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Opening Statement of Ranking Member Gerald E. Connolly Subcommittee on Government Operations

Hearing on "Gym Memberships, Gift Cards, and Hair Salons: Examining the Misuse of Government-Supplied Credit Cards"

October 14, 2014

Chairman Mica, thank you for holding today's hearing to examine the findings of IG audits of government purchase card programs in the Department of Homeland Security, Department of Labor, and the Environmental Protection Agency.

The Subcommittee is addressing an issue of Federal financial management that boasts broad, bipartisan agreement over the desired outcomes – namely dramatically reducing incidents of waste, fraud, and abuse involving government charge cards, while ensuring agencies are identifying abusers and taking appropriate enforcement actions to deter future misconduct.

I have long believed that to build trust in public institutions, is it absolutely vital for public servants to conduct themselves in a manner that reduces both real **and** perceived risks of government waste, fraud, and abuse.

Accordingly, when serving on the Fairfax County Board of Supervisors, I made it the policy of **my** office to avoid using purchase cards, which not only eliminated any risk of waste, fraud, and abuse – but also carried considerable value with respect to enhancing our community's **trust** in their local government – a vital characteristic that may be difficult to quantify, but is absolutely necessary for good governance.

Ensuring that agencies actually implement corrective actions in response to IG recommendations is a critically important facet of congressional oversight, and I look forward to receiving a progress update this afternoon from our witnesses representing the respective DHS, DOL, and EPA Offices of Inspector General.

In addition to reviewing those three IG reports, I also look forward to learning more about how the Air Force is improving its charge card program and examining a \$24,000 Air Force procurement of what surely must be high quality, commercial grade espresso machines. I hope our Air Force witnesses can provide the

public with necessary context to fully understand why it purchased these machines and for whose benefit they were bought.

The Subcommittee also must examine the effectiveness of our own efforts in Congress, and I look forward to reviewing the implementation of the bipartisan Government Charge Card Abuse Prevention Act of 2012, which the Oversight Committee considered and favorably reported back in July 2011, prior to its unanimous passage by Congress, and enactment in late 2012.

Finally, it is also important that our Subcommittee provides context to ensure we do not throw the proverbial “baby out with the bathwater.”

Moving beyond specific cases of abuse that make my own blood boil, to truly safeguard taxpayer dollars, one must understand that evidence derived from nearly 16 years of experience with Federal charge card programs indicates that in authorizing front-line Federal employees to use credit cards to make “micro-purchases” under \$3,000, Congress facilitated a more efficient procurement system that continues to achieve cost-savings and cost-avoidances that far outstrip the estimated costs associated with unacceptable incidences of charge card abuse – at least from a pure dollars and cents perspective.

According to GSA, taxpayers benefit from charge card programs because it costs agencies nothing to obtain charge card services, and the use of the cards has generated more than \$1 billion in gross agency rebates over the past 10 years resulting from contractual provisions requiring the credit card companies to pay rebates, also known as refunds, to agencies based on amounts charged to the cards.

It is vital that we not overreact in response to outrageous, yet isolated, incidents of abuse, with broad, one-size-fits-all restrictions that revert our Federal procurement system back to a pre-1998 era, which featured higher administrative burdens and more cumbersome bureaucracy that resulted from agencies being unable to utilize government charge cards as a low-cost method to streamline acquisition processes.

As the Office of Management and Budget noted in a government-wide memorandum reminding agencies of the obligations to consider small businesses when making micro-purchases – the majority of the approximately 260,000 purchase cards in circulation are in the hands of front-line civil servants to efficiently support mission delivery.

To be clear, I am not minimizing the findings of numerous Government Accountability Office reports and IG audits over the last decade that identified inadequate and inconsistent controls across Federal agencies with respect to both purchase and travel cards.

In fact, that is one of the reasons I supported passing the Government Charge Card Abuse Prevention Act. Further, I recognize that while Congress codified the majority of GAO's recommendations in passing that legislation – as the findings at DHS, DOL, and EPA reveal – much work remains to be done.

As the GSA conference scandal demonstrated, the **nature** of misconduct often results in consequences that go far beyond the pure dollars wasted. For example, in my District, constituents and industry often raise concerns that in our response to an outrageous \$800,000 boondoggle – the Federal Government may have unintentionally swung the pendulum too far in the other direction – preventing effective communication between the public and private sectors and inhibiting interagency coordination.

The bottom line is that we cannot rest until we have significantly enhanced internal control standards to lessen the risk of waste, fraud, and abuse.

For the disgraced minority of Federal employees who do abuse government charge cards, we must ensure that the consequences are consistently implemented and appropriate in relation to the severity of the abuse.

It is absolutely vital that we enhance enforcement – to ensure justice is carried out on behalf of hardworking taxpayers – and also to do right by the vast majority of Federal employees who work hard and play by the rules, yet unfairly watch their reputations besmirched by a subset of civil servants who dishonor themselves while serving our Nation.

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