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SCHAKOWSKY BATTLES DEPARTMENT OF DEFENSE WASTE AND ABUSE

WASHINGTON, D.C. - U.S. Representative Jan Schakowsky (D-IL), ranking member on the Government Efficiency Subcommittee, continued to expose waste and abuse at the defense department. During a subcommittee hearing today, the Government Accounting Office (GAO) found that pentagon employees were using government credit cards to buy clothes, luxury goods, and even a Lego set from a toy store. And in an egregious instance, it was discovered that an employee used the official government card to pay for \$12,000 in personal items.

Below is Schakowsky's statement:

I will address three points in my remarks this morning. First, I am disappointed at the arrogance and disrespect for the American public shown by the Space and Naval Warfare Center. Second, while I am disappointed in the personnel at Naval Public Works for the fraudulent use of purchase cards, GAO reports that Public Works is making a serious effort at reform. Finally, I believe that the problems we will address today are not unique to these organizations, but rather are symptomatic of the acquisition culture at the Department of Defense. There is an attempt to return the Defense Department to the era of \$600 hammers and \$3000 toilet seats.

GAO will report today on wide spread abuse of the purchase card system at the Space and Naval Warfare Center. Purchase cards were used to buy luxury items like designer bags, personal digital assistants, and high priced clothes. Purchase limit regulations were circumvented by splitting purchases to get below the limit. It would be an understatement to say that the program was managed badly at the Warfare Center. Management completely abdicated its responsibilities. This supposedly elite research center even tried to justify buying Lego robots from Toys r Us as a research expenditure.

Those, however, are not the worst of the offenses. The personnel at Space War, argued first, that these purchase were justified. Then they told GAO that it didn't matter if digital cameras and clothes and luggage disappeared because Naval regulations said that they didn't have to account for items that are easily pilfered. In other words, if something is easily stolen, the problem is solved by not keeping track of those things.

This morning, the commander who testified last July is not here. The former commander retired. That in and of itself would not be noteworthy. However, the events surrounding this retirement are disturbing. The commander retired after refusing drug testing, refusing to have his car searched when he was selected for a random search, and for trying to get two of his subordinates to lie. For those abuses the punishment was a \$1000 fine and retirement. The rumor is that once Congress looks away, he will

be back at work as a contractor - probably paid by purchase card.

What we have here is an organization that is completely out of control. There is no respect for laws or regulations. There is no accountability for fraud and abuse. When caught, they try to justify abusive purchases. Unfortunately, the Departmental response to these problems has been weak.

Last week, Congressman Davis held a hearing on a proposal to raise the purchase limit on these cards to \$25,000 per purchase. That proposal came from the Defense Department and those outside the government who provide goods and services. That would eliminate from competitive bidding 99.5% of the purchases made by the federal government. We have seen this program badly abused by the two units here today. I suspect that when GAO reports back to us this summer on its examination across the whole Defense Department, we will see similar abuse. The Defense Department has not been a good steward of federal funds. We should not put into their hands the tools to further abuse the public trust.

There is, however, another question that must be addressed before we expand the use of purchase cards. These cards make purchasing more convenient for the government, but no one has actually looked at the cost of using these cards. Much of what is purchased with these cards could be purchased using the GSA schedule, a program where GSA negotiates lower prices because of the volume of government purchases.

GAO has told us that purchase cards will account for nearly \$20 billion in purchases in this fiscal year or the next. If there is 5% waste in these purchases that is a billion dollars of waste. I am requesting, and I hope that the Chairman will join me in this request, that GAO look at the purchases made using these purchase cards. How many of those items could have been purchased from the GSA schedule? Did the agency pay more or less using the purchase card than it would have going through GSA? This program is 10 years old, and GSA has never done a careful evaluation of the program. Before we expand the use of purchase cards, we should have some facts about how the system is working today.