



May 2016

GOVERNMENT PURCHASE CARDS

Opportunities Exist to Leverage Buying Power

Accessible Version

GAO Highlights

Highlights of [GAO-16-526](#), a report to congressional requesters

Why GAO Did This Study

The purchase card program was designed to streamline relatively small dollar value acquisitions of goods and services. In fiscal year 2015, the government spent approximately \$19 billion using purchase cards.

GAO was asked to review whether agencies are effectively leveraging their buying power when using purchase cards. This report assesses the extent to which selected (1) agencies analyze purchase card data to identify opportunities to leverage buying power agency-wide and (2) purchase cardholders seek opportunities to achieve cost savings when using purchase cards.

GAO analyzed data from the three banks that work with the six selected agencies—selected in part on varying levels of purchase card spend volume—to manage their purchase card programs. GAO evaluated policies, reviewed strategic sourcing efforts related to purchase cards, and interviewed officials. GAO also interviewed officials from the General Services Administration who manage the government's purchase card contracts, and interviewed selected cardholders at the two agencies with the highest purchase card spend.

What GAO Recommends

GAO recommends that Energy analyze purchase card data and DOD ensure its components do the same. GAO also recommends that each agency develop guidance to encourage local officials to examine purchase card spend patterns and share this information. Four agencies concurred, Interior partially concurred, and EPA did not comment.

View [GAO-16-526](#). For more information, contact Marie A. Mak at 202-512-4841, or makm@gao.gov

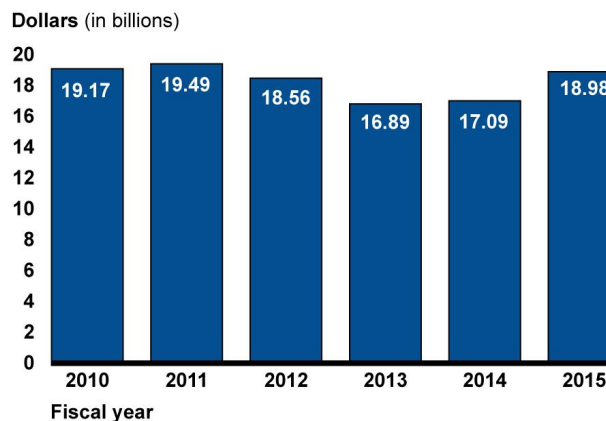
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What GAO Found

The agencies in GAO's review—the Departments of Defense (DOD), Veterans Affairs (VA), the Interior (Interior), Homeland Security, and Energy (Energy), and the Environmental Protection Agency (EPA)—have made varied use of purchase card data, and additional opportunities exist to negotiate discounts and leverage buying power. As the chart below shows, spending with government purchase cards represents billions of dollars each year.



Source: GAO analysis of General Services Administration data. | GAO-16-526

The Office of Management and Budget (OMB) guidance that prescribes policies for agencies on how to manage their purchase card programs (1) requires agency officials to incorporate purchase card data into strategic sourcing analysis and (2) recommends that agencies review and analyze purchase card spending patterns for opportunities to negotiate discounts, improve buying processes, and leverage buying power. All the agencies in GAO's review incorporated purchase card data into overall spend analysis to support strategic sourcing efforts as required by OMB, but officials noted challenges that impede review of purchase card data. For example, purchase card data do not always include enough specificity to identify particular commodities to target for savings. Despite these challenges, four of the six agencies GAO reviewed took additional steps to independently analyze purchase card spending patterns as recommended by OMB. Two agencies—EPA and Interior—identified opportunities for savings through such analysis, demonstrating that savings can be found. However, Energy and certain DOD components, such as the Air Force and Navy, did not perform analysis of purchase card spending. Without more focused efforts, these agencies may be missing opportunities to find cost savings.

GAO also found instances where regional VA offices were successful in identifying opportunities for local or agency-wide savings on items procured with purchase cards. For example, one office recognized an opportunity for savings when purchasing wheelchair ramps for disabled veterans, resulting in savings of \$1.1 million and faster delivery. Federal internal controls state that management should communicate the necessary information to achieve objectives. Given the examples GAO found, developing guidance and sharing information may help agencies identify opportunities to leverage buying power with purchase cards.

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Abbreviations

BPA	Blanket Purchase Agreement
DHS	Department of Homeland Security
DLA	Defense Logistics Agency
DOD	Department of Defense
Energy	Department of Energy
EPA	Environmental Protection Agency
FAR	Federal Acquisition Regulation
FSSI	Federal Strategic Sourcing Initiative
Interior	Department of the Interior
GSA	General Services Administration
OMB	Office of Management and Budget
VA	Department of Veterans Affairs

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May 19, 2016

The Honorable Ron Johnson
Chairman
The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Government Affairs
United States Senate

The Honorable Charles E. Grassley
United States Senate

The government purchase card program was created as a way for agencies to streamline the federal acquisition process by providing a low-cost, efficient vehicle for obtaining goods and services directly from vendors. In fiscal year 2015, federal agencies used purchase cards to procure nearly \$19 billion of a wide variety of goods such as office supplies and general contractor services. The majority of purchase card transactions are for purchases that fall under the micro-purchase dollar threshold, currently set at \$3,500. Although the General Services Administration (GSA) maintains contracts with the banks that issue the purchase cards and captures government-wide transaction data, individual agencies decide which bank to use to support its purchase card requirements and are responsible for monitoring the actions of their cardholders as well as issuing agency-specific policies and procedures on the appropriate use of purchase cards. However, we, as well as agencies' Inspectors General, have found that purchase card programs may be vulnerable to fraud, waste, and abuse because they lack sufficient

internal controls.¹ Further, we found in 2004 that agencies generally had not identified and taken advantage of opportunities to obtain more favorable prices on purchase card buys.² Rather than leveraging the government's vast volume of purchases—or buying power—to obtain savings or discounts when making small purchases, we found cardholders often paid higher prices than necessary.

Since our 2004 report, the federal government has taken steps to better manage purchase card programs and has begun to focus more on strategic sourcing, which includes a thorough analysis of an organization's spending to support efforts to more effectively acquire goods and services.³ In 2009, the Office of Management and Budget (OMB)—responsible for government-wide policy on purchase card use—issued a revision to its circular on purchase card program management stating, among other things, that agencies must include purchase card data when performing analysis as part of strategic sourcing initiatives. More recently, Congress enacted the Government Charge Card Abuse Prevention Act of 2012, which, among other things, requires agencies' Inspectors General to perform analysis or audits, as necessary, of purchase card transactions to identify categories of purchases in order to aggregate purchases and obtain lower prices.⁴ Further, from a broader perspective, OMB issued guidance in 2005 requiring agencies to focus

¹GAO, Governmentwide Purchase Cards: Actions Needed to Strengthen Internal Controls to Reduce Fraudulent, Improper, and Abusive Purchases, [GAO-08-333](#) (Washington, D.C.: Mar. 14, 2008). U.S. Department of Commerce, Office of Inspector General, Internal Controls for Purchase Card Transactions Need to Be Strengthened, Final Report No. OIG-13-025-A, (Washington, D.C.: May 2, 2013), U.S. Environmental Protection Agency, Office of Inspector General, Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA, Report No. 14-P-0128 (Washington, D.C.: Mar. 4, 2014), and Treasury Inspector General for Tax Administration, The Purchase Card Program Lacks Consistent Oversight to Identify and Address Inappropriate Use, 2013-10-056, (Washington, D.C.: June 20, 2013).

²GAO, Contract Management: Agencies Can Achieve Significant Savings on Purchase Card Buys, [GAO-04-430](#) (Washington, D.C.: Mar. 12, 2004).

³The Office of Management and Budget's Circular A-123, Appendix B revised, defines strategic sourcing as the "collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently."

⁴Pub. L. No. 112-194, § 2. Our research identified only one report from the EPA Office of Inspector General that addressed this subject. U.S. Environmental Protection Agency, Office of Inspector General, Ineffective Oversight of Purchase Cards Results in Inappropriate Purchases at EPA, Report No. 14-P-0128 (Washington, D.C.: Mar. 4, 2014).

more on strategic sourcing and initiated a government-wide strategic sourcing program for commonly purchased goods and services that aggregates requirements and streamlines processes in order to leverage spending to the maximum extent possible.⁵

Congress requested that we review whether government agencies are effectively leveraging buying power to achieve cost savings when procuring goods and services using purchase cards. This report addresses the extent to which selected (1) agencies analyze purchase card data to identify opportunities to leverage buying power agency-wide and (2) purchase cardholders seek opportunities to achieve cost savings when using purchase cards.

To examine the extent to which agencies are performing analysis to identify ways to better leverage their buying power, we selected six agencies that represent varying levels—high, medium and low—of purchase card spending in fiscal year 2014: the Departments of Defense (DOD), Veterans Affairs (VA), the Interior (Interior), Homeland Security (DHS), and Energy (Energy) and the Environmental Protection Agency (EPA). Our selection of agencies was based on purchase card spending levels and was informed by Inspectors General office reports that addressed purchase card spend analysis taking place at executive branch agencies. For these six agencies, we reviewed government-wide and agency-specific policies and regulations and interviewed acquisition and finance personnel to understand what data concerning purchase card transactions are available and the extent to which agencies collect and analyze these data to support strategic sourcing initiatives. We also collected and analyzed government-wide purchase card transaction data from the three SmartPay banks for fiscal year 2014 and the first two quarters of fiscal year 2015 to understand what data are available to agencies for performing spend analysis and to identify potential challenges presented by the data supplied by vendors through the banks. Data used to select purchase cardholders and analyze government-wide purchase card spending were found to be sufficiently reliable for the purposes of this report.

To assess the extent to which local offices and cardholders seek opportunities to achieve cost savings when using purchase cards, we

⁵Office of Management and Budget, Memorandum for Chief Acquisition Officers, Chief Financial Officers, and Chief Information Officers on Implementing Strategic Sourcing (Washington, D.C.: 2005).

selected a nonprobability sample of 20 cardholders from high-spending offices within DOD and VA—the two agencies that use purchase cards most—and who had made purchases with a specific merchant included in a government-wide contract that had the highest volume of sales with these agencies. We interviewed cardholders, approving officials, and personnel who identified requirements fulfilled through cardholder purchases to understand how prices are considered and vendors selected when buying goods and services with purchase cards. Appendix I describes our objectives, scope, and methodology in greater detail.

We conducted this performance audit from April 2015 to May 2016 in accordance with 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.

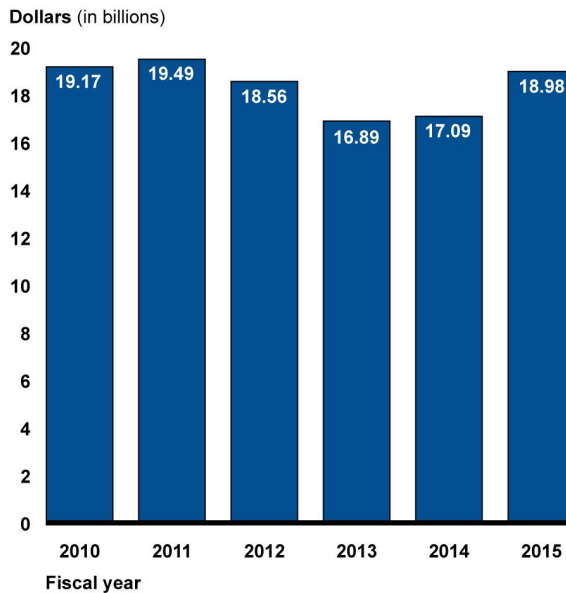
Background

The broadening of purchase card use from procurement offices to individual government cardholders in 1994 improved the ability of agencies to quickly and easily acquire items needed to support daily operations and reduced the administrative costs associated with such small purchases. Though government purchase cards were originally reserved for use by procurement personnel, the Federal Acquisition Streamlining Act of 1994 allowed authorized government cardholders to make purchases under the micro-purchase threshold without obtaining competitive quotations if the price to be paid was considered reasonable.⁶ Further, the act dictated that cardholders distribute their purchases equitably among qualified suppliers. Moreover, according to the Federal Acquisition Regulation (FAR), these cards are the preferred means to complete purchases under the micro-purchase threshold. According to GSA, from fiscal year 2010 to 2015, cardholders spent a range of about \$17 billion to \$19.5 billion annually in goods and services using purchase cards.⁷ (See figure 1)

⁶Pub. L. No. 103-355, § 4301. Authorized government cardholders are recommended by their supervisors and must complete purchase cardholder training.

⁷At the time of our review, the micro-purchase threshold was \$3,000. On October 1, 2015, the micro-purchase threshold was raised to \$3,500.

Figure 1: Government-wide Purchase Card Spending, Fiscal Years 2010-2015, in Billions



Source: GAO analysis of GSA data. | GAO-16-526

Although purchase cards may be used as a payment mechanism against contracts, for the agencies in our review, over 97 percent of the purchases in fiscal year 2015 were transactions valued below the micro-purchase threshold. (See table 1)

Table 1: Number of Fiscal Year 2015 Purchase Card Transactions below the Micro-purchase Threshold for Selected Agencies

Agency	Total number of transactions	Micro-purchases	Percentage of total
Department of Veterans Affairs	6,388,324	6,292,144	98.5
Department of Defense	5,420,142	5,260,842	97.1
Environmental Protection Agency	52,487	52,345	99.7
Department of Homeland Security	826,392	818,185	99.0
Department of Energy	129,175	126,606	98.0
Department of the Interior	1,298,415	1,298,229	100.0

Source: Agency data | GAO-16-526

The government's purchase card program—part of the SmartPay program—is managed by GSA, which currently administers the purchase card contracts with three banks: US Bank, Citibank, and JP Morgan Chase.⁸ According to GSA's SmartPay website, streamlining paper-driven acquisition processes of the past with the use of purchase cards saves the government about \$1.7 billion annually (approximately \$70 per transaction) in administrative costs. Further, when selecting which bank to use for its purchase card program, an agency can negotiate with its bank the terms for purchase card refunds under the purchase card program's contract. These refunds are based on speed of payment and volume of transactions and may also result in a cost savings for agencies. The GSA's SmartPay website indicates that the government has received approximately \$3 billion in refunds from purchase card spending since the SmartPay program's inception in 1998.

Purchase card data are available from two sources: the bank servicing the agency as well as a system developed by GSA called the SmartPay Data Warehouse, which was designed to assist with purchase card analysis. According to GSA officials, the Data Warehouse can be used to compile aggregate data from banks for each participating agency and for the government as a whole. The data can be sorted by various fields, such as vendor, agency, and transaction date. Additionally, GSA officials stated that they can sort the data based on an agency's spend for improving internal management and, in the future, may be used to identify opportunities for savings. Although purchase card data can be used to support spend analysis, agency officials told us that these data are primarily used for internal control purposes, notably to mine the data in order to identify card misuse and potential fraud and abuse.⁹

In 2004, GAO found that while agencies had begun to take actions to achieve cost savings through purchase card programs, most had not yet taken full advantage of available opportunities to obtain more favorable prices on the items purchased with cards. For example, we found that agencies had only negotiated discount agreements with a few of the vendors frequently used by cardholders; purchase card training programs lacked practical information to help cardholders take advantage of the

⁸The SmartPay program covers government charge cards including travel, fleet, purchase, and integrated cards.

⁹Data mining is an automated process used to scan databases to detect patterns, trends, or anomalies for use in risk management or other areas of analysis.

discounts that had been negotiated; and there was a lack of management focus on leveraging buying power to achieve cost savings on items purchased. As a result, we found that the government was not taking advantage of opportunities which could have saved taxpayers hundreds of millions of dollars. Officials cited inconsistent vendor reporting of detailed transaction data—referred to as level 3 data, which is necessary for identifying specific items for each transaction—as an impediment to analysis of purchase card spending patterns. However, we found that despite lacking specific data on transactions, agencies could take steps to get better prices such as identifying vendors with high volumes of sales. As a result, we made several recommendations to focus management attention on the cost saving opportunities available for purchase card buys, facilitate cardholder access to discounted prices, and develop mechanisms that provide cardholders with better pricing from major vendors for key commodities, such as agency-wide discount agreements.¹⁰

Over the last decade, OMB has taken additional steps to implement strategic sourcing initiatives meant to increase the value of each dollar spent by government. In 2005, it issued a memorandum implementing strategic sourcing practices across the government. In the same year, OMB, Department of Treasury, and the General Services Administration established the Federal Strategic Sourcing Initiative (FSSI) to identify government-wide opportunities to strategically source commonly purchased products and services and to eliminate duplication of efforts across agencies. Further, in a 2009 update to its purchase card guidance for federal agencies, OMB asked that agencies think more strategically about what they were buying with purchase cards. The guidance required that agencies incorporate purchase card spending into analysis that supports strategic sourcing decisions and recommended that agencies review and analyze patterns of purchase card spending for potential cost-saving opportunities. More recently, OMB announced the government's intent to use a category management approach and GSA issued guidance in May 2015 to provide agencies with consistent standards for

¹⁰GAO recommended that the secretaries of the six agencies included in its review (the Departments of Agriculture, Defense, the Interior, Justice, Transportation, and Veterans Affairs), direct their purchase card program managers to analyze available data to analyze purchase card expenditure patterns to identify opportunities to achieve savings and to assess whether cardholders are getting good prices; only two agencies implemented these recommendations. Further, we recommended that these six agencies take steps to communicate information to help cardholders take advantage of mechanisms established to achieve savings; only two agencies took action to implement.

its implementation. Category management calls for lead agencies to analyze acquisition approaches for particular groups of goods or services to further reduce duplication of acquisition efforts among agencies and help ensure that agencies receive uniform, competitive pricing. However, this guidance on category management does not address agencies' review of purchase card transaction patterns.

Although the federal government has taken these steps to enhance strategic sourcing of goods and services, GAO has reported multiple times on the shortcomings of implementing such initiatives by federal agencies.¹¹ For example, in 2012 we found that selected agencies were only leveraging a fraction of their buying power through contracts as a result of strategic sourcing analysis. While leading private sector companies reported strategically managing as much as 90 percent of their spending, we found that agencies responsible for the majority of government procurement spending reported managing less than 5 percent of their spending through strategically sourced contracts. Further, we found that FSSI contracts had low levels of use and that commodities and services purchased the most by the government were not available through FSSI. We made several recommendations to DOD, VA, and OMB to improve department and government-wide strategic sourcing efforts. While DOD has taken steps to evaluate resources devoted to strategic sourcing, it has not yet completed steps to identify and evaluate the best way to strategically source its highest spending categories. VA implemented both of its recommendations by taking steps to evaluate ways to strategically source high spending goods and services and by establishing strategic sourcing goals and metrics. OMB has not yet fully addressed recommendations to provide federal agencies with metrics to measure progress toward strategic sourcing goals nor to require an assessment of whether more top spend products and services should be considered for strategic sourcing.

¹¹GAO, Strategic Sourcing: Opportunities Exist to Better Manage Information Technology Services Spending, [GAO-15-549](#) (Washington, DC: Sept. 22, 2015), Strategic Sourcing: Leading Commercial Practices Can Help Federal Agencies Increase Savings When Acquiring Services, [GAO-13-417](#) (Washington, DC: Apr. 15, 2013), Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs, [GAO-12-919](#) (Washington, DC: Sep. 20, 2012), Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, [GAO-11-318SP](#) (Washington, D.C.: Mar. 1, 2011); Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement, [GAO-04-870](#) (Washington, D.C.: Sept. 16, 2004); and Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings, [GAO-03-661](#) (Washington, D.C.: June 9, 2003).

Four Agencies Took Steps to Identify Cost Savings through Analysis of Purchase Card Data; Two Agencies Could Do More

All of the agencies in our review incorporated purchase card data into aggregate spend analysis to support strategic sourcing initiatives as required by OMB; however, many officials pointed to data challenges, such as a lack of specificity, that make it difficult to conduct more detailed analysis. Despite these challenges, four of the six agencies took additional steps to conduct specific analysis of purchase card spending patterns as recommended by OMB guidance. Moreover, two of these four agencies identified opportunities for savings through such analysis, demonstrating that savings can be found. However, while some DOD components analyzed purchase card data, certain components of DOD did not. Further, Energy did not perform agency-wide analysis of purchase card data. Without more focused efforts on this type of analysis, these agencies may be missing opportunities to find cost savings with purchase card buys.¹²

Agencies Incorporated Purchase Card Data into Strategic Sourcing Analyses, but Specific Purchase Card Analysis Is Hindered by Data Challenges

The January 2009 OMB Circular A-123, Appendix B, stipulates that to support strategic sourcing initiatives underway at agencies, purchase card data must be incorporated into spend analysis along with contract and delivery order data. All six of the agencies selected for our review incorporated purchase card spend data into their annual or quarterly aggregate spend analysis to support strategic sourcing initiatives.¹³ Our prior work defines spend analysis as providing knowledge about how much is being spent for which products and services, who the buyers are, who the suppliers are, and where the opportunities are for leveraged buying and other tactics to save money and improve performance. From this analysis, organizations can evaluate and prioritize commodities to create a list of top products or services to target for strategic sourcing. This list typically includes the products or services on which most of the organization's spending is focused. Although agencies we reviewed incorporated purchase card data into their aggregate spend analysis, some officials stated that its inclusion had little impact on results due to its relatively small dollar value.

¹²In this report, we define DOD components as the military services and other defense agencies that comprise the entire department

¹³Strategic sourcing can encompass a range of tactics for acquiring products and services more effectively and efficiently. In addition to leveraged buying, strategic sourcing tactics include managing demand by changing behavior, achieving efficiencies through standardization of the acquisition process, and managing supplier relationships.

The OMB guidance also states that agency purchase card program coordinators should further conduct a more specific analysis of purchase card data, reviewing spending patterns and levels—independent of the aggregate agency spend analysis—to identify opportunities for savings through negotiation of discounts, improvements to the buying process, and increased volume purchases. Officials at most of the selected agencies, however, raised concerns about the costs and benefits of using resources to analyze purchase card spending because it represents a small part of overall spending. The six agencies' average purchase card spend ranged from about 2 percent to 17 percent of total spend for fiscal year 2015 (see table 2). Furthermore, officials also stated that the value of extensive analysis is questionable, as individual purchase card transactions are low-cost and, therefore, considered low risk. For example, Interior officials told us that, in general, the cost of doing analysis on such a small portion of overall spending tends to outweigh benefits if it does not lead to a cost-saving contract. DOD officials told us they do not focus on purchase card spend, using resources to focus on higher dollar value spending instead.

Table 2: Selected Agency Fiscal Year 2015 Percentage of Purchase Card Spend to Total Spend

(Dollars in millions)

Agency	Card spend	Total spend	Percentage of card/total Spend
Department of Veterans Affairs	3,964	23,853	17
Department of Defense	4,765	277,438	2
Environmental Protection Agency	26	1,577	2
Department of Homeland Security	421	13,715	3
Department of Energy	70	1,000	7
Department of the Interior	433	3,306	13
Total	9,679	320,889	3

Source: Agency data.

Moreover, although purchase card data are readily available, agency officials cited several challenges as obstacles to analyzing the data separately. Similar to what we found in 2004, officials at all six selected agencies stated that purchase card data are generally not sufficient to support the detailed spend analysis necessary to target specific commodities or services for strategic sourcing opportunities. Bank databases provide agency officials with information on all purchase card transactions, including vendor name, merchant category code (general description of what a vendor sells), transaction date, and transaction dollar amount, but other transaction level details are not consistently tracked or provided. Transaction level data—referred to as level 3 data—

would provide insight into the specific items purchased, including quantity and unit prices. However, only vendors can provide level 3 data to the banks and we found not all vendors submit this information. Without it, agencies rely on merchant category codes, which provide only a general description of what vendors sell, and the total amount spent with each vendor. Our analysis of the 18 months of bank data we had requested confirmed this data challenge and also highlighted that the level 3 data fields are not standardized, which further complicates data analysis. For example, approximately 36 percent of records did not contain information in data fields meant to provide a description of the item being purchased. Further, the information that was included varied significantly. Although some transaction records contained information on the make and model of items, other transactions had general descriptions of what was purchased. Other purchase card transaction records contained only a series of letters and numbers without a description of what was purchased.

Additionally, purchase card data also may associate multiple merchant category codes with one type of vendor, impeding spend analysis and requiring extensive, time-consuming data cleanup to maximize usefulness. For example, office supply vendors can be classified under merchant category codes for Office/Photo Equipment, Stationary/Office Supplies, Stationery Stores, and Combination Catalog and Retail. DHS officials reported that in fiscal year 2014 transactions with Staples and Office Depot—both vendors under the Office Supply FSSI—were largely recorded under different merchant category codes. To perform an analysis of office supplies, officials would have had to use a combination of merchant category codes and vendor names for both vendors. However, they would not have had enough information to know which vendors provide what commodities or services.

Another challenge with the purchase card data is that one vendor may be listed under multiple names, making it time consuming to develop a list of top vendors. For example, as part of its agency-wide strategic sourcing efforts, DHS regularly standardizes different names for the same vendor reported in purchase card data to improve the accuracy of vendor information for analysis. DHS officials noted that there may be many variations of vendor name, for example, for vendors with franchises or multiple locations, complicating analysis of bank data. Our analysis of 18 months' worth of purchase card data confirmed this phenomenon; for example, one major general merchandise store was identified with more than 5,000 different variations of its name. Although time consuming, standardizing vendor names helps ensure that vendor information is more

appropriately counted when developing a list of top-spend vendors to support analysis for potential savings.

Despite Challenges, Most Agencies Performed Specific Analysis of Purchase Card Data, With Some Positive Outcomes

Despite concerns with the data, four agencies in our review—DHS, EPA, VA, and Interior—took additional steps to analyze purchase card spending patterns as recommended by OMB guidance. Because the data do not provide consistent insights into what agencies are buying, these agencies identified the vendors with which they spent the most. Interior reviewed quarterly reports provided by its purchase card bank to identify the top high-spend vendors. To improve the accuracy of vendor information for analysis, DHS took the extra step to normalize the differing names reported in bank data for the same vendor.

VA has performed product spend analysis on an as-needed basis to identify opportunities to leverage spend. The last of these analyses was conducted in May 2015 resulting in consideration of a potential department-wide contract for specific medical equipment which would provide for discounts on items that could be procured with purchase cards. In January 2016, VA began a pilot program where a small core team will routinely conduct spend analysis to identify opportunities to aggregate requirements and leverage purchase card spending. Further, VA purchase card officials have access to reports from the bank that may assist with analysis of purchase card spend patterns and plan to collaborate with the department's procurement office to establish regular reviews of these data in the future.

Some positive outcomes resulted from individual agencies' purchase card analyses. Specifically, two agencies—EPA and Interior—used their analysis of purchase card data to identify potential commodities to be strategically sourced. For example, EPA, spurred by dissatisfaction with previous contracts, identified the vendors its cardholders most frequently used to obtain lab supplies. Officials stated that based on this analysis of its data, the agency established three new blanket purchase agreements (BPA) for the lab supplies.¹⁴ EPA reported approximately \$50,000 savings to date on lab supplies, \$43,000 of which it attributed to purchase card procurements. In another instance, Interior used bank data to identify that wireless service providers were among the top vendors with whom the

¹⁴A BPA is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply. FAR 13.303-1(a).

agency used purchase cards. However, officials are still evaluating possible solutions to determine the best combination of wireless services and equipment to be provided through contract.

Certain Components within DOD and Energy Did Not Perform OMB Recommended Analysis of Purchase Card Data

Two agencies in our review did not perform agency-wide analysis of purchase card data—DOD, which accounts for just over one quarter of all government purchase card spending—and Energy. Though DOD purchase card program guidance does not require analysis of spending patterns, DOD officials told us that they expect such analysis to be performed at the component level rather than across the entire department. The department provided examples of steps taken by individual DOD components to perform analysis of purchase card spend:

- The Army reported that it coordinates with US Bank to perform an annual review of spending to identify potential strategic sourcing opportunities and to review Army usage of FSSI and mandatory vendors—but did not provide us with examples of results of this analysis.
- Washington Headquarters Services reported that management attention to recurring purchases within the organization resulted in the award of 16 BPAs for supplies and services including ones for locksmith supplies, maintenance services, and interpreter services.¹⁵
- Defense Logistics Agency (DLA) conducts analysis of government purchase card data yearly to identify opportunities to leverage buying power.¹⁶ Recently, DLA reported the award of a contract based on this analysis that allows for centralized ordering of nails and staples—two items previously purchased separately by component sites.

However, other components of DOD, such as the Air Force and Navy, did not report any purchase card spend analysis activity. Until DOD, specifically the Office of Defense Procurement and Acquisition Policy, issues agency-wide guidance or direction on analysis of purchase card

¹⁵The Washington Headquarters Services provides essential administrative services to support the Office of the Secretary of Defense, DOD agencies, and offices in the National Capital Region.

¹⁶The Defense Logistics Agency is DOD's largest logistics combat support agency supporting military services, several civilian agencies, and foreign countries.

spending, components may be inconsistently identifying opportunities for cost savings.¹⁷

Similarly, Energy did not conduct agency-wide analysis of purchase card data citing resource and data constraints as an impediment. Energy officials stated that they lack tools necessary to develop accurate analysis of vendor spending. However, our own analysis of VA and DOD purchase card data shows it is possible to analyze vendor names to more accurately identify high-spend vendors. Through statistical analysis that compared vendor names, similar names were identified, evaluated, and aggregated as appropriate. This allowed us to have a more accurate count of transactions for high-spend vendors from the Army and VA offices from which we selected case study cardholders. Like DOD, Energy may be missing opportunities to obtain savings without performing some level of analysis of purchase card spending.

More Sharing of Information on Local Initiatives and Informing Cardholders of Cost Saving Opportunities Needed to Create Purchase Card Spend Savings

We examined local efforts at two of the six agencies in our review—VA and DOD—and found local initiatives that may benefit the whole agency. None of the local DOD purchase card program officials we spoke with provided examples where they reviewed purchase card spending patterns to identify areas for cost savings. However, based on local knowledge of purchase card spend patterns, cardholders and other officials we interviewed from VA regional offices identified commodities procured with purchase cards that could be bought through BPAs instead, helping ensure pre-negotiated discounted prices and reliable service from vendors. Specifically,

- In December 2014, a regional VA office established two BPAs for modular wheelchair ramps and installation services—once procured through individual purchase card transactions—to achieve better prices and to ensure more timely delivery. According to officials, these BPAs reduced delivery and installation times from 4-6 weeks to approximately 4 days and saved \$1.1 million. Similar arrangements for use across VA are expected to be established in the third quarter of fiscal year 2016.

¹⁷The Office of Defense Procurement and Acquisition Policy is responsible for all contracting and procurement policy matters in DOD.

-
- This same office reported that they recently awarded orthotics contracts to 17 vendors for various items, including diabetic shoes and braces that had been procured with purchase cards. The contracts are intended to access the best quality of care for veterans, but the office also achieved better prices, getting discounts from 1 to 22 percent on items purchased through the contracts.
 - Another VA regional office reported that it transitioned bed rentals from individual card buys to a national contract to avoid instances of cardholders' purchase authority being exceeded when patients required use of beds for longer than anticipated. The contracts allowed for reduced workload and easier placement of orders according to officials, even though the level of usage was not enough to achieve significant cost savings.

Further, individual VA cardholders we spoke with leveraged knowledge of existing local contracts to receive better prices or provided information to contracting staff of possible opportunities to obtain savings. For example, one VA cardholder noticed that a contract for protective boots had been allowed to lapse and that VA was using purchase cards to buy the boots at a higher price than the previously negotiated contract rate. Her office informed contracting officials, who are planning to negotiate lower prices on a new contract. This cardholder also noticed that when she moved from one VA office to another, the prices her new office paid for protective eyewear was much more expensive than what her old office paid. According to this cardholder, she was able to coordinate the use of a contract from her previous office at her new one thereby reducing costs for eyewear by approximately 77 percent. Another cardholder noticed her office was making recurring purchases for data communication services. Her office reviewed purchase card orders and worked with the contracting office to place these services on a contract. Agency officials expect this contract to reduce costs and to be available to multiple VA hospitals. These efforts further demonstrate that with more attention to patterns of purchase card buys and increased information sharing, the government could better leverage its buying power when using purchase cards. As seen in the example with the wheelchair ramps, some of these opportunities for savings may be appropriate to expand to the entire agency, which may increase potential savings significantly.

Cardholders we spoke with were generally aware of existing contracts that they could use to procure items. Further, we also found examples where agency offices used various mechanisms to share information with cardholders and to remind cardholders of negotiated contracts that could

provide a cost savings. Some of the training or practices we identified may be useful for other offices to use or emulate. For example,

- One Army program manager includes information on government contracts cardholders should use in a quarterly newsletter he sends out.
- Another Army program manager provides training on purchase card operating procedures that directs cardholders to use government contracts. Additionally, one cardholder told us that she incorporated these topics into her own training which she provides to local personnel who place purchase card order requests with her.
- One program manager we spoke with from VA forwards emails from agency-level contracting offices concerning the mandatory use of certain contracts or changes to existing government contracts to cardholders under his responsibility. For example, one email directed cardholders to VA's list of national mandatory government contracts and noted that the contracting office updates the list monthly.
- Another VA program manager provides supplemental purchase card training to cardholders which discusses mandatory use of certain strategic sourcing contracts and other agency-wide contracts and notes that open-market purchases are a last resort for cardholders.

Some cardholders we spoke with told us that other factors may result in using a vendor other than those under an FSSI contract or other contract vehicle. For example, speed of delivery is at times a consideration when selecting a vendor, especially for urgent requirements. Further, some Army cardholders we spoke with noted that they frequently need to purchase equipment that meets specific technical requirements for conducting experiments, and thus need to use vendors that can meet these specific criteria.

None of the six agencies in our review have purchase card guidance that encourages local officials to examine purchase card spend patterns to obtain savings and to share information on such efforts. The existing guidance focuses largely on preventing fraud or misuse of purchase cards, rather than leveraging buying power to achieve savings. However, the examples we found demonstrate that sharing information on initiatives at the local level broadly across the agency may help to improve knowledge of available cost saving contracts—such as the example with the cardholder that knew of the contract for protective eyewear—and finding new opportunities for cost savings—such as the instance where VA is expanding use of a contract for wheelchair ramp services. Also, sharing information on local training efforts may be a way for other offices

to use pre-existing resources to train their own cardholders. Federal internal control standards state that management should internally communicate the necessary information to achieve the entity's objectives.¹⁸ Effective information and communication throughout an organization are vital for an entity to achieve its objectives, which can be accomplished through written guidance. Although we did not speak with local offices in the other agencies in our review, our experience in speaking with officials at VA regional offices indicates that other agencies could benefit from identifying and sharing information on local initiatives that leverage spend. Without communication of any local efforts taking place, agencies may be missing opportunities to leverage the buying power when using purchase cards.

Conclusions

OMB's policy clearly indicates the importance of conducting analysis on purchase card data to identify cost savings. Paying attention to purchase card spending has yielded positive results, both at an agency-wide level—where EPA and Interior's actions resulted in savings or potential better terms for government buyers—and at a local level where VA cardholders noticed patterns and focused efforts to obtain savings. However, agencies remain reluctant to invest substantial time and resources into leveraging the government's purchasing power when it comes to purchase cards. Some of the reasons are valid—imperfect and challenging data, larger procurements that require attention, and lack of resources. Yet, when totaled across agencies, purchase card spend represents billions of taxpayer dollars that the government has a responsibility to spend wisely. Agencies that are not performing even a modest amount of purchase card spend analysis, specifically certain components within DOD and Energy, may be missing opportunities to identify areas for savings with purchase cards. Although some DOD components have taken steps to analyze purchase card spend data for cost-saving opportunities, without clear guidance from DOD for all components, resources may not be applied to seek out opportunities. Aside from spend analysis, an agency has shown that paying attention to purchase card spending at the local level can also result in cost savings. Further, by having all agencies encourage local officials to examine purchase card spend patterns to identify opportunities to obtain savings

¹⁸GAO, Standards for Internal Control in the Federal Government, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

and to share information on such efforts, agencies may leverage buying power more effectively.

Recommendations for Executive Action

To help identify opportunities for cost savings, we recommend that the Secretary of the Department of Defense direct the Office of Defense Procurement and Acquisition Policy to issue guidance or instruction to help ensure that components make reasonable efforts to analyze component-level purchase card spend patterns to identify areas for possible savings.

To help identify opportunities for cost savings, we recommend that the Secretary of the Department of Energy take reasonable steps to regularly analyze agency-wide purchase card spend patterns to identify areas such as high-use vendors or frequently purchased commodities for further analysis.

To ensure that good practices are shared within agencies, we recommend that the Secretaries of Defense, Veterans Affairs, the Interior, Homeland Security, and Energy, and the Environmental Protection Agency develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Where applicable, we further recommend that these agencies determine the feasibility for broader application of these efforts across the agency or organization.

Agency Comments and Our Evaluation

We provided a draft of our report to the Secretaries of Defense, Veterans Affairs, the Interior, Homeland Security, and Energy as well as the Administrators of the Environmental Protection Agency and General Services Administration, and the Director of the Office of Management and Budget. DOD, VA, DHS, and Energy concurred with our recommendations and Interior partially concurred. Agencies' comments are summarized below and written comments from DOD, VA, Interior, Energy, and DHS are reproduced in appendices II-VI. OMB and GSA did not to provide comments on our report. EPA did not respond to our request for comments on the draft. We also received technical comments from VA, which we incorporated as appropriate.

In its written comments, DOD concurred with both of our recommendations and stated that the Office of Defense Procurement and Acquisition Policy will issue guidance to help ensure that DOD components and local officials take steps to analyze purchase card spending for potential cost-saving opportunities. Similarly, Energy concurred with both recommendations in its written response. It will use a

new spend analytics database to analyze agency-wide purchase card spending patterns and update existing acquisition guidance, purchase card policy, and operating procedures to encourage local examination of spending patterns and share information on such efforts. Both agencies estimate implementation of these recommendations by the fourth quarter of fiscal year 2016.

DHS and VA agreed with our recommendation to develop guidance that encourages local officials to examine purchase card spending patterns for opportunities to obtain savings and to share results of these analyses. Staff from the Office of the Chief Finance Officer will update the DHS purchase card manual to encourage local officials to perform quarterly analysis of purchase card data in order to identify strategic sourcing opportunities. In its written comments, VA stated that the Office of Management is working with the Office of Acquisition, Logistics, and Construction to develop guidance and implement strategic sourcing for the department's overall spending to include purchase cards. The Office of Management will also update the VA's purchase card policy to encourage agency officials to analyze purchase card spending patterns for cost-saving opportunities and share the results of these analyses.

Interior partially concurred with our recommendation to encourage examination of purchase card spending patterns by local officials. The agency stated in its written comments that it will encourage its bureaus to use data analysis tools to make purchase card spend data available to program managers and buyers. It will promote sharing of data across regional boundaries to help identify potential opportunities to negotiate savings for commonly used items. However, the agency does not see a need for additional guidance to assist the bureaus in implementing these efforts. While encouraging additional, bureau-level analysis of purchase card data is a positive step toward fully leveraging Interior's buying power, we continue to believe that formalizing these actions through guidance will help ensure uniform implementation across its offices.

We are sending copies of this report to the appropriate congressional committees, the Secretaries of Defense, Veterans Affairs, Interior, Homeland Security, and Energy as well as the Administrators of the Environmental Protection Agency and General Services Administration, and the Director of the Office of Management and Budget. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or MakM@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.

A handwritten signature in black ink, appearing to read 'Marie Mak', with a stylized flourish at the end.

Marie A. Mak
Director
Acquisition and Sourcing Management

Appendix I: Objectives, Scope, and Methodology

The Office of Management and Budget's *Circular No. A-123 Appendix B* requires agencies to incorporate purchase card spending data into overall spend analysis to support strategic sourcing initiatives and recommends that agencies analyze purchase card spending patterns and levels to identify opportunities for negotiation of discounts and increased savings based on volume. In response to a congressional committee request, we assessed the extent to which selected (1) agencies analyze purchase card data to identify opportunities to leverage buying power agency-wide and (2) local purchase cardholders take advantage of opportunities to achieve cost savings when using purchase cards.

To address these objectives, we reviewed laws and regulations in place relating to the use and management of purchase card programs and strategic sourcing initiatives. We met with General Service Administration (GSA) officials who manage the SmartPay purchase card program as well as officials from the Office of Management and Budget responsible for issuing government-wide guidance on managing purchase card programs to gain insight into what purchase card transaction data are available to individual agencies and the requirements placed upon these agencies to analyze purchase card spending. We also collected and analyzed government-wide purchase card transaction data from the three SmartPay banks for fiscal year 2014 and the first two quarters of fiscal year 2015 to understand what data are available to agencies for performing spend analysis and to identify potential challenges presented by the data supplied by vendors through the banks. We analyzed data to determine top vendors used by certain agency offices and understand the extent to which descriptive information on procured goods and services is included in purchase card transaction data supplied by the banks.

To determine the extent to which individual agencies perform analysis of purchase card data, we reviewed policies and conducted interviews with finance and acquisition officials from six, case study agencies that represent three differing levels of purchase card spending. Based on analysis of fiscal year 2014 purchase card statistical data available from the GSA website describing total spending and transactions by each agency participating in the SmartPay program, we selected:

1. The Department of Defense (DOD) and Department of Veterans Affairs (VA), the two largest users of purchase cards, both making purchases valued well over \$500 million,
2. The Departments of Homeland Security (DHS) and Interior (DOI), each having spent between \$100 and \$500 million, and

3. The Environmental Protection Agency (EPA) and Department of Energy (Energy), each having spent less than \$100 million.

Selection of DHS and EPA was also informed by the findings of GAO and inspector general reports. Specifically, previous GAO reports found that DHS has a well-resourced strategic sourcing program and a recent EPA Inspector General report stated that the agency had begun to conduct analysis of purchase card spend to identify commodities to be sourced strategically. We used this information as an indicator that these agencies may have performed analysis of purchase card spending patterns to identify new strategic sourcing opportunities as recommended by OMB guidance. We reviewed each agency's own policies describing the responsibilities of cardholders and program management to understand the extent to which they address issues of pricing and vendor selection. We conducted interviews with agency purchase card program and strategic sourcing officials to understand how data on purchase card transactions are used to inform overall spend analysis and to identify specific services or commodities where buying power could be better leveraged through strategic sourcing. We asked each of the six agencies to provide us data describing the purchase card transactions and spending for fiscal year 2015 which we used to provide context. Findings based on information collected from these six agencies cannot be generalized to all agencies.

To examine the extent to which cardholders seek opportunities to achieve cost savings when making purchases, we collected purchase card documentation and conducted interviews with 20 purchase cardholders from DOD and VA. We selected cardholders from these two agencies because DOD and VA have the highest amount of purchase card spending, representing nearly 78 percent of total government purchase card spending in fiscal year 2014. To select the cardholders we analyzed the transaction data for these two agencies collected from US Bank, one of the three SmartPay banks, to identify top vendors used by DOD and VA and compared this list to vendors associated with the Federal Strategic Sourcing Initiative (FSSI). We then analyzed bank data further to determine which two offices within each agency had the highest levels of purchase card spending with the FSSI vendor and selected cardholders from each office to interview. Specifically, we selected cardholders from Army Materiel Command, the United States Army Corps of Engineers, and two regional Veteran's Health Administration offices. Each selected cardholder made purchases with this FSSI vendor as well as from other vendors. Bank data used to select cardholders were examined for duplicate records and invalid information and were found to be sufficiently reliable for the purposes of this work. We interviewed

cardholders and collected transaction documentation to understand the extent to which these individuals consider price options prior to making a purchase and are cognizant of contracts or other vehicles meant to provide a savings to government buyers. While the results based on interviews with the selected purchase card holders cannot be projected to all cardholders, their experience provides insight into how cardholders consider price and strategic sourcing options when making purchase card buys.

We conducted this performance audit from April 2015 to May 2016 in accordance with 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.

Appendix II: Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MAY 6 2016

Ms. Marie A. Mak
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Mak:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-16-526, "GOVERNMENT PURCHASE CARDS: Opportunities Exit to Leverage Buying Power" dated April 7, 2016 (GAO Code 121268). Detailed comments on the report recommendations are enclosed.

Sincerely,

A handwritten signature in black ink, reading "Claire M. Grady", is positioned above the typed name and title.

Claire Grady
Director, Defense Procurement
and Acquisition Policy

Enclosure:
As stated

GAO DRAFT REPORT DATED APRIL 7, 2016
GAO-16-526 (GAO CODE 121268)

**“GOVERNMENT PURCHASE CARDS: OPPORTUNITIES EXIT TO LEVERAGE
BUYING POWER”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION**

RECOMMENDATION 1: To help identify opportunities for cost savings, the Government Accountability Office (GAO) recommends that the Secretary of the Department of Defense direct the Office of the Defense Procurement and Acquisition Policy to issue guidance of instruction to help ensure that components make reasonable efforts to analyze component-level purchase card spend patterns to identify areas for possible savings.

DoD RESPONSE: Concur. Director, DPAP will issue guidance to help ensure that components make reasonable efforts to analyze component-level purchase card spend patterns to identify areas for possible savings by 4th quarter FY2016.

RECOMMENDATION 2: To ensure that good practices are shared within agencies, the GAO recommends that the Secretaries of Defense, Veterans Affairs, the interior, Homeland Security, and Energy, and the Environmental Protection Agency, develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Where applicable, the GAO further recommends that these agencies determine the feasibility for broader application of these efforts across the agency/organization.

DoD RESPONSE: Concur. Director, DPAP will develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts by 4th quarter FY2016. This guidance will request that agencies determine the feasibility for broader application of these efforts across the agency/organization.

Appendix III: Comments from the Department of Energy



Department of Energy

Washington, DC 20585

May 4, 2016

Mr. David Trimble
Director
Natural Resources and Environment Team
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Trimble:

Thank you for providing a draft copy of the Government Accountability Office (GAO) report, "Government Purchase Cards Opportunities Exist to Leverage Buying Power (GAO-16-526)." We have reviewed the draft report and provide the following comments below.

The Department is in the process of standing up a new Spend Analytics Database in a concerted effort to capture the available data in order to analyze agency-wide purchase card spend patterns. The Departmental Acquisition Guide Chapters 7.2, Strategic Sourcing Requirements, and 13.1, Purchase Card Policy and Operating Procedures, will be updated to include guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts.

If you have any questions, please contact Scott Clemons at scott.clemons@hq.doe.gov or 202-287-1748.

Sincerely,

Berta Schreiber
Acting Director
Office of Acquisition Management

Enclosure



Printed with soy ink on recycled paper

Response to Report Recommendations

Recommendation 1: *"To help identify opportunities for cost savings, we recommend that the Secretary of the Department of Energy take reasonable steps to regularly analyze agency-wide purchase card spend patterns to identify areas such as high-use vendors or frequently purchased commodities for further analysis."*

Management Response: Concur

The Department is in the process of standing up a new Spend Analytics Database in a concerted effort to capture the available data in order to analyze agency-wide purchase card spend patterns.

Anticipated Completion Date: September 30, 2016.

Recommendation 2: *"To ensure that good practices are shared within agencies, we recommend that the Secretaries of Defense, Veterans Affairs, the Interior, Homeland Security, and Energy, and the Environmental Protection Agency develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Where applicable, we further recommend that these agencies determine the feasibility for broader application of these efforts across the agency/organization."*

Management Response: Concur

The Departmental Acquisition Guide Chapters 7.2, Strategic Sourcing Requirements, and 13.1, Purchase Card Policy and Operating Procedures, will be updated to include guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts.

Anticipated Completion Date: September 30, 2016.

Appendix IV: Comments from the Department of Homeland Security



April 28, 2016

Marie A. Mak
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Draft Report GAO-16-526, "GOVERNMENT PURCHASE CARDS:
Opportunities Exist to Leverage Buying Power"

Dear Ms. Mak:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

The DHS Chief Financial Officer (CFO) is pleased to note GAO's positive recognition that the Department has taken steps to analyze purchase card data in order to identify opportunities for additional strategic sourcing purchases. DHS is committed to procuring the goods and services needed to support its missions in an effective and efficient manner, while also ensuring the appropriate stewardship of taxpayer dollars by proactively preventing government charge waste, fraud, and abuse.

The draft report contained one recommendation for DHS with which the Department concurs. Specifically, GAO recommended that the Secretary of Homeland Security:

Recommendation: Develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts.

Response: Concur. Bankcard and Review Branch staff within the DHS CFO Financial Management Division are in the process of updating the "Purchase Card Manual" to include language that encourages local officials to conduct a quarterly spend analysis that will identify any strategic sourcing opportunities. Estimated Completion Date: July 29, 2016.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,



Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

Appendix V: Comments from the Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

MAY 09 2016

Ms. Marie A. Mak
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Mak:

Thank you for providing the Department of the Interior (Department) the opportunity to review and comment on the draft Government Accountability Office (GAO) Report entitled *Government Purchase Cards: Opportunities Exist to Leverage Buying Power* (GAO-16-526).

We appreciate GAO's review to determine whether agencies are effectively leveraging their buying power when using purchase cards. In order to ensure that good practices are shared within agencies, GAO recommended that the agencies including the Department develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Further, GAO recommended that where applicable determine the feasibility for broader application of these efforts across the agency/organization.

The Department partially concurs with the recommendation and agrees that it would be useful to analyze purchase card spend patterns to identify opportunities for savings. We believe that it would be most effective to encourage bureau charge card leads to increase their use of bank tools to extract spend data than it would be to issue guidance. The Department will work with bureau charge card leads to promote the use of available data analysis tools to make purchase card spend data available to program managers and buyers within their organizations; and encourage bureau program and acquisition managers to share purchase card spend data across regional boundaries to identify potential opportunities to negotiate lower costs for commonly used items.

If you have any questions, or need additional information, please contact me.

Sincerely,

Kristen J. Sarri
Principal Deputy Assistant Secretary
Policy, Management and Budget

Appendix VI: Comments from the Department of Veterans Affairs



DEPARTMENT OF VETERANS AFFAIRS
WASHINGTON DC 20420

May 5, 2016

Ms. Marie A. Mak
Director
Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Mak:

The Department of Veterans Affairs (VA) has reviewed the U.S. Government Accountability Office's (GAO) draft report, **"GOVERNMENT PURCHASE CARDS: Opportunities Exist to Leverage Buying Power"** (GAO-16-526). VA agrees with GAO's conclusions and concurs with GAO's recommendation to the Department.

The enclosure specifically addresses GAO's recommendation in the draft report and provides an action plan. VA also provides a technical comment to the draft report.

VA appreciates the opportunity to comment on your draft report.

Sincerely,

Robert D. Snyder
Chief of Staff

Enclosure

Enclosure

Department of Veterans Affairs (VA) Comments to
Government Accountability Office (GAO) Draft Report
***“GOVERNMENT PURCHASE CARDS: Opportunities Exist to
Leverage Buying Power”***
(GAO-16-526)

GAO Recommendation: To ensure that good practices are shared within agencies, GAO recommends that the Secretary of Veterans Affairs develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Where applicable, GAO further recommends that VA determine the feasibility for broader application of these efforts across the agency/organization.

VA Comment: Concur. VA’s Office of Management (OM) is working with the Administrations and the Office of Acquisitions, Logistics, and Construction to develop guidance and implement strategic sourcing for VA’s overall purchasing requirements, including purchase cards. In addition, OM is updating VA’s purchase card policy to encourage agency officials to analyze spend patterns to identify opportunities to obtain savings and share information on such efforts.

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Marie A. Mak, (202) 512-4841 or MakM@gao.gov

Staff Acknowledgments

In addition to the contact named above, Tatiana Winger (Assistant Director), Pete Anderson, Ji Byun, Virginia Chanley, Lorraine Ettaro, Robert Heilman, Mitch Karpman, Ralph Roffo, Sylvia Schatz, and Thomas Twambly made key contributions to this report.

Appendix VIII: Accessible Data

Agency Comment Letter

Text of Appendix II:
Comments from the
Department of Defense

Page 1

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON

WASHINGTON, DC 20301-3000

ACQUISITION, TECHNOLOGY AND LOGISTICS

MAY 6 2016

Ms. Marie A. Mak

Director, Acquisition and Sourcing Management

U.S. Government Accountability Office

441 G Street, N.W.

Washington, DC 20548

Dear Ms. Mak:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GA0-16-526, "GOVERNMENT PURCHASE CARDS: Opportunities Exit to Leverage Buying Power" dated April 7, 2016 (GAO Code 121268). Detailed comments on the report recommendations are enclosed.

Sincerely,

Claire Grady

Director, Defense Procurement and Acquisition Policy

Enclosure: As stated

Page 2

GAO DRAFT REPORT DATED APRIL 7, 2016 GA0-16-526 (GAO CODE 121268)

"GOVERNMENT PURCHASE CARDS: OPPORTUNITIES EXIT TO LEVERAGE BUYING POWER"

DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATION

RECOMMENDATION 1: To help identify opportunities for cost savings, the Government Accountability Office (GAO) recommends that the Secretary of the Department of Defense direct the Office of the Defense Procurement and Acquisition Policy to issue guidance of instruction to help ensure that components make reasonable efforts to analyze component-level purchase card spend patterns to identify areas for possible savings.

DoD RESPONSE: Concur. Director, DPAP will issue guidance to help ensure that components make reasonable efforts to analyze component-level purchase card spend patterns to identify areas for possible savings by 4th quarter FY2016.

RECOMMENDATION 2: To ensure that good practices are shared within agencies, the GAO recommends that the Secretaries of Defense, Veterans Affairs, the interior, Homeland Security, and Energy, and the Environmental Protection Agency , develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Where applicable, the GAO further recommends that these agencies determine the feasibility for broader application of these efforts across the agency/organization.

DoD RESPONSE: Concur. Director, DPAP will develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts by 41 quarter FY2016. This guidance will request that agencies determine the feasibility for broader application of these efforts across the agency/organization.

Text of Appendix III:
Comments from the
Department of Energy

Page 1

Department of Energy

Washington, DC 20585

May 4, 2016

Mr. David Trimble

Director

Natural Resources and Environment Team

U.S. Government Accountability Office

441 G Street, N.W.

Washington, D.C. 20548

Dear Mr. Trimble:

Thank you for providing a draft copy of the Government Accountability Office (GAO) report, "Government Purchase Cards Opportunities Exist to Leverage Buying Power (GAO-16-526)" We have reviewed the draft report and provide the following comments below.

The Department is in the process of standing up a new Spend Analytics Database in a concerted effort to capture the available data in order to analyze agency-wide purchase card spend patterns. The Departmental Acquisition Guide Chapters 7.2, Strategic Sourcing Requirements, and 13.1, Purchase Card Policy and Operating Procedures, will be updated to include guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts.

If you have any questions, please contact Scott Clemons at scott.clemons@hq.doe.gov or 202-287-1748.

Sincerely,

Berta Schreiber

Acting Director

Office of Acquisition Management

Enclosure

Page 2

Response to Report Recommendations

Recommendation 1: "To help identify opportunities for cost savings, we recommend that the Secretary of the Department of Energy take reasonable steps to regularly analyze agency-wide purchase card spend patterns to identify areas such as high-use vendors or frequently purchased commodities for further analysis."

Management Response: Concur

The Department is in the process of standing up a new Spend Analytics Database in a concerted effort to capture the available data in order to analyze agency-wide purchase card spend patterns.

Anticipated Completion Date: September 30, 2016.

Recommendation 2: "To ensure that good practices are shared within agencies, we recommend that the Secretaries of Defense, Veterans Affairs, the Interior, Homeland Security, and Energy, and the Environmental Protection Agency develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Where applicable, we further recommend that these agencies determine the feasibility for broader application of these efforts across the agency/organization. "

Management Response: Concur

The Departmental Acquisition Guide Chapters 7.2, Strategic Sourcing Requirements, and 13.1, Purchase Card Policy and Operating Procedures, will be updated to include guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts.

Anticipated Completion Date: September 30, 2016.

Text of Appendix IV:
Comments from the
Department of Homeland
Security

Page 1

U.S. Department of Homeland Security

Washington, DC 20528

April 28, 2016

Marie A. Mak

Director, Acquisition and Sourcing Management

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

Re: Draft Report GA0-16-526, "GOVERNMENT PURCHASE CARDS:
Opportunities Exist to Leverage Buying Power" Dear Ms. Male

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

The DHS Chief Financial Officer (CFO) is pleased to note GAO's positive recognition that the Department has taken steps to analyze purchase card data in order to identify opportunities for additional strategic sourcing purchases. DHS is committed to procuring the goods and services needed to support its missions in an effective and efficient manner, while also ensuring the appropriate stewardship of taxpayer dollars by proactively preventing government charge waste, fraud, and abuse.

The draft report contained one recommendation for DHS with which the Department concurs. Specifically, GAO recommended that the Secretary of Homeland Security:

Recommendation: Develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts.

Response: Concur. Bankcard and Review Branch staff within the DHS CFO Financial Management Division are in the process of updating the "Purchase Card Manual" to include language that encourages local officials to conduct a quarterly spend analysis that will identify any strategic sourcing opportunities. Estimated Completion Date: July 29, 2016.

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Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,

Jim H. Crumpacker, CIA, CFE

Director

Departmental GAO-OIG Liaison Office

Text of Appendix V:
Comments from the
Department of the Interior

Page 1

United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, DC 20240

MAY 09 2016

Ms. Marie A. Mak

Director, Acquisition and Sourcing Management

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

Dear Ms. Mak:

Thank you for providing the Department of the Interior (Department) the opportunity to review and comment on the draft Government Accountability Office (GAO) Report entitled Government Purchase Cards: Opportunities Exist to Leverage Buying Power (GAO-16-526).

We appreciate GAO's review to determine whether agencies are effectively leveraging their buying power when using purchase cards. In order to ensure that good practices are shared within agencies, GAO recommended that the agencies including the Department develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Further, GAO recommended that where applicable determine the feasibility for broader application of these efforts across the agency/organization.

The Department partially concurs with the recommendation and agrees that it would be useful to analyze purchase card spend patterns to identify opportunities for savings. We believe that it would be most effective to encourage bureau charge card leads to increase their use of bank tools to extract spend data than it would be to issue guidance. The Department will work with bureau charge card leads to promote the use of available data analysis tools to make purchase card spend data available to program managers and buyers within their organizations; and encourage bureau program and acquisition managers to share purchase card spend data across regional boundaries to identify potential opportunities to negotiate lower costs for commonly used items.

If you have any questions, or need additional information, please contact me.

Sincerely,

Kristen J. Sarri

Principal Deputy Assistant Secretary

Policy, Management and Budget

Text of Appendix VI:
Comments from the
Department of Veterans
Affairs

Page 1

DEPARTMENT OF VETERANS AFFAIRS

WASHINGTON DC 20420

May 5, 2016

Ms. Marie A. Mak

Director

Acquisition and Sourcing Management

U.S. Government Accountability Office

441 G Street, NW

Washington, DC 20548

Dear Ms. Mak:

The Department of Veterans Affairs (VA) has reviewed the U.S. Government Accountability Office's (GAO) draft report, "GOVERNMENT PURCHASE CARDS: Opportunities Exist to Leverage Buying Power" (GAO-16-526). VA agrees with GAO's conclusions and concurs with GAO's recommendation to the Department.

The enclosure specifically addresses GAO's recommendation in the draft report and provides an action plan. VA also provides a technical comment to the draft report.

VA appreciates the opportunity to comment on your draft report.

Sincerely,

Robert D. Snyder

Chief of Staff

Enclosure

Page 2

Enclosure

Department of Veterans Affairs (VA) Comments to Government Accountability Office (GAO) Draft Report

"GOVERNMENT PURCHASE CARDS: Opportunities Exist to Leverage Buying Power" (GAO-16-526)

GAO Recommendation: To ensure that good practices are shared within agencies, GAO recommends that the Secretary of Veterans Affairs develop guidance that encourages local officials to examine purchase card spend patterns to identify opportunities to obtain savings and to share information on such efforts. Where applicable, GAO further recommends that VA determine the feasibility for broader application of these efforts across the agency/organization.

VA Comment: Concur. VA's Office of Management (OM) is working with the Administrations and the Office of Acquisitions, Logistics, and Construction to develop guidance and implement strategic sourcing for VA's overall purchasing requirements, including purchase cards. In addition, OM is updating VA's purchase card policy to encourage agency officials to analyze spend patterns to identify opportunities to obtain savings and share information on such efforts.

Data Tables

Data Table for Highlights Figure and Figure 1: Government-wide Purchase Card Spending, Fiscal Years 2010-2015, in Billions	
Fiscal year	Dollars (in billions)
2010	19.17
2011	19.49
2012	18.56
2013	16.89
2014	17.09
2015	18.98

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