation indicates that my fears were warranted." Senator Lieberman said, "

Senators Collins and Lieberman were successful in their efforts to lower the spending limit on the cards back to \$2,500.

Highlights of the GAO's investigation include:

- Overall poor management and oversight by DHS of the purchase card program.
- The GAO found that, of the cases it examined, 44 percent of purchase card transactions failed to have written authorization and 63 percent did not have evidence that the good and services were actually received.
- A case where a cardholder purchased 20 flat-bottom boats for twice the retail value;
- A cardholder purchased a 63 inch plasma big screen TV that investigators found in its original box six months after it was purchased;
- Laptop computers that were purchased but never inventoried;
- A case where a cardholder purchased meals-ready-to-eat for a total cost of over \$464,000 including \$30,000 in shipping costs. Yet many of the MRE's were never used and ended up in warehouses across the country, including one in El

Paso, Texas;

- A cardholder spent over \$7,000 on 54 iPods for data storage even though such data could be stored using other, far less expensive alternatives.

During the hearing, Norquist assured Committee members that he was working to ensure that all DHS cardholders, as well as those of agencies that fall under the jurisdiction of DHS, be required to follow guidelines set forth in a manual that is now applicable to only cardholders at DHS headquarters. Senators Collins and Lieberman have long pressed for the manual to be completed and implemented.

In addition, Senators Collins and Lieberman pointed out that the GAO investigation illustrates why it is important for the “Purchase Card Waste Elimination Act,” which was coauthored by Senator Collins and cosponsored by Senator Lieberman and other Committee Members, be signed into law as quickly as possible. The bill was approved last month by the Senate and would require that the Office of Management and Budget (OMB) 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. The House has not yet acted on the bill.

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