



Highlights of [GAO-03-489](#), a report to the Secretary of Housing and Urban Development

## Why GAO Did This Study

Due to HUD's increasing use of purchase cards and the inherent risk associated with their use, Congress asked GAO to audit the purchase card program concentrating on assessing internal controls and determining whether purchases being made are a valid use of government funds.

## What GAO Recommends

GAO is making several recommendations to strengthen internal controls including

- developing and implementing a robust review and approval function to include requiring and performing a detailed review of relevant supporting documentation for each purchase,
- establishing specific requirements for documentation and records to support each purchase, and
- developing and implementing a formal monitoring process to assess the effectiveness of the enhanced review and approval process.

HUD said that while it had made some improvements, it agreed that it still needed to strengthen its purchase card controls. HUD's response listed actions to address five of the seven recommendations. GAO believes that HUD needs to address the remaining two recommendations as well.

[www.gao.gov/cgi-bin/getrpt?GAO-03-489](http://www.gao.gov/cgi-bin/getrpt?GAO-03-489).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Linda Calbom at 202-512-8341 or by E-mail at [calboml@gao.gov](mailto:calboml@gao.gov).

# HUD PURCHASE CARDS

## Poor Internal Controls Resulted in Improper and Questionable Purchases

### What GAO Found

Significant internal control weaknesses in HUD's approximately \$10.6 million purchase card program resulted in improper, potentially improper, and questionable purchases in fiscal year 2001. Because of these internal control weaknesses, there was often inadequate documentation supporting many purchases GAO reviewed, and as a result, GAO was unable to determine whether these purchases were a valid use of government funds. GAO also found that HUD's remedial action plan for its purchase card program does not adequately address all the control weaknesses we identified.

These weaknesses created an environment in which improper purchases could be made with little risk of detection and likely contributed to the \$2.3 million in improper, potentially improper, and questionable purchases GAO identified. GAO found improper and potentially improper purchases totaling about \$1 million where HUD employees either split or appeared to have split purchases into multiple transactions to circumvent cardholder limits. GAO also found that HUD employees lacked adequate supporting documentation for about \$1.3 million in questionable purchases including those from vendors not expected to engage in commerce with HUD, purchases made on holidays and weekends, and \$74,500 in portable assets such as computer equipment and digital cameras. In these instances, it was not possible to determine what was purchased, for whom, and why. Some examples of these inadequately supported purchases are shown in the table below.

**Examples of Questionable Purchases Lacking Adequate Support**

Vendor description	Vendor name	Amount
Department stores	Dillard's, JCPenney, Lord & Taylor, Macy's, Sears	\$27,000
Computers and electronics	Ritz Camera, Sharper Image, Comp USA, PCMall	74,500
Restaurants	Legal Sea Food, Levis Restaurant, The Cheesecake Factory, TGI Fridays	9,700
Music and audio stores	Sound Craft Systems, J&Rs Music Store, Guitar Source	8,900

Source: GAO Internal.

The problems GAO identified with HUD's purchase card program leave the agency vulnerable to wasteful, fraudulent, or otherwise improper purchases. Unless HUD makes specific improvements to its review and approval process, requirements for documentation and record retention, monitoring process, and remedial action plan, the department remains susceptible to fraud, waste, and abuse.