

OCTOBER 8, 2002

SCHAKOWSKY CALLS NAVY'S MANAGEMENT OVERSIGHT OF GOVERNMENT-ISSUED CREDIT CARDS AN EMBARRASSMENT

WASHINGTON, D.C. - During the latest round of Congressional hearings to uncover financial abuse and mismanagement at the Pentagon, U.S. Representative Jan Schakowsky (D-IL) today called the Department of Navy's management oversight and controls of government-issued travel and purchase cards an embarrassment. The hearing was held in the Government Efficiency, Financial Management and Intergovernmental Relations Subcommittee to examine a Government Accounting Office report. The report found that the Navy approved purchases for model helicopters, home improvement supplies, and other personal items such as clothing and videos.

Below is Schakowsky's Subcommittee hearing statement:

As we conclude the hearings on this issue in this Congress I believe we have made considerable progress. These hearings have exposed major flaws in a relatively new program. These hearings have developed a clear understanding of the causes for those problems, and we are in the process of setting out clear solutions to many of the problems in program management uncovered in these investigations.

GAO has been extremely helpful in developing the materials for these hearings as well as keeping us well informed as the investigations progressed. Our staffs have worked together in a collegial fashion with the clear intent of carrying out our institutional obligations. These hearings are a model for how our founding fathers envisioned congressional oversight. It is my understanding that our staffs are working on a report, and if time permits, we will be able to bring that report before the full committee tomorrow.

Despite GAO's indications in today's testimony that there is some improvement at the Navy, I find the lack of management oversight and control of the travel and purchase card programs at the Navy an embarrassment. From our first hearing to the GAO report before us today, the Navy has abdicated its managerial responsibility.

At our first hearing on purchase cards at the Navy Space Research Center in San Diego, the Commander of the center told this subcommittee that his organization had effectively managed its purchase card program for 10 years. He went on to say "We firmly believe the purchases being made are for legitimate government purposes and ultimately benefit our customers.." At that hearing GAO reported on improper purchases including home improvement items from The Home Depot, numerous items from Wal-Mart, laptop computers, Palm Pilots, DVD players, an air conditioner, clothing, jewelry, eyeglasses, pet supplies, and pizza.

GAO reported that at the Space Warfare Center "The control breakdowns related to the frauds were so pervasive that the total dollar amount of these frauds could not be determined." Is this what the Navy calls a well run program?

We were later told that the Commander who made those statements was gone, only to discover that gone meant that he had changed offices. Is this what the Navy calls accountability?

At our next hearing, nearly nine months later, it was more of the same. The Navy insisted the program was well run, and GAO found purchases like Lego Robot kits and palm pilots. To make matters worse, many of the items purchased with government purchase cards could not be found when GAO went to look for them. The Navy explained that it was Navy policy not to inventory items that are easily stolen. Is this what the Navy calls responsibility?

I couldn't believe that was true, and when the representatives of the Defense Department testified before us I asked if that was DOD policy, and was assured it was not. Despite what DOD said, the Navy still doesn't believe it needs to keep track of \$500 cameras or \$300 palm pilots.

Ethical standards at an agency are set at the top. Where is the Navy command in setting these ethical standards?

The problems in the government travel card program are somewhat different, and here Congress must shoulder some of the blame. Congress passed a law that required agencies to issue government travel cards for all employees traveling on official business. We have learned that unlike the business environment which was the model for this legislation, government travel is quite different. Nowhere is this more apparent than at DOD where default and delinquency rates are well above the civilian average and the Navy is among the worst in DOD.

As we all know, many of the men and women who put their lives on the line to defend our freedom and security are quite young. Many of them are just out of high school, with little experience with independence and responsibility. We then ship them around the world, often on commercial airlines, and give them a government credit card to pay their way.

We put guns into the hands of these men and women, and then give them extensive training on how to use those guns properly. We put many of our nation's most closely guarded secrets of national security in to the hands of these men and women, and make sure they are well aware of the consequences of divulging those secrets. But we put these powerful financial instruments into their pockets and provide no training on how to manage them, and there is no consequence for misuse. This is a management failure.

There is one theme that comes up over and over at DOD, at the Education Department, and at HUD - the management of these agencies was happy to get rid of the employees in

the contracting offices, and happy to get rid of the complications of providing employees with cash for government travel. However, management then turned its back on these programs. It is not surprising that these programs are in trouble.

The Navy should be ashamed of the contents of the GAO testimony before us today. Just listen to a few of the conclusions.

- Critical Internal controls were ineffective.
- Little evidence cardholders screen for required vendors like Javits-Wagner-O'Day vendors.
- Little evidence of independent receipt and acceptance of item purchased.
- Little evidence that monthly purchase card bills were reconciled prior to payment.
- Major commands failed to maintain accountability for pilferable items.
- Potentially fraudulent, improper and abusive transactions.

The testimony on travel cards is much the same.

- Delinquency rates are high.
- Write offs are substantial.
- Soldiers pay with bad checks.
- Travel cards are misuses, and no one is held accountable.

The list goes on and on. The Navy is not the only agency with these problems, but there is no solace in having company in disgrace.

The ethical standards are set at the top - by those who come before us to testify - and the failures reported by GAO are an embarrassment that these managers should feel as deeply as those caught in the act.

Just as it is our patriotic duty to do whatever is necessary to protect this nation and to guarantee its security, it is also our patriotic duty to ensure that every taxpayer dollar spent is accounted for. Those precious dollars represent the hard work of the American public and must be spent wisely and with responsibility to ensure that our armed forces are capable of carrying out the important and challenging missions with which they are charged.