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PURCHASE CARDS

Control Weaknesses Leave  
Army Vulnerable to Fraud,  
Waste, and Abuse

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Mr. Chairman, Members of the Subcommittee, and Senator Grassley:

Thank you for the opportunity to discuss the Army's purchase card program. Our related report,<sup>1</sup> released today and developed at the request of this Subcommittee and Senator Grassley, describes the problems we identified in the Army's purchase card program. For a number of years, the Department of Defense (DOD) has been promoting departmentwide use of purchase cards, and their use has dramatically increased. DOD reported that in fiscal year 2001 the purchase card was used by more than 230,000 civilian and military cardholders to make about 10.7 million transactions at a cost of over \$6.1 billion. Purchase card transactions include acquisitions at or below the \$2,500 micropurchase limit as well as for payments on contracts. The benefits of using purchase cards versus traditional contracting and payment processes are lower transaction processing costs and less "red tape" for both the government and the vendor community.

We support the use of a well-controlled purchase card program to streamline the government's acquisition processes. However, it is important that agencies have adequate internal control in place to protect the government from fraud, waste, and abuse. As a result of our work at two Navy sites<sup>2</sup> that showed significant breakdowns in internal control and your continuing concern about fraud, waste and abuse, you requested that we expand our audits of purchase card controls. Our report to you today is on the Army, which has the largest purchase card program in DOD with about 109,000 cardholders, 4.4 million transactions, and \$2.4 billion in purchases in fiscal year 2001. We plan to report to you separately on the results of our audits of the Navy and Air Force purchase card programs.

Today, I will summarize our Army work. The purchase card program offers significant benefits; however, a weak overall control environment and breakdowns in key internal control activities leave the Army vulnerable to potentially fraudulent, improper, and abusive purchases. Our work at five Army major commands and one installation in each of the commands showed that the Army has not established an effective internal control

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<sup>1</sup>U.S. General Accounting Office, *Purchase Cards: Control Weaknesses Leave Army Vulnerable to Fraud, Waste, and Abuse*, [GAO-02-732](#) (Washington, D.C.: June 27, 2002).

<sup>2</sup>U.S. General Accounting Office, *Purchase Cards: Control Weaknesses Leave Two Navy Units Vulnerable to Fraud and Abuse*, [GAO-01-995T](#) (Washington, D.C.: July 30, 2001) and *Purchase Cards: Continued Control Weaknesses Leave Two Navy Units Vulnerable to Fraud and Abuse*, [GAO-02-506T](#) (Washington, D.C.: Mar. 13, 2002).

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environment. As the use of purchase cards has expanded, Army management has not emphasized internal control activities that can provide reasonable assurance that the individual transactions are for authorized purposes or that they adhere to legal and regulatory requirements. At the individual transaction level, we identified a substantial number of purchases for which cardholders and approving officials had not adhered to important internal control activities and that were not in accordance with valid requirements, policies, and procedures. The weaknesses we identified in the control environment and the breakdown in specific internal control activities resulted in potentially fraudulent and other improper transactions not being prevented or identified promptly.

During our review, Army officials began to address some of the deficiencies we identified and to implement applicable actions at their levels. As discussed in the report released today, DOD concurred with our recommendations to improve the overall control environment; to strengthen key internal control activities; and to increase attention to preventing potentially fraudulent, improper, and abusive and questionable transactions.

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## Weaknesses in Overall Control Environment

Army purchase card management has not taken action to encourage a strong internal control environment. The importance of the role of management in establishing a strong control environment cannot be overstated. GAO's *Standards for Internal Control* discusses management's key role in demonstrating and maintaining an organization's integrity and ethical values, especially in setting and maintaining the organization's ethical tone, providing guidance for proper behavior, and removing temptations for unethical behavior.

Army purchase card management focused significant attention on maximizing the use of the purchase card for small purchases and on paying bills quickly to reduce delinquent payments, and it developed performance measures for them. However, purchase card management has not focused equal attention on internal control, and it has not developed performance measures to assess the adequacy of internal control activities. As a result, we identified a weak internal control environment characterized by a lack of (1) adequate operating procedures specifying needed program management, oversight, and internal control activities, and (2) oversight by all management levels over the program's implementation at the installation level.

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## Inadequate Program Operating Procedures

While existing governmentwide, DOD-wide, and Army-wide procurement regulations are the foundation for the Army purchase card program, the Army has not issued a specific servicewide regulation or standard operating procedure to govern purchase card activities throughout the agency. Instead, the Army relies on memorandums issued by the DOD and Army purchase card program offices and procedures issued by major commands and installations. Our assessment of the existing Army guidance is that it does not adequately identify and direct the implementation of needed actions and control activities. The memorandums issued by the DOD and Army purchase card program offices do not provide a comprehensive set of policies and operating procedures that identify the actions and control activities needed to manage the program.

Without agencywide operating procedures, the Army has relied on its major command and local installation program coordinators to establish purchase card policies and procedures to guide approving officials, cardholders, and others involved in the purchase card program as they implement the program. The standard operating procedures varied widely among the major commands and installations we audited, and they were not adequate.

Collectively, the Army policy memorandums and the major command and installation-level operating procedures do not adequately address key control environment issues. Among the key control activities meriting explicit attention are (1) responsibilities and duties of installation-level program coordinators, (2) controls over the issuance and assessment of ongoing need for cards, (3) appropriate span of control for approving officials, and (4) appropriate cardholder spending limits.

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## Ineffective Program Oversight

Ineffective oversight of the purchase card program also contributes to weaknesses in the overall control environment. In general, effective oversight activities would include management reviews and evaluations of how well the purchase card program is operating, including the internal control activities. We identified little monitoring or oversight activity directed at assessing program results, evaluating internal control, or identifying the extent of potentially fraudulent, improper, and abusive or questionable purchases.

At no management level, Army headquarters, major command, or local installation, is the infrastructure—guidance and human capital—provided

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for monitoring and oversight activities. At Army headquarters, the purchase card agency program coordinator—the position involving direct oversight of the Army program—does not conduct internal control oversight activities. The coordinator’s activities are mainly directed at answering program operation questions from and transmitting reports to major command and installation-level program coordinators. The major commands have direct authority over the installations that report to them and have responsibility for the purchase card programs of their installations. While the major commands that we audited had procedures to guide the installations’ activities, we found little evidence of oversight activities by the commands to monitor the installations’ implementation of the procedures.

Installation program coordinators are established as the pivotal officials in managing and overseeing the purchase card program. However, none of them at the installations we audited had developed a comprehensive or effective oversight program. They were devoting significant time and attention to basic activities such as establishing cardholders and approving officials and providing required training to these individuals. While devoting time and resources to establishing cardholders and approving officials, other important activities, such as monitoring potentially abusive and questionable transactions, were not receiving attention.

The lack of an infrastructure needed for program monitoring and oversight is especially critical at the installation level. There, program coordinators did not have guidance or training on what they should be doing to monitor and oversee the implementation of internal control activities, and they had not been trained. Although installation-level program coordinators are tasked with major program management responsibilities, applicable DOD, Army, and major command guidance did not provide a statement of duties, position description, or other information on the scope, duties, or specific responsibilities for the position. At each of the five audited installations, the coordinators told us they had not received any specific program coordinator training. Program coordinators essentially had been left on their own to develop and implement program management and oversight activities.

Further, the Army had not provided sufficient human capital resources at the installation level to enable the building and maintenance of a robust oversight program. The two key positions for monitoring purchases and overseeing the program are the program coordinator and the approving official. While the program coordinator position is a specifically designated

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responsibility, we found that the Army did not have guidance on the appropriate human capital resources for the program coordinator's office and that program coordinators received very limited assistance in administering, managing, and overseeing the program. At the five installations that we audited, the assistance available to the program coordinator ranged from no staff to one full time assistant. Considering that the coordinators are responsible for procurement programs involving thousands of transactions and millions of dollars, the inadequacy of human capital resources was apparent. The program coordinators told us, and our observations confirmed, that with current resources, time was not available to conduct systematic reviews of approving officials' activities, much less undertake other management analyses and oversight activities.

As opposed to the specifically designated role of the program coordinator, approving official responsibilities generally fall into the category of "other duties as assigned," without any specific time allocated for their performance. We found that approving officials generally had many other duties that they perceived as a higher priority than monitoring purchases and reviewing their cardholders' purchase card statements. Also, many approving officials were responsible for a large number of cardholders. A large workload, especially one in an "other duties as assigned" category can inevitably lead to less attention than expected or desired. We found that a number of approving officials at the installations we visited had numerous cardholders reporting to them. For example, at Fort Hood, 29 billing officials had 10 or more cardholders. Two of the 29 had over 20 cardholders. Such a large span of control for approving officials is not conducive to thorough review of each cardholder's monthly statement. During our review, DOD established a benchmark of no more than 7 cardholders per approving official, and the installations reported that they were bringing their approving officials' span of control into line with the criteria.

Another symptom of a weak infrastructure was that program coordinators at the five installations we audited generally did not have the grade level or organizational authority—"clout"—to enforce compliance with purchase card procedures. At the five installations we audited, the program coordinators were part of the installation's contracting operation and reported to the director of contracting, from whom they derived their authority. However, we believe that the program coordinators' grade levels were not commensurate with their responsibilities or sufficient to provide the authority needed to enforce purchase card program rules. Only one of the five was a GS-12, two were GS-9s, and two were GS-7s. Program

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coordinators have the primary responsibility for purchase card program management and significant control over procurement activities carried out by a large number of individuals. For example, the Fort Hood program coordinator has responsibility for overseeing a program of over 110,000 purchase card transactions totaling about \$58 million and carried out by 321 approving officials and 1,242 cardholders. In addition to the relatively low grades levels, the Army has not made the program coordinator position career enhancing by making it part of a contracting career path.

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## Internal Control Activities Not Effectively Implemented

Our work shows that critical internal control activities and techniques over the purchase card program were ineffective at the five installations we audited. Based on our tests of statistical samples of transactions, we determined that the transaction-level control activities and techniques were not effective, rendering the five installations' purchase card transactions vulnerable to potentially fraudulent and abusive purchases and theft and misuse of government property.

Control activities occur at all levels and functions of an agency. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, and the production of records and documentation. For the Army purchase card program, we opted to test those control activities that we considered to be key in creating a system to provide reasonable assurance that transactions are correct and proper throughout the procurement process. The key control activities and techniques we tested are (1) advance approval of purchases, (2) independent receiving and acceptance of goods and services, (3) independent review by an approving official of the cardholder's monthly statements and supporting documentation, and (4) cardholders obtaining and providing invoices that support their purchases and provide the basis for reconciling cardholder statements. Table 1 summarizes the results of our statistical testing.

**Table 1: Internal Control Activity Statistical Testing Failure Rates**

Installation	Estimated percent <sup>a</sup> of transactions without documentation of			
	Advance approval	Independent receiving	Approving official review	Supporting invoice
Eisenhower Army Medical Center	60	71	86	26
Fort Benning	46	75	73	16
Fort Hood	36	65	66	7
Soldier, Biological and Chemical Command – Natick	25	55	40	14
Texas Army National Guard	69	87	41	14

<sup>a</sup>All estimated percentages have 95 percent confidence intervals of plus or minus 13 percentage points or less, except three estimates at Fort Hood. There, the 95 percent confidence intervals for advance approval, independent receiving, and approving official review ranged from 23 to 51 percentage points, 51 to 77 percentage points, and 52 to 79 percentage points, respectively.

Source: GAO testing and statistical analysis of Army purchase card transaction files.

*Advance approval.* Without Army-wide operating procedures, requirements for advance approval are not consistent but do exist to varying extent at each of the five audited installations. Two major commands and three installations specifically require advance approval. Others required written descriptions of purchases and appropriate coordination and review prior to the purchase. We believe that leaving cardholders solely responsible for a procurement without some type of documented approval puts the cardholders at risk and makes the government inappropriately vulnerable. A segregation of duties so that someone other than the cardholder is involved in the purchase improves the likelihood that both the cardholders and the government are protected from fraud, waste, and abuse.

*Independent receiving.* In our sample transactions, the five installations we audited generally did not have independent, documented evidence that the items ordered and paid for with the purchase card had been received. Independent receiving by someone other than the cardholder provides additional assurance that purchased items are not acquired for personal use and that the purchased items come into the possession of the government. The requirement for documentation of independent receiving was not generally addressed in the procedures of the commands and installations we audited. However, we believe that documented independent receiving is a basic internal control activity that provides additional assurance to the government that purchased items come into the possession of the government.



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*Approving official review.* Approving official review is a recognized control activity at all levels of the purchase card program, and the approving official review process has been described as the first line of defense against misuse of the card. However, our testing revealed that documented evidence of approving official review of cardholder transactions and reconciled statements did not exist for most of our sample transactions. The high failure rate—40 to 86 percent—is of particular concern for this control activity because it is perhaps the most important to providing reasonable assurance that purchases are appropriate and for a legitimate government need.

Although the failure rates are of concern, they are not unexpected because major command and local standard operating procedures, while recognizing the importance of approving official review, do not specify the required extent, content, or documentation of approving officials' reviews. In addition, the high failure rate may be attributable to approving official responsibilities falling into the category of "other duties as assigned" and to approving officials being responsible for a large number of cardholders. A large workload, especially one in an "other duties as assigned" category, can inevitably lead to less attention than expected or desired. We believe that an approving official's review of the cardholders' purchases is a vital internal control activity. Without documentation of such review, neither we, internal auditors, nor program coordinators can determine the extent that approving officials are carrying out review responsibilities.

*Supporting invoice.* Essentially, the Army requires that an invoice support purchase card transactions. Thus, the invoice is a key document in purchase card internal control activities. The invoice is the basic document that is to be attached to the cardholder's monthly statement during a cardholder's reconciliation. The estimated failure rates for evidence of invoice—7 to 26 percent—were lower than those for the other internal control activities we tested. A valid invoice to show what was purchased and the price paid is a basic document for the transactions and a missing invoice is an indicator of potential fraud. Without an invoice, two key control activities— independent receiving and approving official review— become ineffective. Independent receiving cannot confirm that the purchased items were received, and the approving official cannot review a cardholder statement reconciled with the supporting invoice. A near zero failure rate is a reasonable goal considering that invoices are easily obtained or replaced when inadvertently lost.

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## Potentially Fraudulent, Improper, and Abusive and Questionable Transactions

Buying items with purchase cards without the requisite control environment creates unnecessary risk of excess spending, which can range from outright fraudulent purchases to ones that were of questionable need for the unit's mission or were unnecessarily expensive. We identified purchases at the installations we audited and through our Army-wide data mining<sup>3</sup> activities that were potentially fraudulent, improper, and abusive or questionable, which can result from a weak control environment and weak internal control activities. Although our work was not designed to identify the extent of potentially fraudulent, improper, and abusive or otherwise questionable transactions, such transactions are occurring and have not been detected considering the control weaknesses identified at each installation.

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## Potentially Fraudulent Purchases

We identified instances of potentially fraudulent transactions at three of the five installations we audited and in our Army-wide data mining. Some were identified in response to our inquiries and others were identified or being investigated independent of our audit. We considered potentially fraudulent purchases to include those made by cardholders that were unauthorized and intended for personal use. Potentially fraudulent purchases can also result when a purchase card or account number is stolen and used by someone other than the cardholder or when vendors charge purchase cards for items that cardholders did not buy. The following examples illustrate the cases we describe in the report that we are issuing today.

- At Eisenhower Army Medical Center, an Army investigation initiated near the end of our work has revealed an estimated \$100,000 of potentially fraudulent purchases. The investigation began when an alternate cardholder received an electronic game station that had been ordered by another cardholder who was away on temporary duty. The alternate cardholder, noting that the purchase did not appear to be for government use, notified the program coordinator who notified the local Army criminal investigations division. The ensuing investigation revealed that the military cardholder, approving official, and several other soldiers and civilians colluded to purchase numerous items

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<sup>3</sup>In our work, data mining involves the manual or electronic sorting of purchase card data to identify and select for further follow-up and analysis transactions with unusual or questionable characteristics.

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including computers, digital cameras, an audio surround system, a 32-inch television, a stereo system, and other items for personal use.

- A Fort Benning military cardholder charged \$30,000 for personal goods and cash advances before and after retirement. Because these 178 transactions went undetected, it appears that the approving official's certification was only a "rubber stamp" and was not based on a review of the cardholder's bill, reconciliations, and supporting documentation. The approving official not only did not detect these potentially fraudulent transactions while the cardholder was on active military duty, but also did not notice that charges were continuing to be made after the cardholder retired.

As part of our work, we attempted to obtain other examples of potentially fraudulent activity in the Army purchase card program from the Army's Criminal Investigation Command in Washington, D.C. However, data on the command's investigations were not available. Purchase card program officials and Army investigation command officials said that they had no information on the total number of fraud investigation cases throughout the Army that had been completed or were ongoing. Based on our identification of a number of potentially fraudulent cases at the installations that we audited, we believe that the number of cases involving potentially fraudulent transactions could be significant.

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## Improper Purchases and Transactions

Besides potentially fraudulent activity, our work also identified transactions that were improper, which are those purchases that, although approved by Army personnel and intended for government use, are not permitted by law, regulation, or DOD policy. We identified three types of improper purchases: (1) purchases that did not serve a legitimate government purpose, (2) split purchases in which the cardholder circumvents cardholder single purchase limits, and (3) purchases from an improper source.

We found several instances of purchases such as clothing in which cardholders purchased goods that were not authorized by law or regulations. The improper transactions were identified as part of our review of fiscal year 2001 transactions and related activity, including our Army-wide data mining of transactions with questionable vendors. For example, as part of our data mining of Army-wide purchase card transactions, we identified a questionable transaction, for which a subsequent investigation determined that a cardholder had purchased a

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Bose radio for \$523 for his personal use in his office. The employee was required to reimburse the U.S. Treasury for the cost of the radio. This and other purchases indicated that approving officials were not adequately reviewing cardholder transactions.

The second category of improper purchase occurs when a cardholder splits a transaction into more than one segment to avoid the requirement to obtain competitive bids for purchases over the \$2,500 micropurchase limit. Once items exceed the limit, they are to be purchased through a contract. Our analysis of data on purchases at the five installations we audited and our data mining efforts identified occurrences of potential split purchases such as one at Fort Stewart, Georgia. There, an approving official had two cardholders spend \$16,000 over a series of days to buy numerous pieces of executive office furniture for the official's office that was located on the mezzanine of a warehouse. These purchases included elegant desks, chairs, and a conference table.

We also identified numerous cases where the Army made repetitive micropurchases to meet requirements that in total greatly exceed the micropurchase limit. While some repetitive purchases might not clearly be split purchases, using a blanket purchase agreement for such purchases instead of separate micropurchases could result in lower costs. The *Federal Acquisition Regulation* provides for blanket purchase agreements as a "simplified method of filling anticipated repetitive needs for supplies or services." The following case is an example of when a blanket purchase agreement could have been used. At Fort Benning, the Dismounted Battlespace Battle Lab, a combat training unit, routinely purchased doors that were destroyed during training exercises to instruct troops how to enter a building that may contain an enemy. The battle lab spent \$111,721 in 84 transactions with one vendor to buy doors during a 10-month period in fiscal year 2001. In this case, battle lab officials had refused attempts by the Fort Benning contracting division and purchase card program coordinator to execute a blanket purchase agreement. Use of blanket purchase agreement, rather than repetitive, individual micropurchases, could lower per unit prices.

Another type of improper purchase occurs when cardholders do not buy from a mandatory procurement source. Various federal laws and regulations such as the Javits-Wagner-O'Day Act (JWOD) require government cardholders to acquire certain products from designated sources. The JWOD program is a mandatory source of supply for all federal entities. It generates jobs and training for Americans who are blind or have

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severe disabilities by requiring federal agencies to purchase supplies and services furnished by nonprofit agencies, such as the National Industries for the Blind and the National Institute for the Severely Handicapped. Most JWOD program supplies are small value items such as office supplies, cleaning products, or medical/surgical supplies that nearly always fall into the micropurchase category. We noted that cardholders frequently did not purchase from these required sources when they should have. For example, in our data mining work, we identified a cardholder at Tooele Army Depot who made 10 purchases for inserts to day planners, which can be ordered from the JWOD catalog, from Franklin Covey for about \$11,900. In response to our questions, we were informed that future purchases of such items would be through JWOD.

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## Abusive and Questionable Purchases

We also identified abusive and questionable transactions at installations we audited. We defined abusive transactions as those that were authorized, but the items purchased were at an excessive cost (e.g., “gold plated”) or for a questionable government need, or both. When abuse occurs, no law or regulation is violated. Rather, abuse occurs when the conduct of a government organization, program, activity, or function falls short of societal expectations of prudent behavior. Often, improper purchases such as those discussed in the previous section are also abusive. For example, the executive furniture purchased at Fort Stewart discussed earlier as improper split purchases were also abusive purchases.

Questionable transactions are those that appear to be improper or abusive but for which there is insufficient documentation to conclude either. For questionable items, we concluded that cardholders purchased items for which there was not a reasonable and/or documented justification. Questionable purchases often do not easily fit within generic governmentwide guidelines on purchases that are acceptable for the purchase card program. They tend to raise questions about their reasonableness. Many, such as gym quality exercise equipment, are common Army—and DOD—purchases because the Army must provide more than merely a work environment for its soldiers. However, others, like the fine china purchased for culinary arts team competition discussed below, clearly raise questions about whether they are appropriate purchases. Precisely because these types of purchases tend to raise questions and subject the Army to criticism, they require a higher level of prepurchase review and documentation than other purchases.

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When we examined these types of purchases, we usually did not find evidence of prepurchase justification. In attempting to justify whether purchases were acceptable, improper, or abusive, program coordinators, approving officials, and cardholders often provided after-the-fact rationales for the purchases. We believe that these types of questionable purchases require scrutiny before the purchase, not after. The following examples illustrate our point.

- *Palm Pilots for Pentagon officials.* In February 2001, two purchases for a total of 80 Palm Pilots at a total cost of \$30,000 were made for the Office of the Assistant Secretary of Defense for Acquisition, Technology, and Logistics. Two questions about this purchase are whether a valid need had been identified for the purchase and whether the urgency of the purchase justified the purchase from a vendor that could deliver immediately but was charging \$1,540 more than the lowest priced competitor. No documentation was available to show how the office had determined that 80 Palm Pilots were a valid government requirement. An e-mail related to the purchase suggested that there was a need “to get enough goodies for everyone.” The documentation also suggested that the items were being ordered for inventory and would be issued to personnel when requested. This does not indicate a predetermined requirement and does not appear to support that the requirement was urgent, as the office determined. Based on a determination of urgency, the price paid was \$1,540 more than the lowest competitor’s price so that delivery could be immediate.
- *Culinary arts.* At Fort Hood and during our Army-wide data mining effort, we noted several purchases for various culinary arts events. Among the purchases were fine china and crystal from Royal Doulton and Lenox. Other purchases were for accessories such as a rotating lighted ice-carving pedestal. Although participation in culinary arts team events is an approved Army activity, the transactions we examined and inquired about did not have documented justifications of the need for the specific items purchased. We examined transactions that totaled only about \$3,800, but we believe that the total cost of such purchases Army-wide is far more because we were told that these type purchases for the culinary arts are common throughout the Army. One reason, we were told, is because most installations have culinary arts teams that attend competitions involving the use of expensive accessories and fine crystal and china.

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## Concluding Comments

The use of a well-controlled purchase card program is a valuable tool for streamlining the government's acquisition processes. However, the Army program is not well controlled. The Army's weak control environment was the root cause of the problems we saw with purchase card transactions, including the potentially fraudulent, improper, and abusive or questionable purchases. The Army has not provided the aggressive leadership needed to build and maintain an internal control infrastructure that encourages a strong control environment that provides accountability. Such an environment is an important counterbalance to the increased risk of potentially fraudulent and wasteful spending that results from the rapidly expanding use of the purchase card. The Army needs to ensure that installation-level program coordinators, the primary program management officials, have the tools to develop local control systems and oversight activities. Strengthening the control environment will require a renewed focus of attention on, and commitment to, building a robust purchase card infrastructure.

Our report on these issues includes recommendations that address the need for the Army to strengthen the overall control environment and improve internal control activities. Key among them are our recommendations that the Army issue agencywide standard operating procedures to guide the overall implementation of the program and that the Army ensure that it supports program coordinators and approving officials with the infrastructure, authority, and oversight tools they need to provide reasonable assurance that the program is well controlled. We also made specific recommendations for improvements in control activities and for addressing the weaknesses we identified in preventing and detecting potentially fraudulent, improper, and abusive and questionable purchases.

In written comments on a draft of our report, DOD concurred with our recommendations and described actions completed, underway, or planned to implement them. Although it concurred with our recommendation for an Army-wide standard operating procedure directing the implementation of specific internal control activities, DOD said that the broad application of two of the five recommended activities—advance approval and independent receiving—would add costs without comparable benefit. However, it recognized the applicability of these activities in some circumstances and commented that the Army standard operating procedure currently being developed will (1) include a list of items requiring advance approval and (2) require advance approval for a category of items that fall outside the “common sense” rule. We agree that not all

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purchases require advance approval and that some small dollar and other purchases may not lend themselves to independent receiving. However, we continue to believe these are important control activities and that the Armywide standard operating procedure should (1) discuss the criteria for determining when these activities are applicable and (2) articulate guidelines for implementing them.

Mr. Chairman, Members of the Subcommittee, and Senator Grassley, this concludes my prepared statement. I would be pleased to answer any questions that you may have.

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## Contacts and Acknowledgments

For future contacts regarding this testimony, please contact Gregory D. Kutz at (202) 512-9505 or at [kutzg@gao.gov](mailto:kutzg@gao.gov). Individuals making key contributions to this testimony included Ray Bush, David Childress, and Jamie Haynes. Numerous other individuals made contributions to the audit of the Army's purchase card program.



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