

Tightening the Screws

Legislation seeks to improve purchase card management

BY Michael Hardy
May 31, 2004 - Federal Computer Week

Members of Congress are asking government agency buyers, "What's in your wallet?" as they consider proposed legislation to limit the use of purchase cards.

The legislation, introduced in April, would require agency officials to seek discounts for purchases made with the cards, and to use contracts or other procurement methods to save as much money as possible.

Rep. Jan Schakowsky (D-Ill.) introduced the bill in the House, and Sen. Susan Collins (R-Maine) sponsored a similar one in the Senate. The bills also would require agencies to collect and analyze data on the cards' use.

The legislation comes in response to an April General Accounting Office report that shows how increased management and oversight of purchase cards could save the government hundreds of millions of dollars, according to a spokesman in Schakowsky's office. That report follows others that found a litany of problems with agency purchase card programs, specifically at the Navy.

"How many more hearings must Congress have on GAO reports before taking real action to bring about financial accountability in the federal government?" Schakowsky asked in a written statement.

The cards, which look like credit cards, are intended to streamline bill processing, thereby all but eliminating the need for paper purchase orders. Agency employees bought about \$1 billion in goods and services using the cards when they were first introduced in 1994.

By 2003, the cards were used to buy \$16.4 billion worth of goods and services, according to GAO's report.

The report also states that agencies have left themselves vulnerable to fraudulent, improper and abusive purchase card use through poor management. Earlier reports, for example, found that the cards were used to buy many personal things such as high-end luxury items and holiday gifts.

The new report states that agency officials generally do not take advantage of opportunities to get better prices from vendors.

The six federal departments that GAO officials examined - Agriculture, Defense, Interior, Justice, Transportation and Veterans Affairs - could save a total of \$300 million a year if they received discounts of 10 percent from vendors that earn more than \$1 million a year from purchase card buys. Those six agencies account for more than 85 percent of purchase card use, according to GAO's report.

Procurement experts said that additional discounts might be difficult to arrange. Vendors on the General Services Administration's schedule contracts are already supposed to include a discount when agency employees use the cards, attorney Jonathan Aronie said.

"You don't have the concern at a place like Home Depot or Office Depot, which both have negotiated discounts," he said. "But if you walk into your local hardware store, the government's paying retail."

That might be a necessary consequence of owning purchase cards, Aronie said. "Part of the

reason we have purchase cards is so people can run out [for emergency purchases], and in some cases, the government needs to pay retail - unless we want our government officials to drive an hour to save \$2," he said.

The purchase card program has grown impressively, said Alan Chvotkin, senior vice president and counsel for the Professional Services Council, a trade group representing service firms.

"It has morphed over time into a substantial acquisition technique," he said. "But one of the concerns is that the government is not taking advantage of the volume purchasing it can do, particularly with repetitive vendors."

Chvotkin cautioned against the proposed legislation's possible effect on small businesses. If the law requires agencies to negotiate more discounts, officials might find that easier to deal with larger firms.

"It's hard to negotiate with 20 or 30 distributors collectively," he said.

The bills suggest that agencies could negotiate volume discounts, but high-volume purchases are less likely to come through small firms, Chvotkin said.

"We do that as consumer shoppers as well," he said. "That's why places like Price Club and Sam's Club do so well. But if you only need one tube of toothpaste, you go to the convenience store and you pay more."

Larry Allen, executive vice president of the Coalition for Government Procurement, argued that purchase cards were not meant to eliminate the need to look for good values.

"As a practical matter, purchase cards are just supposed to be tools," he said. "Agencies aren't supposed to use purchase cards with disregard for procurement rules. The rules still say that you're supposed to get a good deal for the government, but I think that gets overlooked."

