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# Appendix I: Prior GAO Purchase Card Audits

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*Purchase Cards: Control Weaknesses Leave DHS Highly Vulnerable to Fraudulent, Improper, and Abusive Activity.* [GAO-06-1117](#). Washington, D.C.: September 28, 2006.

*Purchase Cards: Control Weaknesses Leave DHS Highly Vulnerable to Fraudulent, Improper, and Abusive Activity.* [GAO-06-957T](#). Washington, D.C.: July 19, 2006.

*Lawrence Berkeley National Laboratory: Further Improvements Needed to Strengthen Controls Over the Purchase Card Program.* [GAO-04-987R](#). Washington, D.C.: August 6, 2004.

*Lawrence Livermore National Laboratory: Further Improvements Needed to Strengthen Controls Over the Purchase Card Program.* [GAO-04-986R](#). Washington, D.C.: August 6, 2004.

*Pacific Northwest National Laboratory: Enhancements Needed to Strengthen Controls Over the Purchase Card Program.* [GAO-04-988R](#). Washington, D.C.: August 6, 2004.

*Sandia National Laboratories: Further Improvements Needed to Strengthen Controls Over the Purchase Card Program.* [GAO-04-989R](#). Washington, D.C.: August 6, 2004.

*VHA Purchase Cards: Internal Controls Over the Purchase Card Program Need Improvement.* [GAO-04-737](#). Washington, D.C.: June 7, 2004.

*Purchase Cards: Increased Management Oversight and Control Could Save Hundreds of Millions of Dollars.* [GAO-04-717T](#). Washington, D.C.: April 28, 2004.

*Purchase Cards: Steps Taken to Improve DOD Program Management, but Actions Needed to Address Misuse.* [GAO-04-156](#). Washington, D.C.: December 2, 2003.

*Forest Service Purchase Cards: Internal Control Weaknesses Resulted in Instances of Improper, Wasteful, and Questionable Purchases.* [GAO-03-786](#). Washington, D.C.: August 11, 2003.

*HUD Purchase Cards: Poor Internal Controls Resulted in Improper and Questionable Purchases.* [GAO-03-489](#). Washington, D.C.: April 11, 2003.

*FAA Purchase Cards: Weak Controls Resulted in Instances of Improper and Wasteful Purchases and Missing Assets.* [GAO-03-405](#). Washington, D.C.: March 21, 2003.

*Purchase Cards: Control Weaknesses Leave the Air Force Vulnerable to Fraud, Waste, and Abuse.* [GAO-03-292](#). Washington, D.C.: December 20, 2002.

*Purchase Cards: Navy is Vulnerable to Fraud and Abuse but Is Taking Action to Resolve Control Weaknesses.* [GAO-02-1041](#). Washington, D.C.: September 27, 2002.

*Purchase Cards: Control Weaknesses Leave Army Vulnerable to Fraud, Waste, and Abuse.* [GAO-02-732](#). Washington, D.C.: June 27, 2002.

*Government Purchase Cards: Control Weaknesses Expose Agencies to Fraud and Abuse.* [GAO-02-676T](#). Washington, D.C.: May 1, 2002.

*Purchase Cards: Control Weaknesses Leave Two Navy Units Vulnerable to Fraud and Abuse.* [GAO-02-32](#). Washington, D.C.: November 30, 2001.

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# Appendix II: Objectives, Scope, and Methodology

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We performed a forensic audit of executive agencies' purchase card activity for the 15 months ending September 30, 2006. Specifically, we (1) determined the effectiveness of internal controls intended to minimize fraudulent, improper, and abusive transactions by testing two internal control attributes related to transactions taken from two statistical samples and (2) identified specific examples of potentially fraudulent, improper, and abusive transactions through data mining and investigations.

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## Statistical Sample of Internal Control Procedures

We obtained the databases containing agency purchase and other government charge card transactions for the 12-month period ending June 30, 2006, from Bank of America, Citibank, JP Morgan Chase, Mellon Bank, and U.S. Bank. The databases contained purchase, travel, and fleet card transactions. Using information provided by the banks, we queried the databases to identify transactions specifically related to purchase cards. We performed other procedures—including reconciliation to purchase card data that the General Services Administration (GSA) published—to confirm that the data were sufficiently reliable for the purposes of our report.

Our statistical sampling work covered purchase card activity at executive agencies. We define executive agencies as federal agencies that are required to follow the *Federal Acquisition Regulation* (FAR), including executive departments, independent establishments, and wholly owned federal government corporations as defined by the *United States Code*.<sup>1</sup> We excluded transactions from the legislative and judicial branches, entities under treaty with the United States, and federal agencies with specific authority over their own purchase card programs.<sup>2</sup>

To assess compliance with key internal controls, we extracted and tested two statistical (probability) samples of 96 transactions each. The first sample consisted of transactions exceeding \$50 taken from a population of over 16 million purchase card transactions totaling almost \$14 billion. We also selected a second sample from the population of over 600,000

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<sup>1</sup>5 U.S.C. §§ 101, 104 and 31 U.S.C § 9101 identify agencies required to follow the FAR.

<sup>2</sup>Because of limitations in the data, we were unable to remove all transactions related to entities outside the scope of our audit from the sample populations. If any transaction that should have been excluded were selected as part of either sample, we replaced them.

transactions totaling nearly \$6 billion that exceeded the \$2,500<sup>3</sup> micropurchase threshold. We selected this second sample because of additional acquisition requirements associated with purchases over the micropurchase threshold, and the high dollar amount associated with these transactions. Specifically, while only 3 percent of governmentwide purchase card transactions from July 1, 2005, through June 30, 2006, were over the micropurchase threshold, they accounted for 44 percent of the total dollars spent during that period.

With our probability sample, each transaction in the population had a nonzero probability of being included, and that probability could be computed for any transaction. Each sample element was subsequently weighted in the analysis to account statistically for all the transactions in the population, including those that were not selected. Because we followed a probability procedure based on random selection, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent interval (e.g., plus or minus 10 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals in this report will include the true values in the study population. All percentage estimates from the samples of executive agency purchase card activity have sampling errors (confidence interval widths) of plus or minus 10 percentage points or less.

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## Internal Control Testing

Our audit of key internal controls focused on whether agencies provided adequate documentation to substantiate that (1) purchase card transactions were properly authorized and (2) goods and services acquired with purchase cards were independently received and accepted. As part of our tests of internal controls, we reviewed applicable federal laws and regulations related to the FAR and purchase card uses. We also identified and applied the internal control principles contained in *Standards for Internal Control in the Federal Government*,<sup>4</sup> *Audit Guide: Auditing and Investigating the Internal Control of Government Purchase Card*

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<sup>3</sup>We used the micropurchase threshold of \$2,500 existing at the time of the audit. This threshold was increased on September 28, 2006, to \$3,000.

<sup>4</sup>[GAO/AIMD-00-21.3.1](#).

*Programs*,<sup>5</sup> and agencies' purchase card policies and procedures. Furthermore, for purchases exceeding the micropurchase threshold of \$2,500, we tested FAR requirements that the cardholder use required vendors and promote competition by soliciting bids—or justify the departure from this requirement in writing.<sup>6</sup>

### Proper Authorization

To determine whether a transaction was properly authorized, we reviewed documentation to ascertain if an individual other than the cardholder was involved in the approval of the purchase. To determine that proper authorization existed, we used reasonable evidence for authorization of micropurchases from \$50 to \$2,500, such as purchase requests from responsible officials, requisitions, e-mails, and other documents that identify an official government need, including blanket authorizations for routine purchases with subsequent approval. For purchase card transactions exceeding the micropurchase threshold of \$2,500, we required prior purchase authorization, such as a contract, a requisition, or other approval document. Additionally, we looked for evidence that the cardholder used required vendors (as required by the Javits-Wagner-O'Day Act (JWOD))<sup>7</sup> and solicited quotes to promote competition (or provided evidence justifying departure from this requirement, such as an annotation justifying the use of a sole source).

### Receipt and Acceptance

To determine whether goods or services were independently received and accepted, we reviewed supporting documentation provided by the agency. For each transaction, we compared the quantity, price, and item descriptions on the vendor invoice and shipping receipt to the purchase requisition to verify that the items received and paid for were actually the items ordered. We also determined whether evidence existed that a person other than the cardholder was involved in the receipt of the goods or services purchased. We concluded that independent receipt and acceptance existed if the vendor invoice, shipping documents, and receipt materially matched the transaction data, and if the signature or initial of

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<sup>5</sup>GAO-04-87G.

<sup>6</sup>48 C.F.R. §§ 13.003h(1), 13.104b, 13.501, and 13.102.

<sup>7</sup>JWOD established the Committee for Purchase from People Who Are Blind or Severely Disabled and charters the committee to develop a procurement list of commodities produced and services provided by nonprofit agencies (41 U.S.C §§ 46 and 47). The act also directs agencies to buy items or services on the procurement list from nonprofit agencies for the blind or severely handicapped if the items are available within the period required by the government (41 U.S.C. § 48).

someone other than the cardholder was on the sales invoice, packing slip, bill of lading, or any other shipping or receiving document indicating receipt.

## Accountable Property

For statistical sample and data-mining transactions containing accountable or highly pilferable property, we performed an inventory to determine whether executive agencies maintained accountability over the physical property items obtained with government purchase cards. Because each agency had its own threshold for accountable property, we were not able to test accountable property against each agency's threshold for this governmentwide audit. Consequently, we defined accountable property as any property item exceeding a \$350 threshold and containing a serial number. We defined highly pilferable items as items that can be easily converted to personal use, such as cameras, laptops, cell phones, and iPods. We selected highly pilferable property at any price if it was easily converted to personal use.

The purchase card data provided by the banks did not always contain adequate details to enable us to isolate property transactions for statistical testing. Because we were not able to take a statistical sample of these transactions, we were not able to project failure rates for accountable and pilferable property. Consequently, our tests of property accountability were performed on a nonrepresentative selection of property that we identified when a transaction selected for statistical sampling or data mining contained accountable and pilferable property. For these property items, we identified serial numbers from supporting documentation provided by the agency and, in some cases, by contacting the vendors themselves. To minimize travel costs associated with conducting a physical inventory governmentwide, we requested that each agency provide photographs of the property items, which we compared against the serial numbers originally provided. When we were unable to obtain serial numbers from supporting documentation or from the vendors, we gave the agency the benefit of the doubt and accepted the serial numbers shown in agency-provided photographs as long as the product(s) and quantity matched. In some isolated instances, we performed the physical inventory ourselves.

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## Data Mining

To identify examples of fraudulent, improper, and abusive purchase card activity, we data mined purchase card transactions from July 1, 2005, through September 30, 2006. This period contained an additional 3 months of data subsequent to the period included in our statistical samples. For data-mining purposes, we also included transactions from federal agencies

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that had been granted specific authority over their own purchase card programs, such as the U.S. Postal Service.<sup>8</sup>

In general, we analyzed purchase card data for merchant category codes and vendor names that were more likely to offer goods, services, or both that are on executive agencies' restricted/prohibited lists, personal in nature, or of questionable government need. We identified split purchases by extracting multiple purchase transactions made by the same cardholder at the same vendor on the same day. For year-end purchases, we identified transactions from purchase card accounts where year-end activity is high compared to the rest of the year. With respect to convenience checks, we used various criteria, including identifying instances where convenience checks were written to cash or payees not normally associated with procurement needs and where a large number of convenience checks were written to a single payee, among others. We analyzed the banks' databases for detailed transaction data, whenever available, for accountable property and highly pilferable items.

We then requested and reviewed supporting documentation for over 550 transactions among the thousands we identified. We conducted investigative work, which included additional inquiries and data analysis, when applicable. While we identified fraudulent, improper, and abusive transactions, our work was not designed to identify and we cannot determine the extent of fraudulent, improper, or abusive transactions occurring in the population of governmentwide purchase card transactions.

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## Data Reliability

We assessed the reliability of the data provided by (1) performing various testing of required data elements, (2) reviewing financial statements of the five banks for information about the data and systems that produced them, and (3) interviewing bank officials knowledgeable about the data. In addition, we verified that totals from the databases agreed with the total purchase card activity provided by GSA and published on its Web site, in totality and for selected agencies. We determined that the data were sufficiently reliable for the purposes of our report.

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<sup>8</sup>All U.S. Postal Service purchase acquisitions are excluded from adherence to FAR regulations. Handbook AS-709, *Credit Card Policies and Procedures for Local Buying*, explains the policies and procedures of the U.S. Postal Service purchase card program.

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We conducted this performance audit from September 2006 through February 2008, in accordance with U.S. generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We performed our investigative work in accordance with standards prescribed by the President's Council on Integrity and Efficiency.

# Appendix III: Comments from the Office of Management and Budget



THE CONTROLLER

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

FEB 11 2008

Mr. Gregory Kutz  
Managing Director, Forensic Audits  
and Special Investigations  
U.S. Government Accountability Office  
440 G Street, NW  
Washington, DC 20548

Dear Mr. Kutz:

Thank you for the opportunity to provide comments on the Government Accountability Office's (GAO's) draft report entitled, "Governmentwide Purchase Cards Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper and Abusive Purchases," GAO-08-333. The Federal government's purchase card program provides an automated approach to acquisition that has led to \$2 billion in annual savings when compared to the paper-based process that preceded it. However, these efficiencies are not fully realized unless Federal agencies implement strong and effective controls to prevent purchase card waste, fraud, and abuse. The Office of Management and Budget (OMB) is extremely concerned with the incidences of purchase card abuse highlighted in GAO's report and agrees with the recommended actions that OMB should take for improving government performance in this area.

In fiscal year 2007, Federal agencies made more than 27 million purchase card transactions valued at nearly \$20 billion. The inappropriate use of government purchase cards can result in significant dollar loss to the taxpayer, and in any event such activity can significantly impact and compromise the citizens' trust in government. For these reasons, OMB has designated government charge card management as a major focus area under Circular A-123, *Management's Responsibility for Internal Controls*. Specifically, Appendix B of Circular A-123, *Improving the Management of Government Charge Card Programs*, requires agencies to implement policies and procedures (e.g., planning, training, risk management, performance metrics, disciplinary actions) that prevent, identify, and remediate inappropriate purchase card transactions.

GAO's report recommends that OMB take the following two actions to facilitate agency compliance with Appendix B: (1) inform agencies that Appendix B extends to both convenience checks and government charge cards; and (2) remind agency personnel of their financial responsibility for unauthorized or erroneous purchase card transactions. As noted above, OMB concurs with these recommendations and will issue guidance reminding agency personnel of their responsibilities in this area in the near future.

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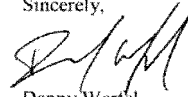
**Appendix III: Comments from the Office of  
Management and Budget**

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We appreciate the opportunity to comment on the draft report and look forward to our continuing collaboration to ensure better transparency and accountability across the Federal Government. If you have any questions please feel free to contact Sally Beecroft at 202.395.1040.

Sincerely,



Danny Werfel  
Acting Controller

# Appendix IV: Comments from the General Services Administration



21 FEB 12:17 PM

GSA Administrator

February 11, 2008

The Honorable David M. Walker  
Comptroller General of the United States  
Government Accountability Office  
Washington, DC 20548

Dear Mr. Walker:

The General Services Administration (GSA) appreciates the opportunity to comment on the draft report, "Governmentwide Purchase Cards: Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases" (GAO-08-333). The Government Accountability Office's (GAO's) draft report includes 13 recommendations between GSA and the Office of Management and Budget to improve internal controls over the Government purchase card program and to strengthen monitoring and oversight of purchase cards as part of an overall effort to reduce instances of fraudulent, improper, and abusive purchase card activity.

In general, GSA does not dispute the issues GAO found in their review, but disagrees that the property accountability and travel voucher issues described in the report constitute purchase card problems.

Technical comments that update and clarify statements in the draft report are enclosed and incorporated herein by reference. If you have any questions, please contact me. Staff inquiries may be directed to Mr. Kevin Messner, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563.

Cordially,

A handwritten signature in black ink, appearing to read "Lurita Doan".

Lurita Doan  
Administrator

Enclosure

cc: John Kelly, Assistant Director, Forensic Audits and Special Investigations

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**Corrections/Updates to the  
Government Accountability Office (GAO) Draft Report,  
“Governmentwide Purchase Cards: Actions Needed to Strengthen  
Internal Controls to Reduce Fraudulent, Improper, and  
Abusive Purchases” (GAO-08-333) – Dated January 16, 2008  
General Services Administration**

The General Services Administration (GSA) has concerns regarding GAO's "failure rate" approach in the report, believing it can easily be misunderstood. Specifically, we do not agree that all purchases should be subject to prior approval and independent receipt/acceptance processes. Clearly, these processes need to be thoughtfully applied in a manner consistent with the value of the item, risk of loss/abuse/misuse, and cost to manage. But to state that all items failed a test that may not be reasonably applicable to them in the first place, or to include items as failed regardless of whether or not they were appropriate purchases, provides what we consider to be an excessively negative view of purchase card transaction activity. We point out that, Office of Management and Budget (OMB) Circular A-123, Appendix B, entitled "Improving the Management of Government Charge Card Programs," already requires agencies to address charge card authorization controls in their charge card management plans.

The report recommends that GSA issue guidance regarding matters that are not within the scope of its authority and that fall within the purview of the agencies themselves, which have typically already issued such guidance. While we strongly agree that any purchase card misuse and abuse needs to be dealt with aggressively, we believe there are more effective ways of dealing with these important issues than issuing redundant policy reminders or guidance as the report recommends. Examples of other approaches include enhancements GSA and its customer agencies are already in the process of implementing through the new GSA SmartPay® 2 contract to help further improve purchase card management across the Government. For example, the GSA SmartPay® 2 contract provides for an automated e-mail message to be sent to a cardholder's supervisor whenever that card is used. For agencies with a high number of purchases, such information can also be provided to the supervisor in a summary report.

In instances where new or additional Governmentwide policy is truly needed, we believe it would be best addressed through either appropriate updates to the Federal Travel Regulation (in regard to travel voucher issues) or the Office of Management and Budget's (OMB) Circular A-123, Appendix B, which establishes charge card management policy, as appropriate.

We further believe the report should more strongly address the areas of personal responsibility and effective managerial oversight. We agree that no level of abuse or

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misuse is acceptable. Cardholders need to be held accountable by management for their actions. They need to treat card use as the serious responsibility it is, make wise use of taxpayer funds, maintain proper records of purchases, and be vigilant against fraud, waste and abuse. This concept of personal accountability coupled with enlightened management oversight is central to the charge card program's continued success. The vast majority of purchase cardholders use their purchase cards properly. Last fiscal year alone, these cardholders made more than 27 million purchase card transactions (fiscal year 2007 total). The report, which indicated that it sampled data from "almost \$14 billion" worth of transactions, appears to support this contention, although it does not focus on it. Concerning additional tools to support agencies in dealing with cardholders who do not use their purchase cards properly, GSA has supported proposed legislation to permit employee salaries to be offset to reimburse the Government for purchase card transactions that prove to be improper.

The GAO report does not, in our view, adequately acknowledge the great strides agencies have made in overseeing purchase card transactions over the past 8 years, nor does it set these findings within the context of the overall purchase card program. GSA and its customer agencies continue to work together toward the objective of eliminating improper transactions altogether.

More agencies are using data mining and other automated tools to detect questionable transactions. The industry itself is now making new software tools available, such as MasterCard's Expert Monitoring System (EMS) and Visa's Intelinet systems which allow agencies to enter their business rules and more easily identify questionable transactions. These tools are available to all GSA customer agencies under the new GSA SmartPay® 2 contracts. We believe approaches such as these are more effective and will yield better results than providing guidance yet again on the same issues agencies are already addressing.

The report also does not make mention of the fact that due to GSA's efforts, agencies enjoy the use of the streamlined charge card business process with no card fees, and that many agencies receive refunds based upon their payment performance. In fiscal year 2007 alone, agencies received \$174 million in refunds, mainly stemming from purchase card transactions. Additionally, the streamlined purchase business processes the purchase cards employ are estimated to help agencies avoid \$1.8 billion in administrative processing costs each year as compared to prior, paper-intensive processes. While GSA and its customer agencies recognize the need for and are continuously pursuing program improvement, the purchase card program continues to offer tremendous value. We therefore believe mentioning these statistics in the report will present a more balanced view of the program.

We also point out that prior to the existence of the purchase card program, much of the transaction data GAO used to conduct its review was at best difficult to obtain or at

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worst simply did not exist. This is yet another benefit of the purchase card program – access to a large amount of information to help all of us better understand and improve the program.

Our comments regarding the 10 GSA-specific recommendations appear below.

Recommendations 1-2: Provide agencies guidance on how cardholders can document independent receipt and acceptance of items obtained with a purchase card. These guidelines should encourage agencies to:

- o Identify a de minimis amount and/or types of purchases that do not require documenting independent receipt and acceptance, and
- o Indicate that the approving official or supervisor took the necessary steps to assure that items purchased were actually received.

GSA Response: GSA does not concur with the recommendations as written. We disagree with GAO's characterization of this finding as a purchase card issue. Agency receiving and acceptance policies and procedures are not within the purview of the GSA SmartPay® Governmentwide purchase card program, nor is the issue within the scope of the GSA SmartPay® contracts. GSA does not set agency receipt and acceptance policy. These agency policies generally address property regardless of the method of acquisition and are therefore not purchase card specific. We therefore suggest GAO modify this recommendation accordingly. We also point out that, particularly in field locations, the approving official may not be collocated with the cardholder, making the recommendation challenging to implement unless some other third party can be used to independently confirm receipt, where appropriate.

Recommendation 3: Provide agencies guidance regarding what should be considered sensitive and pilferable property. Because purchase cards are frequently used to obtain sensitive and pilferable property, remind agencies that computers, palm pilots, digital cameras, fax machines, printers and copiers, iPods, etc. are sensitive and pilferable property that can easily be converted to personal use.

GSA Response: GSA does not concur with the recommendation as written. We disagree with GAO's characterization of this finding as a purchase card issue. The definition of sensitive and pilferable policy is not within the purview of the GSA SmartPay® Governmentwide purchase card program, nor is the issue within the scope of the GSA SmartPay® contracts. What constitutes sensitive property is defined by the agencies as part of their property management policies, procedures and systems. These agency policies generally address property regardless of the method of acquisition and are therefore not purchase card specific. Given the wide variety of

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items acquired, it is appropriate that agencies identify items to be considered sensitive and the processes to account for them. We therefore recommend GAO modify this recommendation accordingly.

Recommendation 4: Instruct agencies to remind Government travelers that when they receive a Government-paid for meal at a conference or other event, the traveler must reduce the per diem claimed on their travel voucher by the specified amount that GSA allocates for the provided meal.

GSA response: GSA partially concurs with this recommendation. We disagree with GAO's characterization of this finding as a purchase card issue. Agency travel vouchering policies and procedures are not within the purview of the GSA SmartPay® Governmentwide purchase card program, nor is the issue within the scope of the GSA SmartPay® contracts. However, the GSA Office of Governmentwide Policy (OGP) does manage travel policy. We do agree that when a meal is provided to an employee in travel status at Government expense, that employee is required, consistent with existing policy, to deduct the appropriate amount for that meal from the amount claimed for Meals and Incidental Expenses (M&IE). But the GAO review raises a new issue regarding continental breakfasts, which typically does not constitute a full breakfast. We do not believe employees who neglected to deduct a continental breakfast from the daily M&IE acted with the requisite knowledge and willfulness necessary to establish either a false criminal statement under Title 18, Section 1001, of the United States Code or a false claim. We will discuss the continental breakfast issue with stakeholders in the travel policy community and act on their recommendations in a timely manner.

In regard to the GSA specific issues mentioned in the report, GSA has identified the Government travelers who claimed meals that were paid for by the Government at the respective conferences. GSA is currently seeking reimbursement from these travelers for the specified amount that GSA paid for the provided conference meals totaling \$587.00. GSA has standing procedures in place that instruct Government travelers employed by GSA that receive a Government furnished meal at a conference or other event to reduce the per diem claimed on their travel voucher by the specified amount that GSA allocates for the provided meal. In the final conference instructions to participants, conference coordinators remind participants to reduce the per diem claimed on their travel voucher by the specified amount of conference meals. We will continue to enforce these procedures within GSA and with other Federal agencies.

GSA again points out that insufficient evidence exists in the record to establish with any certainty that the employees who submitted reimbursement claims for full per diem

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acted with the requisite knowledge and willfulness necessary to establish either a criminal false statement under Title 18 Section 1001 of the United States Code or a false claim.

Accordingly, GSA recommends that the first additional fact contained in case 9 of the chart be revised to state that the five conference participants erroneously claimed reimbursement for meals that were provided by the Government.

In addition, it is not GSA's policy to allow employees to claim full per diem for meals that are otherwise provided by the Government; therefore, GSA recommends that GAO revise its statements in case numbers 7 and 9 as noted below:

Table 4, Case Number 7: GAO should state ... "however, travelers claimed full per diem even though meals were provided" in lieu of ... "however, the agency allowed travelers full per diem even though meals were provided"

Table 4, Case Number 9: GAO should state ... "however, attendees claimed full per diem for a dinner meal that had already been paid for with the purchase card" in lieu of ... "however, the agency allowed the attendees to claim full per diem for a dinner meal that had already been paid for with the purchase card." We also point out that the proper purchase of the food using a purchase card has no bearing on the subsequent travel voucher errors. These errors could have occurred regardless of the acquisition method used to acquire the food.

Recommendations 5-10: Provide written guidance or reminders to agencies:

- o That cardholders need to obtain prior approval or subsequent review of purchase activity for purchase transactions that are under the micro-purchase threshold.
- o That property accountability controls need to be maintained for pilferable property, including those items obtained with a purchase card.
- o That cardholders need to timely notify the property accountability officer of pilferable property obtained with a purchase card.
- o That property accountability officers need to promptly record, in agency property systems, sensitive and pilferable property that is obtained with a purchase card.
- o That, consistent with the guidance on third-party drafts in the Department of Treasury's Treasury Financial Manual, Volume 5, Chapter 4-3000, convenience checks issued on purchase card accounts should be minimized, and that convenience checks are only to be used when (1) a vendor does not accept the

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purchase cards, and (2) no other vendor can provide the goods or services, and (3) that it is not practical to pay for the item using the traditional procurement method.

- o That convenience check privileges of cardholders who improperly use convenience checks be canceled.

**GSA Response:** GSA partially agrees with these recommendations. We are concerned that the recommendation to issue "reminders" regarding existing policies does little to move the issues toward resolution. GSA agrees that guidance on prior approval or subsequent review of purchase card transactions could be clarified. As a result, should OMB deem additional coverage in OMB Circular A-123, Appendix B is appropriate, GSA will assist, as needed, in developing the additional guidance in conformance with OMB's schedule for accomplishing any such revisions.

In regard to the portions of this recommendation dealing with property accountability matters, GSA does not agree with GAO's characterization of them as purchase card issues. GSA does not set agency property management policies nor are such issues within the scope of the GSA SmartPay® program or its contracts. Agencies generally issue their own policies regarding these matters. As a result, GSA recommends that GAO modify this recommendation accordingly.

GSA does agree with all of GAO's convenience check recommendations, with one exception, the prohibition "no other vendor can provide the goods or services." Although GSA would like to eliminate the use of convenience checks altogether, it is not practical to do so given the unique nature of some suppliers and/or services acquired by agencies and the associated vendor's refusal to accept purchase cards. In some of these cases, while other similar vendors that accept charge cards may exist, their use is not practical due to geographic considerations or other limiting factors. Blacksmithing services for horses and honoraria payments to expert speakers with unique expertise are but two examples. Due to these "niche" needs, our agency customers continue to tell us that they need the capability convenience checks offer. Note that in order to improve convenience check internal controls, the new GSA SmartPay® 2 contracts require contractor banks to provide images of cleared checks to agencies. We are also offering a new product, stored value cards, under the GSA SmartPay® 2 contract, which may provide a viable alternative in many situations to continued convenience check use.

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Gregory D. Kutz, (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

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## Acknowledgements

In addition to the contact above, Tuyet-Quan Thai, Assistant Director; James Ashley; Beverly Burke; Bruce Causseaux; Sunny Chang; Dennis Fauber; Danielle Free; Jessica Gray; Ryan Guthrie; Ken Hill; Ryan Holden; Aaron Holling; John Kelly; Delores Lee; Barbara Lewis; Andrew McIntosh; Richard McLean; Aaron Piazza; John Ryan; Barry Shillito; Chevalier Strong; Scott Wrightson; Tina Wu; and Michael Zola made key contributions to this report.

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