



Highlights of [GAO-06-1117](#), a report to congressional committees

## Why GAO Did This Study

In the wake of the 2005 hurricanes in the Gulf Region, GAO and the Department of Homeland Security Office of Inspector General (DHS OIG) initiated a number of audits and investigations addressing the federal government's response to those events. On July 19, 2006, GAO testified on the results of its purchase card work. This report summarizes the testimony and provides recommendations.

Department of Homeland Security (DHS) cardholders made thousands of transactions related to hurricane relief operations. GAO analyzed transactions between June and November of 2005 to determine if (1) DHS's control environment and management of purchase card usage were effective; (2) DHS's key internal control activities operated effectively and provided reasonable assurance that purchase cards were used appropriately; and (3) potentially fraudulent, improper, and abusive purchase card activity existed at DHS.

## What GAO Recommends

To provide reasonable assurance that fraud, waste, and abuse related to the use of purchase cards is minimized, GAO recommends that DHS (1) make changes to the draft purchase card manual and issue a final, agencywide version (2) establish policies and procedures to ensure more effective oversight and enforcement of the purchase card program. DHS concurred with all of our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-06-1117](http://www.gao.gov/cgi-bin/getrpt?GAO-06-1117). To view the full product, including the scope and methodology, click on the link above. For more information, contact Greg Kutz at (202) 512-7455 or [kutzg@gao.gov](mailto:kutzg@gao.gov) or Matthew Jadacki at (202) 254-4100 or [matt.jadacki@dhs.gov](mailto:matt.jadacki@dhs.gov).

# PURCHASE CARDS

## Control Weaknesses Leave DHS Highly Vulnerable to Fraudulent, Improper, and Abusive Activity

### What GAO Found

A weak control environment and breakdowns in key controls exposed DHS to fraud and abuse in its use of the purchase card. While DHS's draft *Purchase Card Manual* generally contained effective control procedures, it was not finalized due to a lack of leadership by the Chief Financial Officer in resolving disagreements over its implementation. This led to DHS cardholders following different procedures. Inadequate staffing, insufficient training, and ineffective monitoring, along with inconsistent purchase card policies contributed to a weak control environment and breakdowns in specific key controls. GAO and DHS OIG found a lack of documentation that key purchase card internal controls were performed. Based on a statistical sample, GAO and DHS OIG estimated that 45 percent of DHS's purchase card transactions were not properly authorized, 63 percent did not have evidence that the goods or services were received, and 53 percent did not give priority to designated procurement sources. GAO and DHS OIG also found cardholders who failed to dispute improper charges, which resulted in losses to the federal government. Because of the urgent needs caused by the hurricanes, DHS made a number of noncompetitive purchase card acquisitions. GAO recognizes that DHS had the authority to make noncompetitive purchases; however, GAO found transactions where DHS cardholders could have exercised greater prudence without jeopardizing relief efforts.

The weak control environment and ineffective internal control activities allowed potentially fraudulent, improper, and abusive or questionable transactions to occur. Although this work was not designed to identify, and we cannot determine the full extent of fraud, waste, and abuse, GAO and the DHS OIG identified numerous examples of potentially fraudulent, improper, and abusive or questionable transactions. The table below lists examples of potentially fraudulent activity related to items acquired with DHS purchase cards. In addition, poor control over accountable property acquired with purchase cards may have resulted in lost or misappropriated assets.

#### Examples of Potential Fraud

Item Purchased	Description	Amount of Transaction
Lap Tops (FEMA)	Over 100 missing and presumed stolen	\$300,000
Boats (FEMA)	Unauthorized use of card by a vendor	\$208,000
Printers (FEMA)	Over 20 missing and presumed stolen	\$84,000
Lap Tops (Coast Guard)	3 missing and reported stolen	\$8,000

Source: GAO and DHS OIG.

GAO and DHS OIG also found examples of improper use of the purchase card such as the use of convenience checks to pay \$460,000 for pre-packaged meals. Other instances of abusive or questionable transactions included the purchase of a beer brewing kit, a 63-inch plasma television costing \$8,000 which was found unused in its original box 6 months after being purchased, and tens of thousands of dollars for training at golf and tennis resorts. GAO referred cardholders responsible for many of these and other purchases to DHS management for administrative action.