



November 2020

DISASTER RESPONSE

Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk

Accessible Version

Why GAO Did This Study

The 2017 and 2018 hurricanes and California wildfires affected millions of people and caused billions of dollars in damages. Extreme weather events are expected to become more frequent and intense due to climate change. Federal contracts for goods and services play a key role in disaster response and recovery, and government purchase cards can be used by agency staff to buy needed items.

GAO was asked to review federal response and recovery efforts related to recent disasters. This report examines the extent to which selected agencies planned for their disaster response contracting activities, assessed their contracting workforce needs, and assessed the fraud risk related to their use of purchase cards for disaster response.

GAO selected six agencies based on contract obligations for 2017 and 2018 disasters; analyzed federal procurement and agency data; reviewed agencies' policies on workforce planning, purchase card use, and fraud risk; and analyzed purchase card data. FEMA was not included in the examination of workforce planning due to prior GAO work.

What GAO Recommends

GAO is making 12 recommendations, including to three agencies to assess disaster response contracting needs in workforce planning, and to five agencies to assess fraud risk for purchase card use in support of disaster response.

View [GAO-21-42](#). For more information, contact Marie A. Mak at (202) 512-4841 or makm@gao.gov.

DISASTER RESPONSE

Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk

What GAO Found

The efforts of selected agencies to plan for disaster contracting activities and assess contracting workforce needs varied. The U.S. Forest Service initiated efforts to address its disaster response contracting workforce needs while three agencies—the U.S. Army Corps of Engineers (USACE), the U.S. Coast Guard, and Department of the Interior (DOI)—partially addressed these needs. The Environmental Protection Agency indicated it did not have concerns fulfilling its disaster contracting responsibilities. Specifically, GAO found the following:

- USACE assigned clear roles and responsibilities for disaster response contracting activities, but has not formally assessed its contracting workforce to determine if it can fulfill these roles.
- The Coast Guard has a process to assess its workforce needs, but it does not account for contracting for disaster response activities.
- DOI is developing a strategic acquisition plan and additional guidance for its bureaus on how to structure their contracting functions, but currently does not account for disaster contracting responsibilities.

Contracting officials at all three of these agencies identified challenges executing their regular responsibilities along with their disaster-related responsibilities during the 2017 and 2018 hurricane and wildfire seasons. For example, Coast Guard contracting officials stated they have fallen increasingly behind since 2017 and that future disaster response missions would not be sustainable with their current workforce. GAO's strategic workforce planning principles call for agencies to determine the critical skills and competencies needed to achieve future programmatic results. Without accounting for disaster response contracting activities in workforce planning, these agencies are missing opportunities to ensure their contracting workforces are equipped to respond to future disasters.

The five agencies GAO reviewed from above, as well as the Federal Emergency Management Agency (FEMA), collectively spent more than \$20 million for 2017 and 2018 disaster response activities using purchase cards. GAO found that two of these six agencies—Forest Service and EPA—have not completed fraud risk profiles for their purchase card programs that align with leading practices in GAO's Fraud Risk Framework. Additionally, five of the six agencies have not assessed or documented how their fraud risk for purchase card use might differ in a disaster response environment. DOI completed such an assessment during the course of our review. An Office of Management and Budget memorandum requires agencies to complete risk profiles for their purchase card programs that include fraud risk. GAO's Fraud Risk Framework states managers should assess fraud risk regularly and document those assessments in risk profiles. The framework also states that risk profiles may differ in the context of disaster response when managers may have a higher fraud risk tolerance since individuals in these environments have an urgent need for products and services. Without assessing fraud risk for purchase card programs or how risk may change in a disaster response environment, agencies may not design or implement effective internal controls, such as search criteria to identify fraudulent transactions.

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Abbreviations

DHS	Department of Homeland Security
DOI	Department of the Interior
EPA	Environmental Protection Agency
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
FPDS-NG	Federal Procurement Data System-Next Generation
GSA	General Services Administration
OMB	Office of Management and Budget
USACE	U.S. Army Corps of Engineers
USDA	U.S. Department of Agriculture

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November 24, 2020

Congressional Requesters

In recent years, natural disasters have affected millions of people and caused billions of dollars in damages. In 2017, Hurricanes Harvey, Irma, and Maria caused over \$300 billion in damages in the United States. Along with the 2017 California wildfires, these disasters collectively affected 47 million people, or about 15 percent of the nation's population. In 2018, natural disasters, including Hurricanes Florence and Michael, Super Typhoon Yutu, and the California wildfires, demanded another large-scale federal response. These and other natural disasters have highlighted the challenges the federal government faces in effective emergency response, such as the Federal Emergency Management Agency's (FEMA) workforce capacity and training challenges faced in the wake of the 2017 disasters. We have previously reported that the number and costs of these disasters will continue to rise as the climate changes, and that the increasing reliance on the federal government for disaster assistance is a key source of federal fiscal exposure.¹

FEMA, within the Department of Homeland Security (DHS), coordinates federal disaster response and recovery efforts across 30 federal agencies—including assigning other agencies to assist with restoring power or removing debris. Federal agencies may provide direct support to disaster response and recovery, but they also frequently leverage the private sector through contracts to obtain life-saving or life-sustaining goods and services. Use of these contracts can play a key role in the immediate aftermath of a disaster and in long-term community recovery. Our prior work has identified challenges related to FEMA's disaster response contracting workforce, including shortages in trained contracting

¹GAO, *Climate Change: Information on Potential Economic Effects Could Help Guide Federal Efforts to Reduce Fiscal Exposure*, [GAO-17-720](#) (Washington, D.C.: Sept. 28, 2017). Managing fiscal exposure due to climate change has been on our high risk list since 2013, in part, because of concerns about the increasing costs of disaster response and recovery efforts. See GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019); also http://www.gao.gov/highrisk/limiting_federal_government_fiscal_exposure/why_did_study.

personnel.² To date, however, we have not examined other agencies' contracting workforces relative to their role in meeting disaster response and recovery missions.

In addition to awarding contracts during disaster response and recovery, agencies can use government purchase cards to acquire goods and services, either under an existing contract vehicle or directly from merchants. Purchase cards can provide a convenient and often faster alternative to using a contract in a disaster response environment, particularly for certain lower dollar thresholds. However, our past work has identified risks associated with the use of purchase cards.³

You asked us to review the federal government's preparedness, response, and recovery efforts related to the unprecedented disasters in 2017, including Hurricanes Harvey, Irma, and Maria, and the catastrophic wildfires in the western United States. Because of the importance of agencies' capabilities in meeting future disaster response and recovery needs, this report examines, for 2017 and 2018 disasters, (1) the extent to which selected agencies planned for their disaster response contracting activities and assessed their contracting workforce needs for disaster response; (2) how selected agencies used purchase cards for disaster response; and (3) the extent to which selected agencies have established internal controls and assessed fraud risk for purchase card use during disaster response.

We included the following major disasters in our review:

- Hurricanes Harvey, Irma, and Maria and the California wildfires in 2017, and

²GAO, *2017 Disaster Contracting: Actions Needed to Improve the Use of Post-Disaster Contracts to Support Response and Recovery*, [GAO-19-281](#) (Washington, D.C.: Apr. 24, 2019). For other work on workforce challenges related to FEMA, see GAO, *FEMA Disaster Workforce: Actions Needed to Address Deployment and Staff Development Challenges*, [GAO-20-360](#) (Washington, D.C.: May 4, 2020); and *Disaster Contracting: FEMA Needs to Cohesively Manage Its Workload and Fully Address Post-Katrina Reforms*, [GAO-15-783](#) (Washington, D.C.: Sept. 29, 2015).

³GAO, *Government Purchase Cards: Little Evidence of Potential Fraud Found in Small Purchases, but Documentation Issues Exist*, [GAO-17-726](#) (Washington, D.C.: Feb. 14, 2017); and *Government Purchase Cards: Opportunities Exist to Leverage Buying Power*, [GAO-16-526](#) (Washington, D.C.: May 19, 2016).

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- Hurricanes Florence and Michael, Super Typhoon Yutu, and the California wildfires in 2018.

We selected these events based on factors such as whether there were high federal contract obligations associated with the disaster and whether there were major disaster declarations associated with the disaster.⁴

To select the agencies included in our review, we analyzed Federal Procurement Data System-Next Generation (FPDS-NG) data on contract obligations related to most of these events. We primarily identified contract actions and associated obligations for the disasters by using the national interest action code. However, no national interest action code was established for the 2017 and 2018 California wildfires and Super Typhoon Yutu. For events without a national interest action code, we considered information such as agency roles as defined in the National Response Framework and associated annexes, and historical contract obligation information from the 2008 wildfires that received a national interest action code. We then selected six agencies with some of the highest total obligations for our 2017 and 2018 selected disasters for inclusion in our review:

- FEMA
- U.S. Army Corps of Engineers (USACE)⁵
- U.S. Coast Guard (Coast Guard)
- Environmental Protection Agency (EPA)
- U.S. Department of Agriculture's (USDA) Forest Service
- Department of the Interior (DOI)

⁴A major disaster is any natural catastrophe (including any hurricane, tornado, storm, high water, wind driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the U.S., which the President determines causes damage of sufficient severity and magnitude to warrant major disaster assistance to supplement the efforts and available resources of states, local governments, and disaster relief organizations in alleviating damage, loss, hardship, or suffering. See 42 U.S.C. § 5122(2).

⁵USACE has both a military and a Civil Works program. The military program provides, among other things, engineering and construction services to other U.S. government agencies and foreign governments, while the Civil Works program is responsible for investigating, developing, and maintaining water resource projects. This report discusses only the Civil Works program.

We excluded FEMA, which had the highest total obligations towards the 2017 and 2018 major disasters, from our first objective on contracting workforce planning for disaster response, given our prior work and recommendations related to FEMA's acquisition workforce.⁶ Therefore, we reviewed five agencies as a part of our first objective. Our second and third objectives related to purchase cards included all six agencies. To assess the reliability of FPDS-NG data, we reviewed existing information about the FPDS-NG system and the data it collects—specifically, the data dictionary and data validation rules—and performed electronic testing. Based on these steps, we determined the FPDS-NG data were sufficiently reliable for selecting the agencies in our review.

To assess the extent to which agencies planned for their disaster response contracting activities and assessed their contracting workforce needs for disaster response, we collected and reviewed strategic and acquisition workforce plans, including disaster-specific plans (to the extent these plans were available), at the five agencies included in this objective. We assessed agencies' plans with regard to their respective roles and responsibilities for disaster response as outlined in interagency guidance, including the National Response Framework, and against key principles for strategic workforce planning.⁷ In addition, we selected contracting offices from each agency based on the offices' total contract obligations for the selected disasters and the extent to which offices had primary responsibility for their agency's disaster response efforts. At each of the five agencies, we interviewed individuals from these offices, including senior contracting officials, contracting officers and contracting

⁶For example, in [GAO-20-360](#) we made three recommendations addressing FEMA's workforce, including that (1) FEMA should develop a plan to address identified challenges that have hindered FEMA's ability to provide reliable and complete information to field leaders and managers about staff knowledge, skills, and abilities; (2) FEMA should develop mechanisms to assess how effectively FEMA's disaster workforce was deployed to meet mission needs in the field; and (3) FEMA should create a staff development program for FEMA's disaster workforce. DHS concurred with these recommendations. In [GAO-19-281](#), we recommended, among other things, that FEMA assess its disaster response contracting workforce needs and develop a plan, including timelines, to address any gaps. FEMA concurred with the recommendation and identified steps to address it. As of August 2020, these actions were still in progress.

⁷GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003). This report describes the key principles of strategic workforce planning and provides illustrative examples of these principles based on GAO reports and testimonies, review of studies by leading workforce planning organizations, and interviews with officials from the Office of Personnel Management and other federal agencies.

specialists. We also interviewed human capital officials at the agencies as necessary, for example, in instances where those officials were responsible for allocating contracting personnel. At these interviews we discussed agencies' processes for planning for and assessing contracting workforce needs and the means by which these processes account for challenges related to disaster response contracting.

To assess how selected agencies used purchase cards for disaster response, we reviewed and analyzed agency- and bank-provided purchase card data for transactions made between July 1, 2017, and June 30, 2019. The data analyzed were related to the selected disasters described above, and the data were provided by the six selected agencies as well as the three banks that processed transactions for these agencies.⁸ We analyzed the data to identify characteristics of purchase card spending for disasters, such as total purchase card spending at the agencies in our review, total agency purchase card spending for each 2017 and 2018 disaster, and types of merchants used to procure products and services.⁹ To assess the reliability of agency and bank purchase card data, we performed electronic testing of key data elements, including checks for missing, out-of-range, or logically inaccurate data; reviewed documents about the data, such as data dictionaries and credit card system data quality standards; and interviewed agency officials and bank representatives knowledgeable about the data to discuss any limitations. In addition, where possible, we matched transactions recorded in agency financial systems to corresponding transactions recorded in the banks' systems using selected criteria, such as transaction date, transaction amount, and cardholder account number. We determined both the agencies' purchase card data and the banks' data were sufficiently reliable for the purposes of describing how agencies used purchase cards for disasters with any limitations noted in the findings of our report.

⁸We also coordinated with officials at the General Services Administration, which administers the purchase card program on behalf of the federal government, to identify the best methods for obtaining the data.

⁹To identify the types of merchants, we used merchant category codes, a four-digit number assigned by the major credit card payment processing networks, including Visa and Mastercard, to classify merchants and businesses by the type of goods or services provided. Payment processing networks, banks that issue credit cards, and purchasing agencies can use these codes to categorize, track, and restrict transactions.

To determine the extent to which agencies have established internal controls and assessed fraud risk for purchase card use during disaster response, we reviewed relevant federal statutes, regulations, and agency policies and procedures on the use of government purchase cards that were in place at the time of our review. In addition, we reviewed relevant federal statutes and policy related to fraud risk assessments, including the Fraud Reduction and Data Analytics Act of 2015, the Payment Integrity Information Act of 2019, Office of Management and Budget (OMB) memorandum M-16-17, and OMB Circular No. A-123 Appendix B, as well as GAO's Fraud Risk Framework.¹⁰ We also reviewed agency documentation of fraud risk assessments and assessed these by comparing them to GAO's leading practices related to fraud risk assessment for government purchase card programs. In addition, we interviewed agency purchase card program officials, including purchase cardholders who were involved in 2017 and 2018 major disaster response efforts. Appendix I provides further details about our scope and methodology.

We conducted this performance audit from April 2019 to November 2020 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.

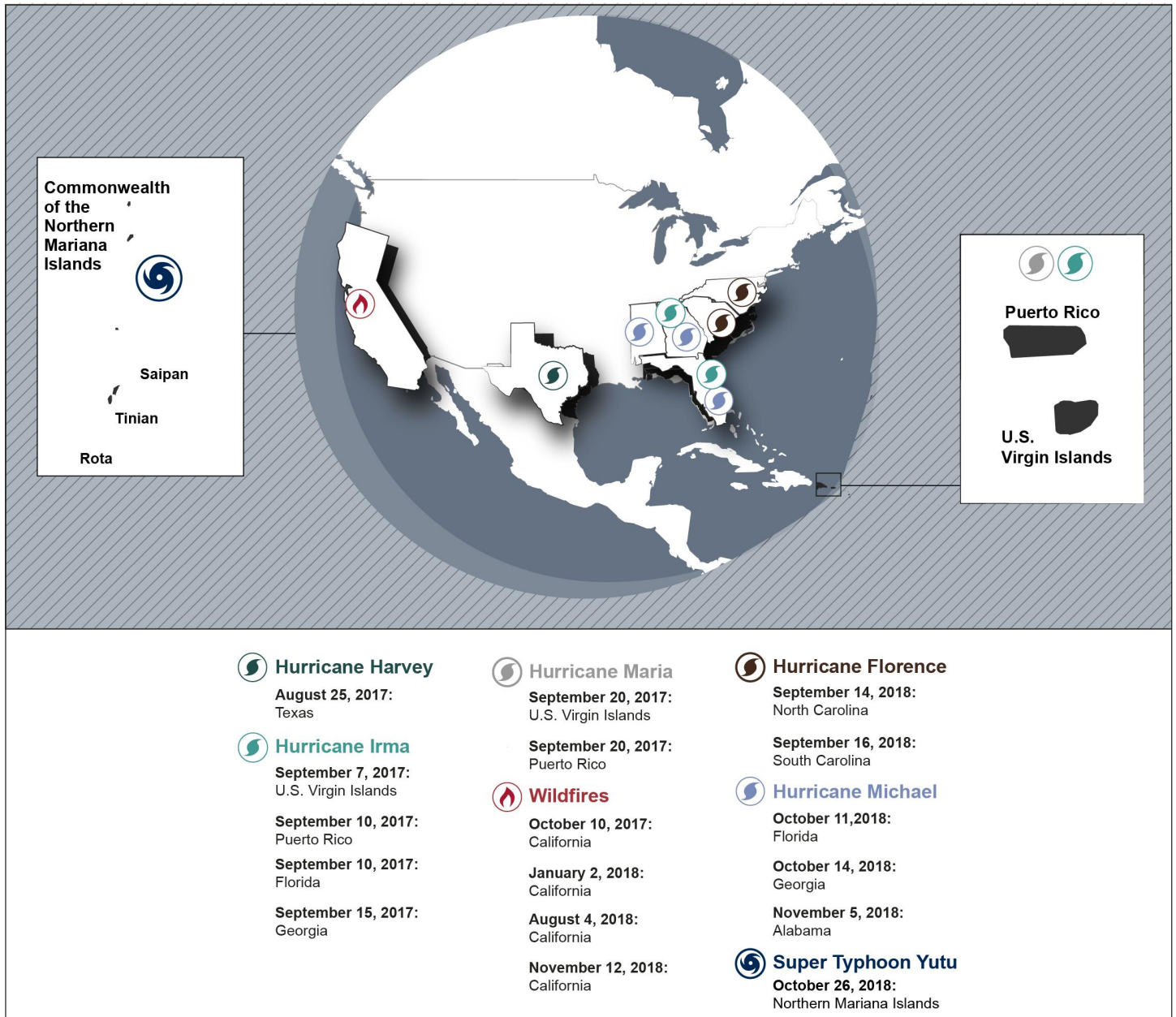
Background

In 2017 and 2018, the United States experienced a series of major disasters that led to large-scale federal responses.¹¹ See figure 1 for a timeline of these major disasters.

¹⁰Pub. L. No. 114-186, §3(a) (1) (2016); Pub. L. No. 116-117, §2 (2020) (codified at 31 U.S.C. §§ 3351-3358); OMB M-16-17, OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, July 15, 2016; OMB Circular No. A-123, Appendix B, August 2019 Revision; GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

¹¹In September 2018, we reported that during this time, there was an unprecedented demand for federal disaster response and recovery resources, in part due to several sequential disasters. GAO, *2017 Hurricanes and Wildfires: Initial Observations on the Federal Response and Key Recovery Challenges*, GAO-18-472 (Washington, D.C.: Sept. 4, 2018).

Figure 1: Timeline of Major Disaster Declarations during the 2017 and 2018 Disaster Seasons



Source: GAO analysis of Federal Emergency Management Agency data. | GAO-21-42

Overview of Federal Disaster Response and Recovery

State and local entities are generally responsible for disaster response efforts. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended, establishes a process by which a state may request a presidential disaster declaration to obtain federal assistance.¹² Such a declaration is the prerequisite for the federal government to get involved in funding and coordinating response and recovery activities.¹³ Under the National Response Framework—guidance on how the federal government, states and localities, and other public and private sector institutions should respond to disasters and emergencies—DHS is the federal department with primary responsibility for coordinating disaster response and ensuring that federal preparedness actions are coordinated to prevent gaps in the federal government’s efforts to respond to major disasters. Within DHS, FEMA has lead responsibility and the Administrator of FEMA serves as the principal adviser to the President and the Secretary of Homeland Security regarding emergency management.¹⁴

The National Response Framework currently identifies 14 emergency support functions that serve as the federal government’s primary coordinating structure for building, sustaining, and delivering disaster response efforts across more than 30 federal agencies (see table 1).

¹²42 U.S.C. § 5170. The Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, permits the President to declare a major disaster after a state’s governor or chief executive of an affected Indian tribal government—a governing body of an Indian or Alaska Native tribe, band, nation, pueblo, village, or community that is federally recognized—finds that the disaster is of such severity and magnitude that effective response is beyond his or her own local capacities.

¹³42 U.S.C. § 5170.

¹⁴6 U.S.C. § 313(c)(4).

Table 1: Emergency Support Functions Outlined in the National Response Framework

Emergency support function number	Emergency support function	Emergency support function coordinator
1	Transportation	Department of Transportation
2	Communications	Department of Homeland Security/Cybersecurity and Communications
3	Public Works and Engineering	Department of Defense/U.S. Army Corps of Engineers
4	Firefighting	Department of Agriculture/U.S. Forest Service Department of Homeland Security/Federal Emergency Management Agency/U.S. Fire Administration ^a
5	Information and Planning	Department of Homeland Security/Federal Emergency Management Agency
6	Mass Care, Emergency Assistance, Temporary Housing, and Human Services	Department of Homeland Security/Federal Emergency Management Agency
7	Logistics	General Services Administration Department of Homeland Security/Federal Emergency Management Agency
8	Public Health and Medical Services	Department of Health and Human Services
9	Search and Rescue	Department of Homeland Security/Federal Emergency Management Agency
10	Oil and Hazardous Materials Response	Environmental Protection Agency ^b
11	Agriculture and Natural Resources	Department of Agriculture
12	Energy	Department of Energy
13	Public Safety and Security	Department of Justice/Bureau of Alcohol, Tobacco, Firearms, and Explosives
14	n/a ^c	n/a ^c
15	External Affairs	Department of Homeland Security

Source: GAO summary of National Response Framework guidance. | GAO-21-42

^aThe Department of the Interior (DOI) is a support agency for Emergency Support Function 4: Firefighting. As a support agency, DOI helps support the primary agency in executing the mission of the emergency support function.

^bThe U.S. Coast Guard is the primary agency for Emergency Support Function 10: Oil and Hazardous Materials Response. As the primary agency, the Coast Guard has significant authorities, roles, resources, or capabilities for a particular function in the emergency support function.

^cEmergency support function 14—Long-term Community Recovery—coordinated by the Federal Emergency Management Agency, was removed from the June 2016 update to the National Response Framework as it was moved to the National Disaster Recovery Framework, which is a framework for disaster recovery support to states, tribes, territorial, and local jurisdictions. According to the National Response Framework, the responsibilities of some emergency support functions, such as emergency support function 14, corresponded with or transitioned to the mission and responsibilities outlined in the National Disaster Recovery Framework.

Each function addresses a specific need, such as communication, transportation, or energy, and designates a federal department or agency as the coordinating agency and names support agencies that bring specific capabilities to assist in disaster response scenarios. For example, USACE, as the primary agency responsible for the emergency support function for public works and engineering, assists DHS by coordinating engineering and construction services. Similarly, as a support agency for the firefighting emergency support function, DOI provides firefighting assistance to other federal land management, state forestry, and local, state, tribal, territorial, and insular area fire organizations, among other things. The National Response Framework states that when FEMA activates an emergency support function in response to an incident, the lead agency for the emergency support function is responsible for, among other things, executing contracts and procuring goods and services as needed.

FEMA coordinates disaster response efforts through mission assignments—work orders that it issues to other federal agencies to direct them to utilize their authorities and resources granted to them under federal law in support of direct assistance to state, local, tribal, and territorial governments. Mission assignments are authorized by the Stafford Act, and agencies may fulfill these assignments through operations support or direct federal assistance, which includes federal contracts.

GAO's Prior Work on Disaster Contracting

Our prior work has examined the use of both advance and post-disaster contracts—contracts awarded prior to and after a disaster hits.¹⁵ Our work identified challenges related to the use of both advance and post-disaster contracts, which led to a number of recommendations. For example, in April 2019, we found that FEMA did not specifically consider contracting

¹⁵Advance contracts are contracts that are established prior to disasters and that are typically needed to quickly provide life-sustaining goods and services in the immediate aftermath of disasters—to ensure that goods and services are in place to help FEMA rapidly mobilize resources in the event of a disaster. In the aftermath of Hurricane Katrina, which hit the U.S. Gulf Coast in 2005 and was one of the largest, most destructive natural disasters in U.S. history, Congress enacted the Post-Katrina Emergency Management Reform Act of 2006. Among other things, the Post-Katrina Emergency Management Reform Act required FEMA to identify and establish advance contracts. Pub. L. No. 109-295, § 691 (codified at 6 U.S.C. § 791).

workforce needs in the regional offices or address Disaster Acquisition Response Team employees in its acquisition workforce planning.¹⁶ We reported that, without doing so, FEMA would not know whether it had the appropriate number of contracting officials with the key skills needed to meet its mission and would not be well-positioned to respond to future disasters. We recommended, among other things, that FEMA assess its workforce needs—including staffing levels, mission needs, and skill gaps—for contracting staff; and develop a plan, including timelines, to address any gaps. FEMA concurred with the recommendation and stated that it would take actions to address it, including hiring contractor support and an additional cadre of on-call response and recovery employees, as well as conducting workforce analysis and a workload study to determine the number and type of staff needed to carry out acquisition operations; as of August 2020, these actions were still in progress.

Strategic Human Capital Management

In 2001, GAO designated strategic human capital management as a high-risk area because mission-critical skills gaps—both within federal agencies and across the federal workforce—pose a high risk to the nation since they impede the government from cost-effectively serving the public and achieving results. For federal agencies to meet 21st century challenges, they must develop long-term strategies for acquiring, developing, and retaining staff to achieve their missions and goals. Strategic workforce planning addresses two critical needs: (1) aligning an organization’s human capital program with its current and emerging mission and programmatic goals and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals.

Use of Government Purchase Cards

Originating in the late 1980s, the federal government’s purchase card program enabled agencies to quickly and easily acquire items needed to support daily operations and reduced administrative costs associated with small purchases. According to the Federal Acquisition Regulation (FAR), government purchase cards are the preferred means to make micro-

¹⁶[GAO-19-281](#).

purchases.¹⁷ The government's purchase card program—part of the SmartPay program—is managed by the General Services Administration (GSA), which administers the purchase card contracts with two commercial banks: US Bank and Citibank.¹⁸ The banks issue purchase cards and maintain transaction and payment data, as well as provide analytical tools for agencies to use.

OMB is responsible for prescribing policies and procedures to agencies regarding how to maintain internal controls for government purchase cards. Specifically, OMB has established minimum requirements and suggested best practices for government purchase card programs in Appendix B of OMB Circular No. A-123, which may be supplemented by agency policies and procedures. OMB revised Appendix B in August 2019 to, among other things, consolidate government-wide charge card program management requirements and guidance issued by OMB, GSA, GAO, and the Department of the Treasury into a single document that incorporated new guidance and amendments to existing guidance. The goal of OMB's revised guidance was to maximize the benefits of purchase cards, as well as other types of charge cards, to the federal government, while continuing to evolve the application of reasonable internal controls to ensure the program is operating as intended. OMB's guidance described the need to establish effective controls to mitigate the risk of internal fraud, misuse, and delinquency that reflect GAO's *Standards for Internal Control in the Federal Government*.¹⁹

¹⁷The FAR generally defines the micro-purchase threshold as \$3,500 for supplies and services; however, section 806 of the National Defense Authorization Act for Fiscal Year 2018, Pub. L. No. 115-91, increased the micro-purchase threshold for civilian agencies to \$10,000 and section 821 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, Pub. L. No. 115-232, increased the micro-purchase threshold for DOD to \$10,000. Before the FAR was revised to implement the increased threshold, all of the agencies in our review issued FAR Class Deviations to use a micro-purchase threshold of \$10,000. On July 2, 2020, a final rule was issued (effective August 31, 2020) in a federal register notice changing the general definition of micro-purchase threshold in FAR 2.101 from \$3,500 to \$10,000. 85 Fed. Reg. 40,064, (July 2, 2020) (final rule).

¹⁸GSA's SmartPay 2 Master Contract, which was awarded to US Bank, Citibank, and JP Morgan Chase, was in effect through November 2018. The SmartPay3 Master Contract was awarded to US Bank and Citibank in November 2018. We include data from commercial bank purchase card transactions made between July 1, 2017, and June 30, 2019. Therefore, for the purposes of this report, we include information from US Bank, Citibank, and JP Morgan Chase.

¹⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

We have previously reported that the government’s use of purchase cards for smaller purchases reduced its administrative costs and increased its flexibility to meet a variety of government needs. However, if not properly managed and controlled, their use can also expose the government to significant risk. In 2008, we found that internal control weaknesses in agency purchase card programs—such as purchases without proper authorization or lacking evidence that the goods and services were received—left the government vulnerable to fraud, waste, and abuse.²⁰ In our last government-wide review of the purchase card program, issued in February 2017, we reported that GSA and OMB had taken a number of actions since 2008 to enhance program controls over micro-purchases made using purchase cards. However, we found that agencies had not consistently maintained required documentation of the purchase card approval process, which can increase the risk of purchase card misuse. Nevertheless, we found little evidence of improper or potentially fraudulent purchases.²¹

Fraud Risk Management

In 2015, GAO published a Fraud Risk Management Framework to establish a comprehensive set of leading practices that serve as guidance for program managers to use when developing or enhancing efforts to combat fraud in a strategic, risk-based manner.²² Fraud and “fraud risk” are distinct concepts. Fraud relates to obtaining something of value through willful misrepresentation. Fraud risk exists when individuals have an opportunity to engage in fraudulent activity. Fraud risk factors are highlighted in federal internal control standards.²³ In particular, one principle requires federal managers to consider the potential for fraud

²⁰GAO, *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).

²¹GAO, *Government Purchase Cards: Little Evidence of Potential Fraud Found in Small Purchases, but Documentation Issues Exist*, [GAO-17-276](#) (Washington, D.C.: Feb. 14, 2017). We recommended that GSA provide guidance to purchase card managers reemphasizing the need to obtain and retain complete documentation in support of purchase card transactions. GSA concurred with our recommendation and took action by providing resources and information for how cardholders and charge card managers should obtain and retain transaction documentation.

²²[GAO-15-593SP](#).

²³[GAO-14-704G](#).

when identifying, analyzing, and responding to risks.²⁴ Also, according to GAO’s Fraud Risk Framework, a “fraud risk factor” describes what conditions or actions are most likely to cause or increase the chances of a fraud risk occurring.²⁵ Although the existence of fraud risk factors does not necessarily indicate that fraud exists or will occur, they are often present when fraud does occur. Figure 2 describes the four components for effectively managing fraud risks—commit; assess; design and implement; and evaluate and adapt.

²⁴This can include considering fraud risk factors to agency programs which can provide opportunities to commit fraud, such as the absence of controls, ineffective controls, or the ability of management to override controls.

²⁵[GAO-15-593SP](#).

Figure 2: The Fraud Risk Management Framework



Source: GAO. | GAO-21-42

Agencies' Efforts to Plan for Disaster Contracting Activities and Assess Contracting Workforce Needs Varied

Two agencies—USACE and the Coast Guard—assign roles and responsibilities for disaster response contracting, but neither has assessed contracting workforce needs for disaster response specifically. EPA does not have a contracting workforce plan or assessment that addresses its disaster contracting activities, but the agency did not experience challenges related to disaster contracting. Forest Service and DOI are undergoing organizational changes that should address their contracting workforces, but DOI's current plans do not account for disaster response activities.

USACE Plans for Its Disaster Contracting Activities but Has Not Formally Assessed Its Contracting Workforce Needs for Disaster Response

**U.S. Army Corps of Engineers (USACE)
Roles and Responsibilities under the
National Response Framework**

USACE is the emergency support function coordinator for Emergency Support Function 3: Public Works and Engineering. As coordinator, USACE directs capabilities and resources to, among other things, facilitate the delivery of services, technical assistance, engineering expertise, and construction management, to prepare for, respond to, or recover from a disaster incident.

USACE is largely responsible for infrastructure protection and emergency repair; critical infrastructure reestablishment; engineering services and construction management; and emergency contracting support for lifesaving and life-sustaining services.

Source: GAO analysis of the National Response Framework.
| GAO-21-42

To accomplish its responsibilities under the National Response Framework, USACE plans for its disaster response contracting activities in its Response to All Hazards Events Plan which is supplemented by specific USACE operation orders after a disaster strikes. Among other things, the plan divides the agency's emergency support function responsibilities among USACE headquarters and regional offices.

USACE is organized regionally into divisions that span several states, and those divisions are subdivided into smaller districts.²⁶

Under the Response to All Hazards Events Plan, USACE districts have geographic areas of responsibility. When a disaster strikes, the USACE district whose area of responsibility includes the area impacted by the disaster is designated as the district with primary responsibility for USACE's disaster response activities, including contracting. For example, the USACE Jacksonville district is responsible for the peninsular area of Florida, portions of Georgia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands in the event a disaster strikes in these areas. USACE headquarters is simultaneously responsible under the plan for assessing the availability of acquisition function personnel to assist in response efforts for both USACE headquarters and regional offices. Additionally, USACE headquarters directs divisions, districts, and centers to support response efforts by providing qualified contracting personnel, as needed.

While USACE has assigned clear roles and responsibilities for its disaster contracting activities, it has not formally assessed its overall contracting workforce to determine whether it is adequate to fulfill these roles and responsibilities. USACE issued a concept plan in 2011 to, among other things, determine the size and shape of its acquisition workforce at headquarters and the divisions. However, this concept plan did not account for USACE's disaster response contracting activities, and a USACE official said that USACE headquarters does not mandate the number of contracting personnel at USACE districts or centers as these decisions are made locally by each district or center. A USACE headquarters official stated that they determine the number of contracting personnel locally based on affordability determinations that consider available funding and planned projects each year; however, they generally do not consider a district's potential to be assigned a disaster response mission.²⁷ For example, senior contracting officials at USACE's Wilmington district told us that if USACE receives a disaster response mission assignment that was unknown at the time of planning, it would

²⁶Additionally, USACE maintains a number of centers organized by function. For example, Huntsville Center in Huntsville, Alabama serves as a technical center of expertise for, among other things, performance contracting and third-party financing.

²⁷Officials told us that USACE is a project funded organization. Accordingly, their budget planning process does not plan for and commit resources for non-USACE projects, such as FEMA mission assignments.

not have been factored into staffing levels. That is, they do not plan for a potential disaster and instead react after a disaster occurs.

Contracting officials at five of the seven districts we selected identified extenuating challenges in balancing their disaster response contracting activities with their regular contracting duties during the 2017 and 2018 disasters. For example:

- An official at USACE's Pittsburgh district told us it is often difficult to request support from other districts during a disaster because the annual hurricane season coincides with the end of the fiscal year, which is the busiest time of year for federal contracting. USACE's Pittsburgh district is designated as the lead district for USACE temporary emergency power mission assignments, wherein USACE provides assistance after a disaster to repair and restore electrical power to critical facilities. As part of this role, USACE Pittsburgh maintains contracting vehicles for temporary emergency power services that are used during these missions, and only Pittsburgh district contracting personnel issue task orders from these contracting vehicles. Additionally, districts throughout USACE field power response teams to help carry out temporary emergency power missions.²⁸ In Pittsburgh specifically, an official explained that when power response teams are activated for a mission, the USACE Pittsburgh office loses a contracting specialist while that specialist is assigned to disaster-related responsibilities. Further, when other USACE districts are unable to field power response teams, Pittsburgh district contracting officials told us they often have to backfill those shortages, which can strain the district's available resources.
- Officials at USACE's Wilmington district told us that their disaster response responsibilities limited the number of highly skilled or experienced contracting officers available to execute the district's regular duties. USACE's Wilmington district was assigned responsibility for the agency's disaster response activities for Hurricane Irma in the U.S. Virgin Islands in 2017 because USACE's Jacksonville district, with an area of responsibility that includes the U.S. Virgin Islands, was also impacted by the hurricane. USACE Wilmington contracting officials told us that the

²⁸Power response teams are a type of USACE resource which deploy to a disaster-impacted area to provide states and localities with assistance ranging from technical expertise to complete management of an emergency power mission, including the procurement, installation, operation, and maintenance of generators.

Wilmington district assigns its most senior contracting officers to administer its contracts when a disaster occurs because disaster response contracts are often highly complex.

Key principles for strategic workforce planning state that it is critical for agencies to determine the critical skills and competencies needed to achieve future programmatic results.²⁹ Guidance to account for disaster response contracting activities in the USACE district-level affordability determinations would better position USACE to evaluate contracting workforce needs to determine what flexibilities and mechanisms it could put in place to help accomplish both its regular duties and disaster contracting activities in a timely manner.

²⁹[GAO-04-39](#).

The Coast Guard Has Not Yet Assessed Its Contracting Workforce Needs for Disaster Response

U.S. Coast Guard (Coast Guard) Roles and Responsibilities under the National Response Framework

The Coast Guard is a primary agency for Emergency Support Function 10: Oil and Hazardous Material Response. As a primary agency, the Coast Guard provides federal on-scene coordinators for incidents in the coastal zone. In addition, the Coast Guard, among other things, coordinates, integrates, and manages the overall federal effort to detect, identify, contain, clean up, dispose of, or minimize releases of oil or hazardous materials and prevent, mitigate, or minimize the threat of potential releases.

Source: GAO analysis of the National Response Framework.
| GAO-21-42

To accomplish responsibilities under the National Response Framework, the Coast Guard's National Pollution Funds Center developed a technical operating procedures manual, which, among other things, identifies various Coast Guard responsibilities when responding to an oil and hazardous materials spill incident. The manual also states that the Chief of Contracting Office at one of the Coast Guard's units in Norfolk has an ongoing requirement to provide contracting support for emergency support function 10 disaster response activities.³⁰ Contracting officials from this office told us that during the 2017 and 2018 disasters they faced challenges carrying out their normal duties while dealing with their disaster response contracting activities. Specifically, acquisition management officials at the office told us that their steady-state oil-spill and pollution mitigation work is "put on hold" as disaster response—primarily attributed to hurricanes—has become increasingly common. These officials emphasized that their team has fallen increasingly behind in its work since 2017 and that further disaster response missions would not be sustainable at their current workforce levels.

While the Coast Guard has assigned roles and responsibilities for its disaster contracting activity, it has not assessed its contracting workforce to determine if it is adequate to fulfill those roles. Key principles for

³⁰The Shore Infrastructure and Logistic Center, Base Support Services, Emergency Services Contract Operations Branch was realigned in 2020 and is now under the Director of Operational Logistics.

strategic workforce planning state that it is critical for agencies to determine the critical skills and competencies that will be needed to achieve future programmatic results.³¹

The Coast Guard's preferred method for determining workforce needs—referred to as the manpower requirements determination process—is used to assess the agency's workforce needs broadly. Under the manpower requirements determination process:

- Coast Guard units internally request a manpower requirements analysis, the results of which identify the workforce size and composition needed for Coast Guard units to effectively execute their missions. The results also provide the information necessary for units to adjust personnel, resources, mission, or risk.
- Coast Guard program representatives and experts in areas such as personnel assignments, workforce forecasting, training availability and capacity, and resource oversight, among others, develop and submit for approval the manpower requirements determination. This determination formalizes the final manpower requirement for a unit.

As of July 2020, the Coast Guard said it was developing new guidance that provides more detail for executing the manpower requirements determination process and has also created a priority-based list of all the Coast Guard units to complete the analyses and determinations. An official responsible for the manpower requirements determination process explained that the impending guidance will not explicitly address how to account for disaster response contracting activities. Instead, personnel conducting these analyses would be responsible for determining if disaster response activities were relevant to their assessment. The official added that the Coast Guard's acquisition directorate was on the list to receive a manpower requirements determination in the future, but could not say when the determination would occur because other units are higher priority on the existing list.

Without additional guidance or information to ensure that disaster response contracting activities for its acquisition directorate are considered in the Coast Guard's planned manpower requirements determination, the Coast Guard is at risk of being unable to fulfill its regular duties and its disaster response contracting responsibilities in a

³¹[GAO-04-39](#).

timely manner, particularly as extreme weather events become more frequent and intense due to climate change.

EPA Has Not Experienced Challenges in Executing Disaster Contracting Activities

Environmental Protection Agency (EPA) Roles and Responsibilities under the National Response Framework

EPA is the emergency support function coordinator for Emergency Support Function 10: Oil and Hazardous Material Response. As coordinator, EPA coordinates support in response to an actual or potential discharge or release of oil or hazardous materials. EPA is generally responsible for environmental assessment of the nature and extent of oil and hazardous materials contamination and environmental decontamination and cleanup, including buildings or structures and management of contaminated waste.

Source: GAO analysis of the National Response Framework.
| GAO-21-42

According to EPA officials, to accomplish its responsibilities under the National Response Framework, EPA's disaster response contracting activities are conducted by regional-level offices and officials. Specifically, they told us that when a disaster strikes, the region with an area of responsibility that includes the area impacted by the disaster is designated as the region with primary responsibility for EPA's disaster response activities, including contracting. Officials explained each EPA regional office maintains contracting vehicles used in both the agency's regular duties and disaster response activities. Additionally, they explained that regional offices are paired or grouped with other EPA regions to provide backup support in the event the primary region requires additional resources to accomplish its disaster response contracting activities.

According to EPA officials, the agency does not have an overarching policy that outlines how it plans for its disaster response contracting activities. EPA officials told us the agency utilizes a process known as workload modeling to help determine the size and shape of its acquisition workforce, but EPA officials have not conducted a formal assessment of the agency's acquisition workforce needs. Moreover, this modeling does not account for disaster response contracting activities. EPA officials noted that the agency conducts monthly business reviews wherein each EPA region has the opportunity to bring management attention to acquisition workforce needs, but these reviews do not specifically consider disaster-response-related activities.

However, according to regional-level EPA contracting officials, EPA did not experience challenges related to fulfilling the agency's disaster response responsibilities. Specifically, EPA contracting officers we spoke with at three regional offices explained that their responsibilities generally do not change during disaster response, because they use the same contracting vehicles for both disaster response and their regular duties. They noted that their regular duties involve using EPA's preexisting contracts in support of EPA's Superfund program, which is responsible for cleaning up contaminated sites nationwide as well as administering and maintaining those contracts throughout their lifecycles. During disaster response, these contracting officers use the same contracts to support a mission assignment. EPA headquarters officials said that they do not see a need for developing a disaster-specific acquisition workforce and that the agency has focused on leveraging the tools and knowledge from non-disaster operations to strengthen disaster-specific acquisitions.

Forest Service and DOI Are Addressing Contracting Workforce Needs, but DOI Does Not Plan to Account for Disaster Contracting Activities

Forest Service and DOI plan for their disaster contracting activities by applying the *National Wildfire Coordinating Group Standards for Interagency Incident Business Management*, which establishes standard procedures for a variety of business functions, including acquisitions that may be carried out during a wildfire incident. Forest Service, along with other stakeholders, also maintains a guide which establishes the standards for mobilization and demobilization of resources in response to wildland fire incidents.

U.S. Department of Agriculture's Forest Service and the Department of the Interior's (DOI) Roles and Responsibilities under the National Response Framework

Forest Service is the emergency support function coordinator for Emergency Support Function 4: Firefighting. As coordinator, Forest Service coordinates support for the detection and suppression of fires. Forest Service is notably responsible for supporting wildland, rural, and urban firefighting operations.

DOI is a support agency for Emergency Support Function 4: Firefighting. As a support agency, DOI, among other things, assists Forest Service in managing and coordinating firefighting operations; assumes responsibility for fighting wildfires on lands within its jurisdiction; and provides personnel and support at national, regional, and incident levels during disasters.

Source: GAO analysis of the National Response Framework.
| GAO-21-42

Federal wildfire response contracting activities are typically conducted by interagency buying teams, which include contracting officers and purchase cardholders, among others, that deploy to the site of a wildfire, or by centrally located dispatchers, wherein the dispatchers or buying team members may be officials from a number of federal agencies. For example, officials explained that if wildfire responders need a resource that is not available at the site of a fire, responders may request that resource through a centralized system. If the resource is available from an existing contract or agreement, a dispatcher will process the request to send the resource to the fire. If a resource is not available from the existing catalogue, or all available resources are in use, the request may be sent to a buying team that enters into a new contract or agreement to secure the resource.

Forest Service and DOI contracting officials said they have experienced challenges executing their disaster response contracting activities. For example, Forest Service contracting officials told us that contracting officers on buying teams are usually expected to carry out their regular duties while on deployment and that, in general, they complete these duties around their disaster response responsibilities. Similarly, a DOI contracting officer serving on an interagency buying team told us that they had to work a substantial amount of overtime while deployed to a wildfire in 2017 in order to simultaneously complete their regular and disaster response contracting duties. Moreover, a senior DOI acquisition official added that, while he assigns projects considering relevant workload

demands when a disaster occurs, this is done in an ad hoc manner as there is no structured system for allocating full-time equivalents to offices or across portfolios.³² As a result, contracting officials told us that their office relies on backup contracting support from the Bureau of Land Management's National Operations Center, which is responsible for providing operational and technical program support to Bureau of Land Management employees and stakeholders, to accomplish their regular duties in a disaster response environment.

As of June 2020, both Forest Service and DOI are undergoing organizational changes to address their contracting workforce needs. However, DOI contracting officials noted that forthcoming changes may not account for disaster contracting activities. Specifically:

- Forest Service is currently undergoing a major reorganization of its acquisition function. The reorganization adds a new directorate and attempts to address how the agency awards and manages contracts for wildland fire response. For example, the agency is adding a designated disaster incident management cadre responsible for coordinating and meeting the agency's procurement needs during wildland fire incidents. Forest Service officials told us they expect these changes to be in place beginning fall 2020.
- DOI is undergoing a series of organizational changes based on a third-party assessment of its acquisition function. One of these changes is to develop a 3-year strategic acquisition plan, as well as develop additional guidance for bureaus and offices on how to structure their contracting functions. DOI officials told us DOI plans to begin implementing the 3-year plan in early fiscal year 2021. However, because DOI is comprised of bureaus with varying acquisition workforce needs and not all bureaus have responsibilities for wildland fire-related contracting, officials told us neither the strategic acquisition plan nor the additional guidance for bureaus or offices will specifically account for wildland fire response contracting activities.

Although it is too soon to tell to what extent the Forest Service's initiatives will address the challenges related to contracting officer workloads during

³²A full-time equivalent or FTE is a measure of labor that reflects the total number of regular straight time hours (i.e., not including overtime or holiday hours) worked by employees, divided by the number of compensable hours applicable to each fiscal year.

disaster response that we identified, the efforts underway have potential to do so.

At DOI, while wildland fire-related activities may not be relevant to all bureaus, they are relevant to some. Our key principles for strategic workforce planning state that it is critical for agencies to determine the critical skills and competencies that will be needed to achieve future programmatic results.³³ Without accounting for its disaster response contracting activities in its strategic acquisition plan and in upcoming guidance to bureaus, where appropriate, DOI may be missing an opportunity to assess whether adequate contracting resources are in place to simultaneously fulfill its disaster contracting activities and regular duties, particularly as extreme weather events become more frequent and intense due to climate change.

Selected Agencies Reported Spending at Least \$20 Million Using Purchase Cards for Disaster Response Activities

According to agency-provided purchase card data, the six selected agencies we reviewed—FEMA, the Coast Guard, Forest Service, DOI, USACE, and EPA—collectively spent about \$20.4 million for major disaster response activities from July 1, 2017, through June 30, 2019, using purchase cards (see fig. 3).³⁴ This represents approximately 1.2 percent of all combined purchase card spending reported at the agencies we reviewed over the same period.³⁵

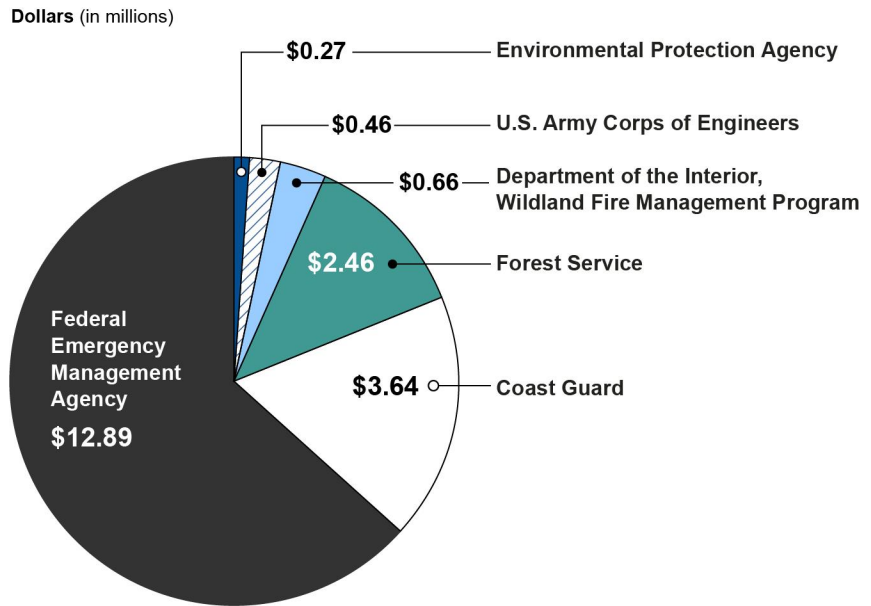
FEMA accounted for most—about 60 percent—of the disaster-related purchase card spending.

³³GAO-04-39.

³⁴For the purpose of our review, we analyzed purchase card transactions, including both micro-purchases and payments on contracts.

³⁵The portion of an agency's purchase card spending used for disasters varied substantially by agency. For example, disaster purchase card spending at DOI's Wildland Fire Management Program represented about 0.10 percent of overall purchase card spending, whereas roughly 42 percent of all purchase card spending occurred on disasters at FEMA.

Figure 3: Total Reported Disaster Response Purchase Card Spending by Selected Agencies, July 1, 2017, to June 30, 2019

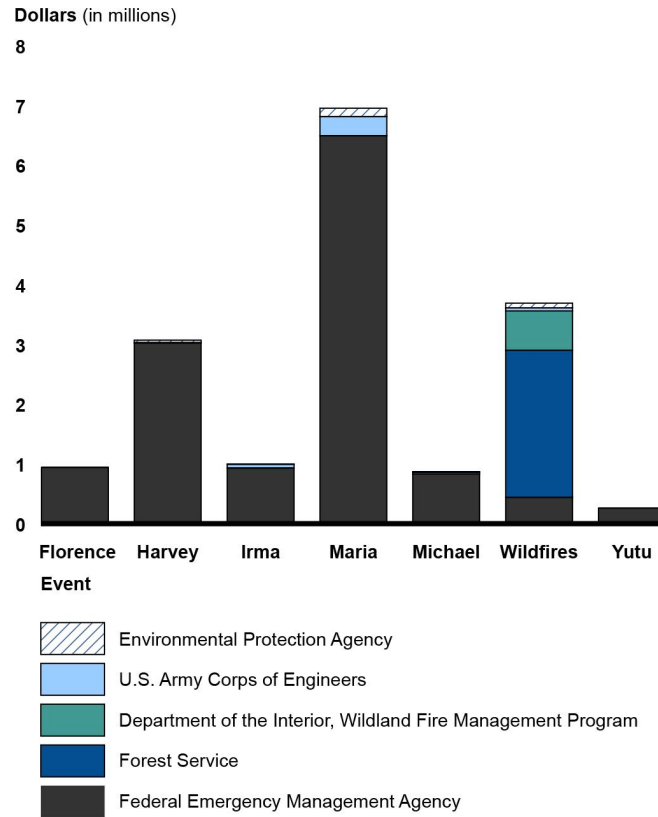


Source: GAO analysis of agency data. | GAO-21-42

Note: For the purpose of our review, we analyzed purchase card transactions, including both micro-purchases and payments on contracts, but excluded expenditures made on government travel and fleet cards.

The proportion each agency spent using purchase cards varied based on the type of disaster. For example, FEMA accounted for over half of purchase card spending for each of the hurricanes included in our review, whereas Forest Service and DOI’s Wildland Fire Management Program were responsible for most of the reported purchase card spending for the 2017 and 2018 California wildfires (see fig. 4).

Figure 4: Reported Disaster Response Purchase Card Spending by Disaster, July 1, 2017, to June 30, 2019

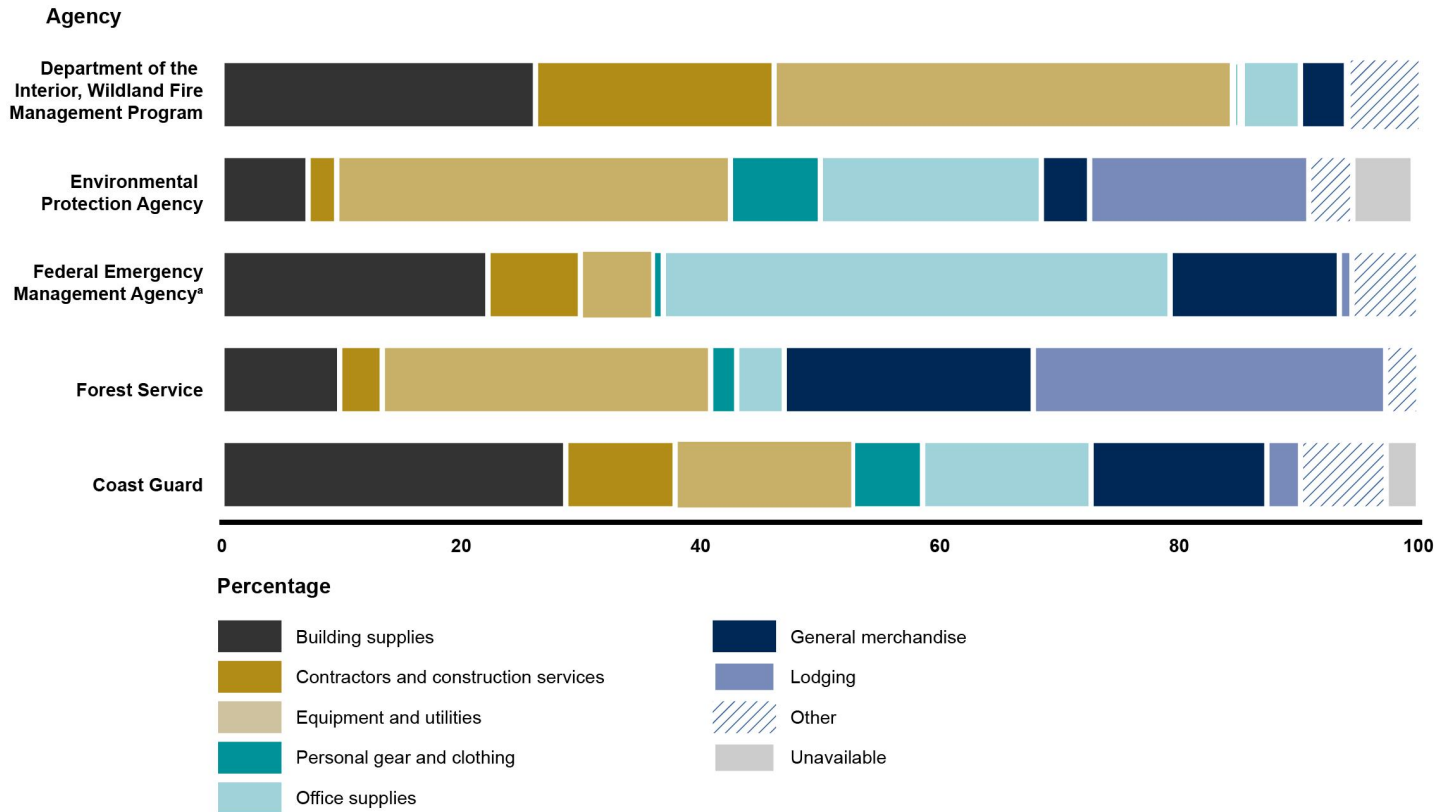


Source: GAO analysis of agency data. | GAO-21-42

Note: Five of the six agencies we reviewed categorized purchase card spending by specific disaster event. The sixth agency, the Coast Guard, used one general accounting code for all disaster purchase card transactions rather than individual codes for each disaster (e.g., a code for Hurricane Maria, a different code for Hurricane Irma, etc.). Therefore, the roughly \$3.6 million in purchase card transactions for disasters spent by the Coast Guard is not included in this graphic. In addition, for the purpose of our review, we analyzed purchase card transactions, including both micro-purchases and payments on contracts, but excluded expenditures made on government travel and fleet cards.

According to agency and bank data, purchase card users procured goods and services from a variety of merchants during the 2017 and 2018 major disaster response efforts (see fig. 5).

Figure 5: Percentage of Reported Agency Purchase Card Spending by Merchant Type, July 1, 2017, to June 30, 2019



Source: GAO analysis of agency purchase card and commercial bank data. | GAO-21-42

Note: To identify the types of merchants where purchase cardholders used purchase cards, we reviewed the merchant category codes associated with agency purchase card transactions. A merchant category code is a four-digit code used by financial institutions, such as banks, to classify merchants based on the goods or services they supply. Due to agency data limitations, we could not obtain merchant category codes for certain Coast Guard and Environmental Protection Agency transactions, which are shown as “unavailable” in the figure. We were unable to identify merchant category codes for enough U.S. Army Corps of Engineers’ transactions to conduct a useful analysis. Purchase card transactions provided from these agencies’ financial systems contained merchant names, but not merchant category codes. We were able to obtain the merchant category codes for some of these transactions by matching the agency-provided transactions to their corresponding records in the contractor bank systems, but we were unable to successfully match all transactions.

*Due to data limitations, the analysis of Federal Emergency Management Agency (FEMA) merchant category codes likely captures some additional transactions that were not related to disaster response. We analyzed merchant category codes for all FEMA purchase card transactions between July 1, 2017, and June 30, 2019, that were made by cardholders who supported major disaster response efforts. This approach did not allow us to discern which cardholder transactions were made for major disaster response and which were not. The approximated dataset we analyzed contained \$15.9 million in total purchase card transactions, compared to \$12.9 million in total purchase card spending that FEMA reported for 2017 and 2018 major disaster response.

Purchase cardholder spending at specific merchants during 2017 and 2018 major disasters differed depending on the agency's disaster response activities. For example:

- About 38 percent of DOI's Wildland Fire Management Program purchase card spending was with merchants offering equipment and utilities, such as tool rental services. DOI purchase cardholders told us such services were used to clear and rehabilitate burned areas on federal lands. Further, about 26 percent of additional spending was done at various building supplies merchants that could have also supported burned area rehabilitation, such as lumber and building material, hardware, and construction materials merchants.
- Approximately 33 percent of EPA purchase card spending was with merchants offering equipment and utilities, such as merchants offering utility trailers. In addition, about 18 percent of purchase card spending took place with merchants specializing in office supplies. For example, an EPA purchase cardholder told us she would use the purchase card to purchase office supplies in support of the incident command post.
- About 42 percent of FEMA's nearly \$12.9 million in purchase card spending occurred with merchants specializing in office supplies.³⁶ FEMA purchase card officials told us they used purchase cards to purchase materials and supplies, including office supplies, to setup offices for disaster response.
- Roughly 29 percent the Forest Service's purchase card spending was with merchants offering lodging, while about 27 percent of purchase card spending was with equipment and utilities merchants, including equipment rental and leasing services merchants.³⁷ Forest Service incident buying team officials told us that lodging purchases were made for fire crews who were brought on temporarily for the response.

³⁶Due to FEMA data limitations, we conducted an analysis of purchase card merchant category codes on all purchase card transactions made between July 1, 2017, and June 30, 2019, by cardholders who supported major disaster response efforts. This approximated dataset likely includes some transactions made for normal operations, in addition to those made specifically for major disaster response.

³⁷Inter-agency variation in reported spending on lodging may reflect differences in agency policies related to purchase cards. For example, according to the Forest Service's Government Purchase Card Program Guide, travel expenses, including lodging, are generally prohibited for purchase card use; however, emergency incident personnel, such as firefighters, may use purchase cards to provide travel-related items for a group of firefighters even if some of the firefighters have travel cards.

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- About 29 percent of the Coast Guard's purchase card spending was with building supplies merchants, such as industrial supply and hardware merchants. Purchase cardholders at the Coast Guard reported frequently purchasing personal protective equipment, such as goggles, coveralls, and gloves, and items for ship repairs, among other things.

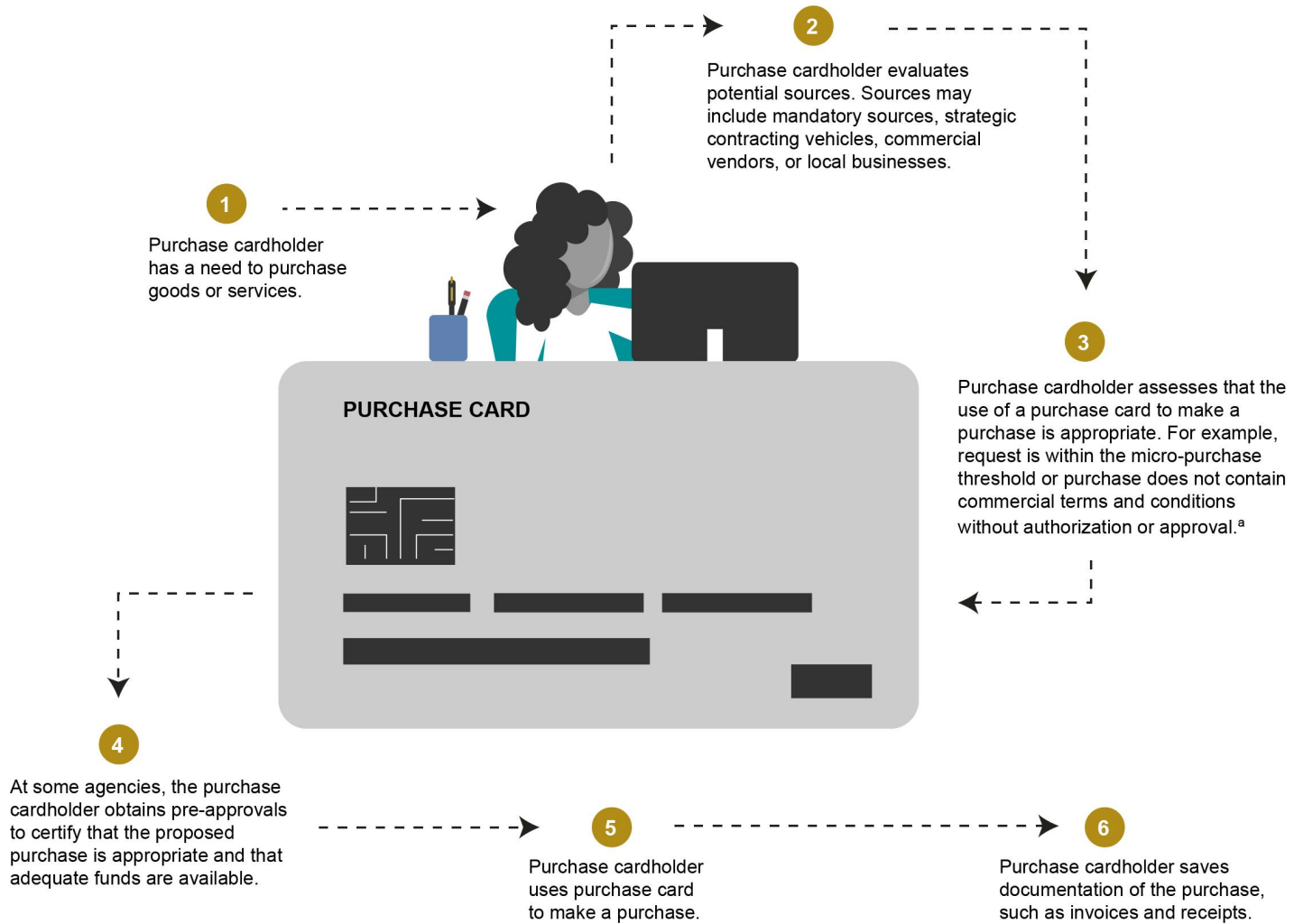
Selected Agencies Established Internal Controls for Purchase Card Use but Most Have Not Assessed Fraud Risk for Disaster Response

Agencies Established Internal Controls for Purchase Card Use and Implemented Available Flexibilities for Disaster Response

As required under federal laws, all of the agencies in our review have established safeguards and internal control procedures for monitoring the actions of purchase cardholders.³⁸ Policies and regulations also include different requirements and create flexibilities to be implemented during disaster response. The law also requires the Director of OMB to review existing guidance and, as necessary, prescribe additional guidance governing the implementation of the requirements by executive agencies. Under agencies' policies, individual purchase cardholders generally have primary responsibility for the proper use of purchase cards, including following agency policies and other acquisition laws and regulations. Figure 6 summarizes general government purchase card transaction procedures implemented by purchase cardholders for the agencies in our review.

³⁸Pub. L. No. 112-194, §2(a) (2012) (codified at 41 U.S.C. §1909(b)); see 10 U.S.C. §2784 for DOD purchase card requirements. Office of Management and Budget, OMB Circular No. A-123, Appendix B Revision: A Risk Management Framework for Government Charge Card Programs (Washington, D.C.: August 27, 2019).

Figure 6: General Purchase Card Transaction Procedures for Agencies in Our Review



Source: GAO analysis of agency information. | GAO-21-42

Note: The agencies included in this review were the Federal Emergency Management Agency, U.S. Army Corps of Engineers (USACE), the U.S. Coast Guard, Environmental Protection Agency, U.S. Forest Service, and the Department of the Interior. USACE's Government Purchase Card Program Standard Operating Procedures are in draft form. According to a USACE official, the standard operating procedures are in final review and are expected to be issued towards the end of 2020.

^aThe Federal Acquisition Regulation generally defines the micro-purchase threshold as \$3,500 for supplies and services; however, section 806 of the National Defense Authorization Act for Fiscal Year 2018, Pub. L. No. 115-91, increased the micro-purchase threshold for civilian agencies to \$10,000 and section 821 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, Pub. L. No. 115-232, increased the micro-purchase threshold for the Department of Defense to \$10,000.

Purchase cardholders are assigned an approving official—often the purchase cardholder’s supervisor—who ensures that purchases are necessary for accomplishing the mission of the agency and provides final approval of purchase card transactions. In addition, the agencies we reviewed assign program coordinators who manage the purchase card programs, including reviewing cardholder transactions for fraud, waste, and abuse. Agencies typically use the commercial banks’ analytical tools to look for potential indicators of fraudulent transactions.

Different requirements may apply when using purchase cards to support disaster response efforts and these requirements may include flexibilities compared to a traditional operating environment. Specifically:

- **Increases to the micro-purchase threshold.** Purchase cards may be used for higher dollar purchases in a disaster response situation. According to the FAR, government purchase cards are the preferred means to purchase and pay for micro-purchases, which are generally purchases up to \$10,000.³⁹ For purchases of supplies or services made to support response to major disasters under the Stafford Act, as implemented by the FAR, agencies are authorized to use the increased micro-purchase threshold of \$20,000 for purchases made inside the United States and \$30,000 for purchases made outside the United States.⁴⁰ If an agency opts to use this authority, agencies may increase the single-purchase limit for selected cardholders, since these increases do not occur automatically when a major disaster response declaration occurs.
- **Purchase source flexibility.** Generally, the FAR requires agencies to procure goods and services from certain mandatory government sources. The FAR also permits agencies to procure goods and services from non-mandatory sources when the agency’s need for goods and services is unusually and compellingly urgent, such as

³⁹FAR §§ 13.201(g)(1), 2.101.

⁴⁰Section 816 of the National Defense Authorization Act for Fiscal Year 2017, Pub. L. No. 114-328, authorized agencies to use increased micro-purchase thresholds for response and recovery to presidentially declared emergencies and major disasters under the Stafford Act, whereas previously these increased thresholds could not be used in these scenarios. During our review, all of the agencies we audited issued Class Deviations to reflect the expanded procurement authority for presidentially declared emergencies and major disasters, until the FAR was updated on May 6, 2019. 84 Fed. Reg. 19,835, (May 6, 2019) (final rule).

during a major disaster.⁴¹ For example, some agency purchase cardholders told us they purchased supplies from commercial vendors during their disaster response missions because mandatory sources were unable to meet the urgent needs associated with the disaster environment. Further, the Stafford Act, as implemented in the FAR, states that during presidentially declared emergencies and major disasters, preference for contracts and agreements with private entities shall be given, to the extent feasible and practicable, to local firms that reside or conduct business primarily in a disaster-affected area.⁴² According to FEMA purchase cardholders, they often prefer buying from local vendors during disasters because, in certain scenarios, goods and services can be procured and received more quickly.

- **Removal of merchant category code blocks.** Several agencies we reviewed had a process to temporarily remove merchant category code “blocks” on purchase card accounts. Agencies establish merchant category code blocks on cardholder accounts to prevent unauthorized use or fraudulent transactions. When the agency’s contractor bank identifies a transaction with a blocked merchant category code, the bank automatically declines the transaction, not allowing it to process. Temporary removal of merchant category code blocks allows the purchase cardholder to process a transaction for goods or services that may normally be rejected by the contractor bank due to the vendor’s merchant category code. Agency purchase cardholders described situations where the temporary removal of a merchant category code block allowed them to obtain critical goods or services when no other sources were available. For example, a FEMA purchase card authorizing official said that it is common in the U.S. territories in the Pacific for different types of stores to share a single location and credit card reader, and one of those businesses might fall under a blocked merchant category code. This official explained that if a purchase cardholder needed to buy electronics equipment from a store that shares a credit card reader with a gas station, the transaction would be initially blocked by the contractor bank because fuel purchases are not permitted using a purchase card.
- **Flexibilities in the approval process.** Agencies’ policies we reviewed also established a variety of flexibilities in the approval

⁴¹See FAR § 8.002(b). Unusual and compelling urgency is such that the federal government would be seriously injured unless the agency is permitted to use non-mandatory sources. FAR § 6.302-2.

⁴²Robert T. Stafford Disaster Relief and Emergency Assistance Act 42 U.S.C. § 5150, as implemented in FAR §§ 18.203(a) and 26.202.

process during disaster response as compared to their approval process in a traditional operating environment. For example, EPA policy provides an exception to the requirement for authorizing officials to be physically co-located with the purchase cardholders they oversee under extreme situations. In addition, EPA officials stated that the purchase card program has allowed purchase cardholders who are deployed in regions away from their approving official to obtain after-the-fact approval for purchases from their approving official in instances where the approving official could not be reached. In another example, in a traditional operating environment, DHS purchase card policy requires that a funding official verifies that funds are available and that an authorizing official approves a purchase. DHS policy allows for a documented waiver to this requirement, such as allowing one official to both certify that funds are available and authorize purchases and payments. The waiver allows requested goods or services to be procured more quickly, provided that other controls, such as third-party reviews of the waiver, are implemented.

Most Agencies We Reviewed Have Not Assessed Purchase Card Fraud Risk for Disaster Response

Risk Profiles

A risk profile is the documentation that summarizes the key findings and conclusions of risk assessment activities, including the analysis of the types of internal and external risks, their perceived likelihood and impact, managers' risk tolerance, and the prioritization of risks.

Source: GAO, A Framework for Managing Fraud Risks in Federal Programs, [GAO-15-593SP](#) (Washington, D.C.: July 2015) | GAO-21-42

While five of the six agencies we reviewed have prepared risk profiles that include an evaluation of fraud risk for their purchase card programs, as required by an OMB memorandum, only DOI has assessed how its fraud risk profile might differ for transactions in support of disaster response activities than for transactions during a traditional operating environment. Further, only two of the six agencies we reviewed—Forest Service and DOI—could compile the type of data that would allow them to conduct the analysis necessary to assess fraud risk or monitor fraud for disaster response transactions.

An OMB memorandum, which revised OMB Circular No. A-123 effective for fiscal year 2016, states that agencies are required to complete risk

profiles, which must include an evaluation of fraud risks.⁴³ The OMB memorandum states that the financial and administrative controls established through the agency's risk profile must also include controls to address and identify fraud risks related to purchase cards, among other things. The OMB memorandum requires agencies to complete fraud risk profiles for purchase cards.

The Fraud Reduction and Data Analytics Act of 2015 and its successor provisions in the Payment Integrity Information Act of 2019 required that the leading practices of our Fraud Risk Framework be incorporated into the OMB Circular No. A-123 guidelines and agency controls.⁴⁴ Our Fraud Risk Framework states that agency managers should plan regular fraud risk assessments that are tailored to the program, including conducting assessments at regular intervals and when there are changes to the operating environment.⁴⁵ Further, managers should identify specific tools, methods, and sources for gathering information about fraud risk. Then, agency managers should determine and document a program's fraud risk profile, reflecting an assessment of fraud risk tolerance for the program, before designing and implementing a strategy with specific control activities. Further, the framework states that risk profiles may differ in the context of disaster response. In particular, managers may have a higher fraud risk tolerance, because managers may weigh the program's operational objectives of expeditiously providing assistance against the objective of lowering the likelihood of fraud, since fraud risk reduction activities may cause delays in response.

Four of the six agencies we reviewed—the Coast Guard, DOI, FEMA, and USACE—have prepared risk profiles for their purchase card programs that include assessments of fraud risks that generally align with the leading practices of our Fraud Risk Framework, a necessary step to inform the design and implementation of its control activities. While Forest

⁴³OMB M-16-17, OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, July 15, 2016.

⁴⁴Pub. L. No. 114-186, §3 (a) (2016), Pub. L. No. 116-117, §2 (2020) (codified at 31 U.S.C. §§ 3351-3358). Section 3 of the Fraud Reduction and Data Analytics Act of 2015 required OMB to establish guidelines for federal agencies to create controls to identify and assess fraud risks and to design and implement anti-fraud control activities. The act further required OMB to incorporate the leading practices from the Fraud Risk Framework in the guidelines. Although this statute was repealed in March 2020, the Payment Integrity Information Act of 2019 requires the guidelines to remain in effect, subject to modification by OMB as necessary and in consultation with GAO.

⁴⁵[GAO-15-593SP](#).

Service prepared a risk profile for its purchase card program that includes questions related to fraud, its profile does not address fraud risk at a level of detail that aligns with our Fraud Risk Framework. EPA officials said that the agency has not developed a fraud risk profile for purchase card use, as required by the OMB memorandum. Further, of the six agencies we reviewed, only DOI has assessed how fraud risk profiles would be different for purchase card use in support of disaster response than for use in support of traditional operational environment response, as described in the Fraud Risk Framework. DOI completed its assessment while a draft of this report was with the agencies for comment, and its fraud risk profile notes that disaster response has specific risk factors related to operations in austere regions and potential increases to the micro-purchase threshold, among others. A USACE purchase card program official stated that disaster response purchase card use may have lower fraud risk than traditional use because, under USACE procedures, FEMA also has to approve purchases before they are made. However, USACE has not documented this difference in fraud risk, which could affect other internal controls and monitoring.

Without assessing fraud risk for purchase card programs, or assessing how fraud risk profiles may change in the disaster response environment, agencies may not be designing or implementing effective internal controls specifically to mitigate fraud risks. For example, agencies may not have effectively designed the search criteria used to identify fraudulent transactions in the banks' analytical tools, or determined how those criteria should be adapted for disaster response transactions.

We also found that only two of the six agencies we reviewed could compile data that would allow them to conduct the analysis necessary to assess fraud risk or monitor fraud for disaster response transactions. The Forest Service and DOI's Wildland Fire Management Program were able to compile transaction data that included both the disaster event the purchase was made for and the merchant category code for the vendor where the purchase was made. Officials from these agencies explained that they transfer bank data, which includes vendor information, into their financial management systems, where accounting information can be used to identify which transactions are related to disaster response. Using this data, we completed fraud data analysis which included analyzing the data for blocked or high-risk merchant category codes, duplicate purchases, purchases made via third party financial entities, and other indicators of fraudulent purchase activity.

Officials from the other four agencies we reviewed—FEMA, USACE, Coast Guard, and EPA—also said that they use the information in their internal financial systems to identify which purchase card transactions were related to disaster response, but maintain it separately from the bank data systems they use to identify potentially fraudulent transactions. As a result, these four agencies do not have data that allow them to conduct fraud analysis specific to disaster response. Using the data provided by FEMA, Coast Guard, and EPA, we were able to match some agency data for disaster-related transactions to data we received from the banks for merchant category codes, but we were not able to match the data completely and had to rely on approximations, which resulted in less precise fraud data analysis. We were not able to match most of the data provided by USACE for disaster-related transactions to bank data, so we were not able to conduct any fraud analysis for that agency.

Based on our fraud data analysis of complete data for the Forest Service and DOI's Wildland Fire Management Program, and approximated data for FEMA, Coast Guard, and EPA, we did not identify indications of widespread fraud in the use of government purchase cards for disaster response. However, the results of our analysis are less precise because of the data issues described earlier. At each agency, we identified some questionable transactions in the data that we will refer to the appropriate Offices of the Inspector General.⁴⁶ For example, one individual made 22 purchases at the same merchant for the same amount on the same day. This merchant also was associated with a high-risk merchant category code. For more information on our scope and methodology, see appendix I.

Our Fraud Risk Framework states that managers should collect and analyze data for real-time monitoring of fraud trends and identification of potential control deficiencies.⁴⁷ Without sufficient data related to purchase card use during disaster response, agencies will not be able to accurately

⁴⁶The universe of transactions we reviewed for our fraud analysis differs from the characteristics of transactions described earlier. The total number of transactions used for this analysis was about 26,000, with a total transaction amount of approximately \$24 million. Of the transactions analyzed, we identified approximately 300 questionable transactions, which represented about \$570,000. The majority of these transactions were made at one agency. Due to data limitations described earlier, the total number and value of transactions analyzed is overstated because it includes FEMA transactions that may not be related to disaster response. In addition, we took several steps to prepare the dataset for review, including removing negative transactions.

⁴⁷[GAO-15-593SP](#).

assess fraud risk or evaluate outcomes using a risk-based approach and adapt internal controls in a disaster environment.

Conclusions

Contracting during a disaster can pose a unique set of challenges as officials face significant pressure to provide goods and services to survivors as quickly as possible while simultaneously fulfilling their agencies' core missions. Agencies performing disaster response duties must adapt to dynamic and rapidly changing priorities and doing so requires a contracting workforce that is appropriately aligned to meet these responsibilities. Planning for contracting activities and comprehensively assessing contracting workforce needs related to disaster response could mitigate the types of challenges that were experienced by USACE and Coast Guard contracting staff during the 2017 and 2018 disasters, which will be critical as extreme weather events become more frequent and intense due to climate change. Similarly, although DOI is taking steps to address its contracting workforce needs, it is important that these efforts account for disaster response contracting activities. Without doing so, DOI may be missing an opportunity to assess whether adequate contracting resources are in place to simultaneously fulfill its disaster contracting activities and regular duties in a timely manner.

Furthermore, when agencies leverage purchase cards to acquire life-saving and life-sustaining goods or services following a disaster, the importance of fraud risk management for purchase card use becomes crucial. EPA has not taken the required step of assessing and documenting fraud risk for purchase card use in a risk profile to inform the design and implementation of effective internal controls, and Forest Service has not prepared a risk profile that aligns with leading practices for fraud risk assessment. Five of the six agencies we reviewed (FEMA, Forest Service, USACE, Coast Guard, and EPA) have not documented an assessment of how fraud risk for purchase cards differs in the disaster response environment. Moreover, four of those agencies (FEMA, USACE, Coast Guard, and EPA) had difficulties compiling the detailed data to do so. As a result, these agencies are limited in their ability to ensure that the benefits of purchase cards are obtained while preventing and identifying fraudulent use in the riskier environment of disaster response. In particular, it is imperative to have data that enables agencies to identify potential fraud that may have occurred as a result of higher

fraud risk tolerance and associated flexibilities that may reduce the effectiveness of internal controls meant to prevent fraud.

Recommendations for Executive Action

We are making a total of 12 recommendations, including three to the U.S. Army Corps of Engineers, three to the U.S. Coast Guard, one to the Department of the Interior, two to the Environmental Protection Agency, one to the U.S. Department of Agriculture, and two to the Federal Emergency Management Agency. Specifically:

The Secretary of the Army should ensure that the Commanding General of the Army Corps of Engineers develops guidance to ensure that its district-level affordability determinations account for the agency's disaster response contracting activities. (Recommendation 1)

The Commandant of the U.S. Coast Guard should provide guidance or incorporate into existing guidance information to ensure that the Coast Guard's manpower requirements determination for its acquisition directorate accounts for the agency's disaster response contracting activities. (Recommendation 2)

The Secretary of the Interior should ensure that upcoming guidance directs bureaus to consider their disaster contracting activities when planning their contracting workforce, where appropriate. (Recommendation 3)

The Secretary of the Army should ensure that the Commanding General of the Army Corps of Engineers updates its fraud risk profile for the purchase card program to include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. (Recommendation 4)

The Administrator of the Federal Emergency Management Agency should update its fraud risk profile for the purchase card program to include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. (Recommendation 5)

The Secretary of the U.S. Department of Agriculture should direct the Forest Service to update its fraud risk profile for the purchase card program to align with the leading practices in the Fraud Risk Framework

and include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. (Recommendation 6)

The Commandant of the U.S. Coast Guard should update its fraud risk profile for the purchase card program to include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. (Recommendation 7)

The Administrator of the Environmental Protection Agency should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. (Recommendation 8)

The Administrator of the Federal Emergency Management Agency should ensure that the agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis. (Recommendation 9)

The Secretary of the Army should ensure that the Commanding General of the Army Corps of Engineers ensures that the agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis. (Recommendation 10)

The Commandant of the U.S. Coast Guard should ensure that the agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis. (Recommendation 11)

The Administrator of the Environmental Protection Agency should ensure that the agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis. (Recommendation 12)

Agency Comments and Our Evaluation

We provided a draft of this report to DHS, DOD, DOI, EPA, GSA, and USDA for review and comment. In written comments provided by DHS, DOD, DOI, EPA, and USDA (reproduced in appendices II, III, IV, V, and VI), the agencies concurred with our recommendations, and generally identified steps they plan to take to address the recommendations.

In addition to the 12 recommendations included in the final report, the draft report that we provided to the agencies included an additional recommendation for DOI. Specifically, we recommended DOI take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework, and include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. In its response to the draft report, DOI concurred with this recommendation and provided us with a fraud risk profile that was finalized while the report was with the agencies for comment. The fraud risk profile provided by DOI generally aligns with leading practices in the Fraud Risk Framework and includes an assessment of how the risk profile differs for purchase card use in support of disaster response. Because DOI's actions addressed our draft recommendation, we have withdrawn that recommendation from our final report.

In its response to our draft report, DHS also provided additional documentation that demonstrated that FEMA and the Coast Guard generally account for risk associated with purchase cards in its quarterly risk register. The additional documentation partially addressed the fifth and seventh recommendations included in our draft report, as it demonstrated that FEMA's and the Coast Guard's fraud risk profiles generally align with leading practices in the Fraud Risk Framework. The additional information did not, however, demonstrate how, if at all, the risk profile differs for purchase card use in support of disaster response. We incorporated the additional information provided by DHS into our final report, and updated recommendations five and seven to FEMA and the Coast Guard accordingly.

Finally, in response to our first recommendation, DOD concurred, stating that USACE has a formal process for assessing its contracting workload, but will provide guidance as part of this process to ensure that these determinations account for disaster response contracting activities. As we discuss in our report, USACE has a process for assessing its contracting

workload at the district-level, but does not formally assess its contracting workforce needs for disaster response. Nevertheless, we support USACE's plan to provide guidance to support the annual workload assessment process and that this guidance ensures these assessments account for USACE's disaster response contracting activities.

DOD and DHS also provided technical comments, which we incorporated as appropriate. In addition, GSA responded that they did not have any comments on the draft report.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Homeland Security, the Secretary of Defense, the Secretary of the Interior, the Administrator of the Environmental Protection Agency, the Secretary of Agriculture, and the Administrator of the General Services Administration. 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 long horizontal flourish extending to the right.

Marie A. Mak
Director, Contracting and National Security Acquisitions

List of Requesters

The Honorable Michael B. Enzi
Chairman
Committee on the Budget
United States Senate

The Honorable Ron Johnson
Chairman
The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Marco Rubio
Chairman
Committee on Small Business and Entrepreneurship
United States Senate

The Honorable Rand Paul, M.D.
Chairman
Subcommittee on Federal Spending Oversight and Emergency
Management
Committee on Homeland Security and Government Affairs
United States Senate

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
House of Representatives

The Honorable Bennie G. Thompson
Chairman
Committee on Homeland Security
House of Representatives

The Honorable Carolyn B. Maloney
Chairwoman
The Honorable James Comer
Ranking Member
Committee on Oversight and Reform
House of Representatives

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
House of Representatives
The Honorable Peter DeFazio
Chairman
The Honorable Sam Graves
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

The Honorable Al Green
Chairman
Subcommittee on Oversight and Investigations
Committee on Financial Services
House of Representatives

The Honorable Emmanuel Cleaver
House of Representatives

The Honorable Jim Jordan
House of Representatives

The Honorable Michael T. McCaul
House of Representatives

The Honorable Gary J. Palmer
House of Representatives

The Honorable Ann Wagner
House of Representatives

Appendix I: Objectives, Scope, and Methodology

This report examines (1) the extent to which agencies planned for their disaster response contracting activities and assessed their contracting workforce needs for disaster response; (2) how selected agencies used purchase cards for disaster response; and (3) the extent to which agencies have established internal controls and assessed fraud risk for purchase card use during disaster response.

To select major disasters included in our review—Hurricanes Harvey, Irma, and Maria and the California wildfires in 2017 and Hurricanes Florence and Michael, Super Typhoon Yutu, and the California wildfires in 2018—we considered factors including high federal obligation amounts, obtaining a mix of disasters occurring within the continental United States and outside the continental United States, and major disaster declarations.¹

To select agencies included in our review, we analyzed Federal Procurement Data System-Next Generation (FPDS-NG) data on contract obligations related to most of these events. We primarily identified contract actions and associated obligations for the disasters by using the national interest action code. However, no national interest action code was established for the 2017 and 2018 California wildfires and Super Typhoon Yutu. For these events, we considered information such as agency roles as defined in the National Response Framework, and historical contract obligation information from the 2008 wildfires that did receive a national interest action code.

We then selected six agencies with some of the highest total obligations for our 2017 and 2018 selected disasters for inclusion in our review: the Federal Emergency Management Agency (FEMA), the U.S. Army Corps

¹A major disaster is any natural catastrophe (including any hurricane, tornado, storm, high water, wind driven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the U.S., which the President determines causes damage of sufficient severity and magnitude to warrant major disaster assistance to supplement the efforts and available resources of states, local governments, and disaster relief organizations in alleviating damage, loss, hardship, or suffering. See 42 U.S.C. § 5122(2).

of Engineers (USACE), the U.S. Coast Guard (Coast Guard), the Environmental Protection Agency (EPA), the U.S. Department of Agriculture's (USDA) Forest Service, and the Department of the Interior (DOI). We excluded FEMA, which had the highest total obligations towards the 2017 and 2018 major disasters, from our first objective on acquisition workforce planning for disaster response, given our prior work and open recommendations related to FEMA's acquisition workforce, leaving us with five agencies reviewed as a part of our first objective.² We also requested information from the Departments of the Air Force, Army, and Navy about their obligations using purchase cards in support of disaster response. However, these departments were not able to provide us with data at a sufficient level of detail for us to conduct our analysis, so we did not include them in our review. To assess the reliability of FPDS-NG data, we reviewed existing information about the FPDS-NG system and the data it collects—specifically, the data dictionary and data validation rules—and performed electronic testing. Based on these steps, we determined the FPDS-NG data were sufficiently reliable for selecting the agencies in our review.

To assess the extent to which agencies planned for their disaster response contracting activities and assessed their contracting workforce needs for disaster response, we collected and reviewed strategic and acquisition workforce plans, including disaster-specific plans (to the extent these plans were available), at the five agencies included in this objective. We assessed agencies' plans with regard to their respective roles and responsibilities for disaster response as outlined in interagency guidance, such as the National Response Framework, and against GAO's Key Principles for Strategic Workforce Planning.³

In addition, we selected contracting offices to interview from each agency, with consideration of factors such as the offices' total contract obligations for the selected disasters and the extent to which offices had primary responsibility for agency disaster response efforts. At each of the five agencies, we interviewed senior contracting officials, contracting officers,

²See GAO, *FEMA Disaster Workforce: Actions Needed to Address Deployment and Staff Development Challenges*, [GAO-20-360](#) (Washington, D.C.: May 4, 2020); *2017 Disaster Contracting: Actions Needed to Improve the Use of Post-Disaster Contracts to Support Response and Recovery*, [GAO-19-281](#) (Washington, D.C.: Apr. 24, 2019), and *Disaster Contracting: FEMA Needs to Cohesively Manage Its Workload and Fully Address Post-Katrina Reforms*, [GAO-15-783](#) (Washington, D.C.: Sept. 29, 2015).

³GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

and contracting specialists from selected offices. We also interviewed human capital officials at the agencies as necessary, for example, in instances where those officials were responsible for allocating contracting personnel. At these interviews, we discussed agencies' processes for planning for and assessing their contracting workforce needs and the means by which these processes account for challenges related to disaster response contracting.

To assess how selected agencies used purchase cards for disaster response, we reviewed and analyzed agency- and commercial-bank-provided data of purchase card transactions made between July 1, 2017, and June 30, 2019.⁴ We analyzed the data to identify characteristics, such as total purchase card spending for disasters at selected agencies, total agency purchase card spending for each of the 2017 and 2018 disasters, and merchant category types of products and services procured for specific disasters. Purchase card data were available from two sources: each of the agencies in our review and the commercial banks used by the agencies' purchase card programs.⁵ These data analyzed were related to the selected disasters described above, and were provided by the six selected agencies as well as the three banks that processed transactions for these agencies.⁶

In addition, to the extent possible, we matched transactions reported in agency financial systems to those reported in relevant commercial bank systems for the purposes of reporting on agency purchase card spending at particular merchants. We matched transactions using selected criteria,

⁴For the purposes of our review, we analyzed purchase card transactions, including both micro-purchases and payments on contracts, but excluded expenditures made on government travel and fleet cards.

⁵The government's purchase card program—part of the SmartPay program—is managed by the General Services Administration (GSA), which administers the purchase card contracts with two commercial banks: US Bank and Citibank. These contracts are referred to as the GSA SmartPay3 Master Contract. GSA's SmartPay 2 Master Contract, which was awarded to US Bank, Citibank, and JP Morgan Chase, was in effect through November 2018. The SmartPay3 Master Contract was awarded to US Bank and Citibank in November 2018. We include data from commercial bank purchase card transactions made between July 1, 2017, and June 30, 2019. Therefore, for the purposes of this report, we include information from US Bank, Citibank, and JP Morgan Chase.

⁶We also requested information from the Departments of the Air Force, Army, and Navy about their obligations using purchase cards in support of disaster response. However, the defense departments were not able to provide us with data at a sufficient level of detail for us to conduct our analysis, so we did not include them in our review.

such as purchase card account number, transaction date, transaction amount, and merchant name (or merchant category code, if available). We used merchant category codes to identify broad categories of merchants for which purchase cards were used for disaster response. These categories include: building supplies, contractors and construction services, equipment and utilities, personal gear and clothing, office supplies, general merchandise, lodging, other, and unavailable.⁷ In some cases, we reassigned merchants to more appropriate categories for the purposes of our analysis.⁸ We also interviewed agency purchase card program officials, as well as selected purchase cardholders representing the heaviest use of purchase cards, by dollar value and number of transactions, during the 2017 and 2018 disaster response at each agency.

To assess the reliability of agency purchase card data, we performed electronic testing of key data elements, including checks for missing, out-of-range, or logically inaccurate data. We also verified disaster code indicators to ensure that transactions are present for each of the disasters in our review that agencies responded to. We tested that agency data contains only purchase card transactions, or that purchase card transactions are clearly distinguishable from other government charge card transactions, such as fleet and travel card transactions, by using card type indicators and agency-provided dictionaries of travel and fleet merchant category codes. Moreover, we reviewed documentation related to information about the data and agencies' financial systems, such as data dictionaries, and interviewed knowledgeable agency officials about the data to discuss any limitations and potentially unreliable data. In addition, where possible, we matched transactions recorded in agency financial systems to corresponding transactions recorded in the commercial banks' systems using selected criteria as outlined above to provide greater assurance that the transactions have been recorded accurately in agency financial data.

⁷When we were unable to match a transaction to identify the merchant category code, we reported the merchant category as unavailable.

⁸Data on purchase card transactions made in support of major disasters are from agencies' internal financial systems and are limited by the extent to which agencies accurately categorized transactions as disaster-related using special accounting codes or project codes. Agency financial systems frequently combine multiple purchase card transactions into a single line-item with a date and total that may not match individual purchase card transactions. Moreover, the accounting codes that assign individual transactions to disasters may have limitations because purchase cardholders manually enter the data and singular transactions may reflect the purchase of multiple items.

To assess the reliability of the commercial bank data, we performed electronic testing of key data elements, including checks for missing, out-of-range, or logically inaccurate data; reviewed documents for information about the data and the banks' systems, such as standard credit card system data quality standards; and interviewed knowledgeable commercial bank representatives about the data to discuss any limitations. We determined both the agencies' purchase card data and the commercial banks' data were sufficiently reliable for the purposes of this report. However, due to agency data limitations, such as the lack of standardization, differing levels of detail, and in some cases lack of critical data elements, we were not able to successfully match all agency purchase card transaction data to commercial bank data for all agencies. For example, for USACE, we were not able to match sufficient data to include in the merchant category code analysis. In addition, for the Coast Guard and EPA, we were not able to determine merchant category codes for all transactions.

To determine the extent to which agencies have established internal controls and assessed fraud risk for purchase card use during disaster response, we reviewed relevant federal statutes and regulations, such as the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act) and the Federal Acquisition Regulation (FAR), and agency policies and procedures on the use of government purchase cards. In addition, we reviewed relevant federal statutes and policy related to fraud risk assessments, including the Fraud Reduction and Data Analytics Act of 2015, the Payment Integrity Information Act of 2019, Office of Management and Budget (OMB) memorandum M-16-17, and the OMB Circular No. A-123 Appendix B, as well as GAO's Fraud Risk Framework.⁹ We also reviewed agency documentation of fraud risk assessments and assessed these by comparing them to GAO's leading practices related to fraud risk assessment for government purchase card programs. In addition, we interviewed agency purchase card program officials, as well as selected cardholders representing the heaviest use of purchase cards, by dollar value and number of transactions, during 2017 and 2018 disaster response at each agency. Using agency and commercial bank data outlined above, we conducted an assessment of purchase card data to look for indicators of potential fraudulent, wasteful,

⁹Pub. L. No. 114-186, §3(a) (1) (2016); Pub. L. No. 116-117, §2 (2020) (codified at 31 U.S.C. §§ 3351-3358); OMB M-16-17, OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, July 15, 2016; OMB Circular No. A-123, Appendix B, August 2019 Revision; GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015).

or abusive use of purchase cards, such as statistical outliers (including application of Benford's law and analysis of transaction amount); unallowable or high-risk merchant category codes; transactions processed by third-party payment entities; or duplicate transactions. We took several steps to prepare the dataset for review, including removing negative transactions, purchases made with integrated cards, and transactions we were unable to match to bank data.

We conducted this performance audit from April 2019 to November 2020 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 Homeland Security

**Appendix II: Comments from the Department
of Homeland Security**

U.S. Department of Homeland Security
Washington, DC 20528



October 22, 2020

Marie A. Mak
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Management Response to Draft Report GAO-21-42, "DISASTER RESPONSE:
Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk"

Dear Ms. Mak:

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

The Department is pleased to note GAO's recognition of the challenges the Federal Emergency Management Agency (FEMA) faces regarding effective emergency response efforts, as well as FEMA's efforts in developing risk profiles that address purchase card fraud risks. FEMA remains committed to further providing support and coordination of recovery and response efforts between 30 federal agencies and the private sector before, during and after disasters while maintaining a focus on mitigating the risks of fraud.

The draft report contained 13 recommendations, including five for DHS with which the Department concurs. Attached find our detailed response to each recommendation. DHS previously submitted technical comments under a separate cover for GAO's consideration.

**Appendix II: Comments from the Department
of Homeland Security**

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Sincerely,

**JIM H
CRUMPACKER**

Digitally signed by JIM H CRUMPACKER
Date: 2020.10.22 08:08:58 -0400

JIM H. CRUMPACKER, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

Attachment

**Attachment: Management Response to Recommendations
Contained in GAO-21-42**

GAO recommended that:

Recommendation 2: The Commandant of the U.S. Coast Guard should provide guidance or incorporate into existing guidance information to ensure that Coast Guard's manpower requirements determination for its acquisition directorate accounts for the agency's disaster response contracting activities.

Response: Concur. In response to the recommendations included in GAO's report GAO-20-223, "COAST GUARD: Actions Needed to Evaluate the Effectiveness of Organizational Changes and Determine Workforce Needs," dated February 26, 2020, the Coast Guard Office of Human Resources Strategy and Capability is updating its Manpower Requirements Plan and Manual, and develop a Tactics, Techniques and Procedures (TTP) document to further refine and implement guidance for executing manpower requirements determinations. This effort includes time frames and milestones to complete manpower requirements analyses and determinations for multiple positions, and units and functions based on Service priority, including consideration of how to address contingency operations such as disaster response activities. The Coast Guard anticipates completing these Manual changes and development of the TTP guidance during the second quarter of fiscal year (FY) 2021, and that the Manpower Requirements Plan will be updated during the next periodic report to Congress in FY 2022 in accordance with 14 U.S.C. 5104. Estimated Completion Date (ECD): March 31, 2022.

Recommendation 5: The Administrator of the Federal Emergency Management Agency should update its fraud risk profile for the purchase card program to align with the leading practices in the Fraud Risk Framework and include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

Response: Concur. FEMA complies with the DHS annual fraud risk assessment, which accounts for risk associated with government purchase cards for components. Additionally, DHS identifies increased risk associated with purchase cards due to disasters in the quarterly risk register. Specifically, the disasters identified in FY 2018 were covered in the DHS Office of the Chief Financial Officer (OCFO) Risk Management & Assurance (RM&A) statistical review, which included FEMA and identified no instances of potential fraudulent or abusive purchases requiring escalation, or any purchases not in support of the disaster recovery efforts.

Furthermore, DHS' bankcard provider, Citibank, also utilizes a fraud detection algorithm, which is based on a multitude of factors, such as the: 1) Merchant Category Code; 2) location of the transaction; 3) whether the card is potentially at risk for a compromise

event; 4) dollar amounts; 5) transaction velocity; 6) IP (Internet Protocol) address; and 7) Point of Sale mode, although the exact makeup/criteria of their fraud rule is proprietary information. In addition, the charge card brand VISA uses various transactional fraud scores to help indicate the likelihood of a transaction being fraudulent, with each transaction receiving a score between 5-99. These scores are based on a consortium of data that also considers cardholder behavioral/spend profiles, which constitute the basis for transactional reviews conducted by DHS and its Components. All FEMA-related transactions identified as potentially fraudulent by either the bank or DHS are independently reviewed by FEMA's OCFO and assessed for additional follow-up action, as appropriate. Additionally, RM&A periodically identifies additional transactions for review using various artificial intelligence and machine learning techniques.

We request that GAO consider this recommendation resolved and closed, as implemented.

Recommendation 7: The Commandant of the U.S. Coast Guard should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

Response: Concur. The Coast Guard also complies with the DHS annual fraud risk assessment accounting for risk associated with government purchase cards for components. Additionally, DHS identifies increased risk associated with purchase cards due to disasters in the quarterly risk register. Specifically, the disasters identified in FY 2018 were covered in the DHS OCFO RM&A statistical review, which included the Coast Guard and identified no instances of potential fraudulent or abusive purchases requiring escalation, or any purchases not in support of the disaster recovery efforts.

Furthermore, the DHS bankcard provider, Citibank, also utilizes a fraud detection algorithm, which is based on a multitude of factors, such as the: 1) Merchant Category Code; 2) location of the transaction; 3) whether the card is potentially at risk for a compromise event; 4) dollar amounts; 5) transaction velocity; 6) IP address; and 7) Point of Sale mode, although the exact makeup/criteria of their fraud rule is proprietary information. In addition, the charge card brand VISA uses various transactional fraud scores to help indicate the likelihood of a transaction being fraudulent, with each transaction receiving a score between 5-99. These scores are based on a consortium of data that also considers cardholder behavioral/spend profiles, which constitute the basis for transactional reviews conducted by DHS and its Components. All Coast Guard-related transactions identified as potentially fraudulent by either the bank or DHS are independently reviewed by the Coast Guard Office of Procurement Policy and Oversight and assessed for action, as appropriate. Additionally, RM&A periodically identifies additional transactions for review using various artificial intelligence and machine learning techniques.

We request that GAO consider this recommendation resolved and closed, as implemented.

Recommendation 10: The Administrator of the Federal Emergency Management Agency should ensure that the agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis.

Response: Concur. FEMA agrees that the Agency should conduct analysis of purchase card use with adequate data. FEMA's OCFO will develop a data collection methodology, in coordination with Citibank, to include both the disaster event supported and sufficient vendor information, to allow more comprehensive fraud risk analysis. ECD: October 29, 2021

Recommendation 12: The Commandant of the U.S. Coast Guard should ensure that the agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event support and sufficient vendor information to allow fraud risk analysis.

Response: Concur. The Coast Guard uses multiple systems to track purchasing data and relies upon the financial codes embedded within an accounting string to identify disaster purchases. As with any manual input of information, this poses a risk of error. The Coast Guard Director of Financial Operations-Comptroller is scheduled to begin migrating financial systems on October 1, 2022, which should alleviate some inconsistencies in data as transactions and supplemental data are linked and stored in the system, enabling the Service to tie together more data than currently possible when identifying disaster response type transactions. This migration and related transition to the DHS Common Appropriations Structure should be complete no later than December 30, 2022, after which detailed actions and milestones for fully implementing this recommendation can be developed. ECD: To Be Determined.

Appendix III: Comments from the Department of Defense

**Appendix III: Comments from the Department
of Defense**



ACQUISITION
AND SUSTAINMENT

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

Ms. Marie Mak
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street NW
Washington DC 20548

Dear Ms. Marie Mak,

This is the Department of Defense response to the Government Accountability Office (GAO) Draft Report, GAO-21-42, "DISASTER RESPONSE: Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk," dated September 16, 2020 (GAO Code 103467).

The Department's official written response for inclusion in the report are enclosed. My point of contact is Ms. Denise Reich who can be reached at denise.a.reich.civ@mail.mil.

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Kim Herrington
Acting Principal Director,
Defense Pricing and Contracting

Enclosure:
As stated

Enclosure

GOVERNMENT ACCOUNTABILITY OFFICE DRAFT REPORT
NOVEMBER 2020

GAO-21-42 (GAO CODE 103467)

“DISASTER RESPONSE: AGENCIES SHOULD ASSESS CONTRACTING
WORKFORCE NEEDS AND PURCHASE CARD FRAUD RISK”

DEPARTMENT OF DEFENSE RESPONSE
TO THE GAO DRAFT REPORT RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommends that the Secretary of the Army should ensure that the Commanding General of the Army Corps of Engineers develops guidance to ensure that its district-level affordability determinations account for the agency’s disaster response contracting activities.

DoD RESPONSE: Concur. United States Army Corps of Engineers (USACE) District and Major Subordinate Commanders ensure that districts have the capability to accomplish planned contracting workload and disaster response missions arising throughout the year through its annual Workload Workforce Assessment, conducted no later than June 30, 2021. The Annual Workload Workforce Assessment will be completed by USACE Districts and Major Subordinate Commands to assess effects of current workload and operations tempo impacting the contracting workforce determinations on enterprise contracting execution. As part of the Annual Workforce Workload Assessment, the USACE Director of Contracting will provide guidance to the Commanders to support their completion of the assessment.

RECOMMENDATION 4: The GAO recommends that the Secretary of the Army should ensure that the Commanding General of the Army Corps of Engineers updates its fraud risk profile for the purchase card program to include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

DoD RESPONSE: Concur. By June 30, 2021, the USACE Director of Contracting will work with the Headquarters (HQ) USACE National Internal Control Program Manager to enhance USACE’s fraud risk profile during the 2022 Risk Management and Internal Control Program (RMCIP) cycle. The enhanced fraud risk profile will document how, if at all, the USACE risk profile for purchase card use differs in support of disaster response.

RECOMMENDATION 11: The GAO recommends that the Secretary of the Army should ensure that the Commanding General of the Army Corps of Engineers ensures that the agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both disaster event supported and sufficient vendor information to allow fraud risk analysis.

DoD RESPONSE: Concur. By the second quarter of FY 2021, Defense Pricing and Contracting will issue a policy memorandum directing Department of Defense Component Senior Procurement Executives and Heads of Contracting Activities to issue component-level guidance requiring entry of appropriate identifiers in a designated field of the card issuing bank’s Electronic Access System “purchase log” to identify transactions made in support of disaster response and other emergency acquisitions. Further, by June 30, 2021, the USACE Directorate

**Appendix III: Comments from the Department
of Defense**

Enclosure

of Contracting will work with the HQ USACE National Internal Control Program Manager to enhance USACE's fraud risk profile during the 2022 RMCIP cycle. The enhanced fraud risk profile will document how, if at all, the USACE risk profile for purchase card use differs in support of disaster response.

Appendix IV: Comments from the Department of the Interior

Appendix IV: Comments from the Department
of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240
11/4/2020

Ms. Marie A. Mak
Director
Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Mak:

Thank you for providing the Department of the Interior (DOI) the opportunity to review and comment on the Government Accountability Office's (GAO) draft report titled, *Disaster Response: Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk* (GAO-21-42). We appreciate GAO's review of Federal response and recovery efforts related to recent disasters.

The draft report includes two recommendations to DOI. A summary of DOI's responses and plans for addressing the recommendations are provided below:

Recommendation 3: The Secretary of the Interior should ensure that upcoming guidance directs bureaus to consider their disaster contracting activities when planning their contracting workforce, where appropriate.

Response: Concur. DOI will implement guidance to bureaus to consider disaster contracting activities in workforce planning, as appropriate.

Target Date: February 28, 2021

Recommendation 9: The Secretary of the Interior should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

Response: Concur. In accordance with Appendix B to OMB Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, DOI has developed a risk profile for its Charge Card Program. DOI used GAO Report GAO-15-593SP, *A Framework for Managing Fraud Risks in Federal Programs*, July 2015, as a reference in developing its charge card fraud risk profile as an essential piece of DOI's overall antifraud strategy. DOI included all of GAO's recommended "Key Elements of the Fraud Risk Assessment Process" and used the format found in "Appendix V: Example of a Fraud Risk Profile." DOI identified 11 risks, including "Charge Card Use in Support of Emergency/Disaster Response."

**Appendix IV: Comments from the Department
of the Interior**

Enclosed for your information is a copy of the Charge Card Fraud Risk Profile. If you have any questions about this response, please contact Megan Olsen, Director, Office of Acquisition and Property Management, at (202) 513-0692 or Megan_Olsen@ios.doi.gov.

Sincerely,



Scott J. Cameron
Acting Assistant Secretary
Policy, Management and Budget

Appendix V: Comments from the Environmental Protection Agency

**Appendix V: Comments from the
Environmental Protection Agency**



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

October 15, 2020

OFFICE OF MISSION SUPPORT

Marie Mak
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Ms. Mak:

Thank you for the opportunity to review and comment on GAO's draft report GAO-21-42, "Disaster Response: Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk." The U.S. Environmental Protection Agency agrees with the GAO's findings, conclusions, and recommendations for the EPA.

The report examined the extent to which EPA planned for disaster response contracting activities, assessed workforce needs, and assessed the fraud risk related to the Agency's use of purchase cards for disaster response. The EPA appreciates GAO's extensive work and dedication towards the accomplishment of this effort.

GAO Recommendation:

GAO Recommendation 8: The Administrator of the EPA should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

EPA Response:

EPA agrees with the recommendation that the Administrator of the EPA should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. EPA's purchase card program, under the leadership of the Agency's Senior Procurement Executive, has begun preliminary work to determine and document the program's fraud risk profile, which incorporates the leading practices identified in the GAO report entitled "*A Framework for Managing Fraud Risks in Federal Programs*" (GAO-15-593S) published on July 28, 2015. We estimate completion of this effort, including the design and implementation of specific control activities, by February 28, 2021.

**Appendix V: Comments from the
Environmental Protection Agency**

GAO Recommendation:

GAO Recommendation 13: The Administrator of the EPA should ensure that the Agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis.

EPA Response:

EPA agrees with the recommendation that the Administrator of the EPA should ensure that the Agency has adequate data to allow it to conduct analysis of purchase card (PC) use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis. Through the collaborative work of the Agency's Office of the Chief Financial Officer and Office of Mission Support, the Agency will pursue improvements to existing emergency response financial and purchase card use tracking procedures to ensure financial and PC transaction reporting systems provide accurate, accessible data in order to conduct fraud analysis in accordance with the mandated framework, including analysis specific to disaster response. We estimate completion of this effort March 30, 2021.

Sincerely,

**DONNA
VIZIAN**

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DONNA VIZIAN
Date: 2020.10.15
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Donna J. Vizian,
Principal Deputy Assistant Administrator

cc: Lynnann Hitchens
Kimberly Patrick
Pamela Legare
Celia Vaughn
Daniel Coogan
Janice Jablonski
Monisha Harris
Pat Williams
Marilyn Armstrong
Mitchell Hauser
Andrew LeBlanc

Appendix VI: Comments from the Department of Agriculture

**Appendix VI: Comments from the Department
of Agriculture**



United States
Department of
Agriculture

Forest
Service

Washington Office

1400 Independence Avenue, SW
Washington, D.C. 20250

File Code: 6320
Date: October 9, 2020

Marie A. Mak
Director
GAO Contracting & National Security Acquisitions
441 G. Street, NW
Washington, DC 20548

Dear Ms. Mak:

The U.S. Department of Agriculture Forest Service appreciates the opportunity to respond to the U.S. Government Accountability Office's (GAO) draft report titled, "DISASTER RESPONSE - Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk (GAO-21-42)," received on September 17, 2020. The Agency generally agrees with the GAO draft report and the one Forest Service recommendation.

Thank you again for the opportunity to review and respond. If you have any questions, please contact Antoine L. Dixon, Chief Financial Officer, at antoine.dixon@usda.gov.

Sincerely,

VICTORIA CHRISTIANSEN
Chief



Caring for the Land and Serving People

Printed on Recycled Paper



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, Janet McKelvey (Assistant Director), Andrew Burton (Analyst-in-Charge), Alexandra Dew Silva, Julia DiPonio, Heather Dunahoo, Suellen Foth, Stephanie Gustafson, Julia Kennon, Meghan Kubit, Caryn Kuebler, Paulina Maqueda Escamilla, Robert Letzler, Bryan Sakakeeny, Sarah Tempel, and Robin Wilson made key contributions to this report.

Appendix VIII: Accessible Data

Data Tables

Accessible Data for Figure 3: Total Reported Disaster Response Purchase Card Spending by Selected Agencies, July 1, 2017, to June 30, 2019

Agency	Spending (dollars in millions)
Environmental Protection Agency	0.27
Federal Emergency Management Agency	12.89
Forest Service	2.46
Department of the Interior, Wildland Fire Management Program	0.66
U.S. Army Corps of Engineers	0.46
Coast Guard	3.64

Appendix VIII: Accessible Data

Accessible Data for Figure 4: Reported Disaster Response Purchase Card Spending by Disaster, July 1, 2017, to June 30, 2019

na	Agency (dollars in millions)				
Disaster Event	EPA	FEMA	Forest Service	Interior	USACE
Florence	0	0.94	0	0	0
Harvey	0.04	3.02	0	0	0.01
Irma	0.01	0.93	0	0	0.06
Maria	0.14	6.49	0	0	0.32
Michael	0.01	0.83	0	0	0.03
Wildfires	0.08	0.44	2.46	0.66	0.05
Yutu	0	0.26	0	0	0

Appendix VIII: Accessible Data

Accessible Data for Figure 5: Percentage of Reported Agency Purchase Card Spending by Merchant Type, July 1, 2017, to June 30, 2019

Category	Department of the Interior, Wildland Fire Management Program (percentage)	Environmental Protection Agency (percentage)	Federal Emergency Management Agency (percentage)	Forest Service (percentage)	Coast Guard (percentage)
Building supplies	26.2	7.2	22.22	9.84	28.73
Contractors and construction services	19.95	2.38	7.74	3.55	9.14
Equipment and utilities	38.3	32.92	6.02	27.45	14.84
Personal gear and clothing	0.72	7.51	0.9	2.18	5.84
Office supplies	4.96	18.46	42.36	3.98	14.09
General merchandise	3.84	4.04	14.14	20.8	14.68
Unavailable	0	5.05	0	0	2.7
Other	5.88	3.67	5.56	2.76	7.15
Lodging	0.15	18.32	1.06	29.46	2.82

Agency Comment Letters

Accessible Text for Appendix II Comments from the Department of Homeland Security

Page 1

October 22, 2020

Marie A. Mak
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Management Response to Draft Report GAO-21-42, "DISASTER RESPONSE: Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk"

Dear Ms. Mak:

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

The Department is pleased to note GAO's recognition of the challenges the Federal Emergency Management Agency (FEMA) faces regarding effective emergency response efforts, as well as FEMA's efforts in developing risk profiles that address purchase card fraud risks. FEMA remains committed to further providing support and coordination of recovery and response efforts between 30 federal agencies and the private sector before, during and after disasters while maintaining a focus on mitigating the risks of fraud.

The draft report contained 13 recommendations, including five for DHS with which the Department concurs. Attached find our detailed response to each recommendation. DHS previously submitted technical comments under a separate cover for GAO's consideration.

Page 2

Again, thank you for the opportunity to review and comment on this draft report. Please feel free to contact me if you have any questions. We look forward to working with you again in the future.

Sincerely,

JIM H. CRUMPACKER, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

Attachment

Page 3

GAO recommended that:

Recommendation 2: The Commandant of the U.S. Coast Guard should provide guidance or incorporate into existing guidance information to ensure that Coast Guard's manpower requirements determination for its acquisition directorate accounts for the agency's disaster response contracting activities.

Response: Concur. In response to the recommendations included in GAO's report GAO-20-223, "COAST GUARD: Actions Needed to Evaluate the Effectiveness of Organizational Changes and Determine Workforce Needs," dated February 26, 2020, the Coast Guard Office of Human Resources Strategy and Capability is updating its Manpower Requirements Plan and Manual, and develop a Tactics, Techniques and Procedures (TTP) document to further refine and implement guidance for executing manpower requirements determinations. This effort includes time frames and milestones to complete manpower requirements analyses and determinations for multiple positions, and units and functions based on Service priority, including consideration of how to address contingency operations such as disaster response activities. The Coast Guard anticipates completing these Manual changes and development of the TTP guidance during the second quarter of fiscal year (FY) 2021, and that the Manpower Requirements Plan will be updated during the next periodic report to Congress in FY 2022 in accordance with 14 U.S.C. 5104. Estimated Completion Date (ECD): March 31, 2022.

Recommendation 5: The Administrator of the Federal Emergency Management Agency should update its fraud risk profile for the purchase card program to align with the leading practices in the Fraud Risk Framework and include an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

Response: Concur. FEMA complies with the DHS annual fraud risk assessment, which accounts for risk associated with government purchase cards for components. Additionally, DHS identifies increased risk associated with purchase cards due to disasters in the quarterly risk register. Specifically, the disasters identified in FY 2018 were covered in the DHS Office of the Chief Financial Officer (OCFO) Risk Management & Assurance (RM&A) statistical review, which included FEMA and identified no instances of potential fraudulent or abusive purchases requiring escalation, or any purchases not in support of the disaster recovery efforts.

Furthermore, DHS' bankcard provider, Citibank, also utilizes a fraud detection algorithm, which is based on a multitude of factors, such as the:

1) Merchant Category Code; 2) location of the transaction; 3) whether the card is potentially at risk for a compromise

Page 4

event; 4) dollar amounts; 5) transaction velocity; 6) IP (Internet Protocol) address; and 7) Point of Sale mode, although the exact makeup/criteria of their fraud rule is proprietary information. In addition, the charge card brand VISA uses various transactional fraud scores to help indicate the likelihood of a transaction being fraudulent, with each transaction receiving a score between 5-99. These scores are based on a consortium of data that also considers cardholder behavioral/spend profiles, which constitute the basis for transactional reviews conducted by DHS and its Components. All FEMA-related transactions identified as potentially fraudulent by either the bank or DHS are independently reviewed by FEMA's OCFO and assessed for additional follow-up action, as appropriate. Additionally, RM&A periodically identifies additional transactions for review using various artificial intelligence and machine learning techniques.

We request that GAO consider this recommendation resolved and closed, as implemented.

Recommendation 7: The Commandant of the U.S. Coast Guard should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

Response: Concur. The Coast Guard also complies with the DHS annual fraud risk assessment accounting for risk associated with government purchase cards for components. Additionally, DHS identifies increased risk associated with purchase cards due to disasters in the quarterly risk register. Specifically, the disasters identified in FY 2018 were covered in the DHS OCFO RM&A statistical review, which included the Coast Guard and identified no instances of potential fraudulent or abusive purchases requiring escalation, or any purchases not in support of the disaster recovery efforts.

Furthermore, the DHS bankcard provider, Citibank, also utilizes a fraud detection algorithm, which is based on a multitude of factors, such as the: 1) Merchant Category Code; 2) location of the transaction; 3) whether the card is potentially at risk for a compromise event; 4) dollar amounts; 5)

transaction velocity; 6) IP address; and 7) Point of Sale mode, although the exact makeup/criteria of their fraud rule is proprietary information. In addition, the charge card brand VISA uses various transactional fraud scores to help indicate the likelihood of a transaction being fraudulent, with each transaction receiving a score between 5-99. These scores are based on a consortium of data that also considers cardholder behavioral/spend profiles, which constitute the basis for transactional reviews conducted by DHS and its Components. All Coast Guard-related transactions identified as potentially fraudulent by either the bank or DHS are independently reviewed by the Coast Guard Office of Procurement Policy and Oversight and assessed for action, as appropriate. Additionally, RM&A periodically identifies additional transactions for review using various artificial intelligence and machine learning techniques.

Page 5

We request that GAO consider this recommendation resolved and closed, as implemented.

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Response: Concur. FEMA agrees that the Agency should conduct analysis of purchase card use with adequate data. FEMA's OCFO will develop a data collection methodology, in coordination with Citibank, to include both the disaster event supported and sufficient vendor information, to allow more comprehensive fraud risk analysis. ECD: October 29, 2021

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of Financial Operations-Comptroller is scheduled to begin migrating financial systems on October 1, 2022, which should alleviate some inconsistencies in data as transactions and supplemental data are linked and stored in the system, enabling the Service to tie together more data than currently possible when identifying disaster response type transactions. This migration and related transition to the DHS Common Appropriations Structure should be complete no later than December 30, 2022, after which detailed actions and milestones for fully implementing this recommendation can be developed. ECD: To Be Determined.

Accessible Text for Appendix III Comments from the
Department of Defense

Page 1

Ms. Marie Mak
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street NW
Washington DC 20548

Dear Ms. Marie Mak,

This is the Department of Defense response to the Government Accountability Office (GAO) Draft Report, GAO-21-42, "DISASTER RESPONSE: Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk," dated September 16, 2020 (GAO Code 103467).

The Department's official written response for inclusion in the report are enclosed. My point of contact is Ms. Denise Reich who can be reached at denise.a.reich.civ@mail.mil.

Kim Herrington
Acting Principal Director,
Defense Pricing and Contracting

Enclosure: As stated

Page 2

RECOMMENDATION 1: The GAO recommends that the Secretary of the Army should ensure that the Commanding General of the Army Corps of Engineers develops guidance to ensure that its district-level affordability determinations account for the agency's disaster response contracting activities.

DoD RESPONSE: Concur. United States Army Corps of Engineers (USACE) District and Major Subordinate Commanders ensure that districts have the capability to accomplish planned contracting workload

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Page 3

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Accessible Text for Appendix IV Comments from the
Department of the Interior

Page 1

11/4/2020

Ms. Marie A. Mak
Director
Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Mak:

Thank you for providing the Department of the Interior (DOI) the opportunity to review and comment on the Government Accountability Office's (GAO) draft report titled, Disaster Response: Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk (GAO-21-42). We appreciate GAO's review of Federal response and recovery efforts related to recent disasters.

The draft report includes two recommendations to DOI. A summary of DOI's responses and plans for addressing the recommendations are provided below:

Recommendation 3: The Secretary of the Interior should ensure that upcoming guidance directs bureaus to consider their disaster contracting activities when planning their contracting workforce, where appropriate.

Response: Concur. DOI will implement guidance to bureaus to consider disaster contracting activities in workforce planning, as appropriate.

Target Date: February 28, 2021

Recommendation 9: The Secretary of the Interior should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk

Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

Response: Concur. In accordance with Appendix B to OMB Circular No. A-123, A Risk Management Framework for Government Charge Card Programs, DOI has developed a risk profile for its Charge Card Program. DOI used GAO Report GAO-15-593SP, A Framework for Managing Fraud Risks in Federal Programs, July 2015, as a reference in developing its charge card fraud risk profile as an essential piece of DOI's overall antifraud strategy. DOI included all of GAO's recommended "Key Elements of the Fraud Risk Assessment Process" and used the format found in "Appendix V: Example of a Fraud Risk Profile." DOI identified 11 risks, including "Charge Card Use in Support of Emergency/Disaster Response."

Page 2

Enclosed for your information is a copy of the Charge Card Fraud Risk Profile. If you have any questions about this response, please contact Megan Olsen, Director, Office of Acquisition and Property Management, at (202) 513-0692 or Megan_Olsen@ios.doi.gov.

Sincerely,

Scott J. Cameron
Acting Assistant Secretary
Policy, Management and Budget

Accessible Text for Appendix V Comments from the
Environmental Protection Agency

Page 1

October 15, 2020

Marie Mak
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Ms. Mak:

Thank you for the opportunity to review and comment on GAO's draft report GAO-21-42, "Disaster Response: Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk." The U.S. Environmental Protection Agency agrees with the GAO's findings, conclusions, and recommendations for the EPA.

The report examined the extent to which EPA planned for disaster response contracting activities, assessed workforce needs, and assessed the fraud risk related to the Agency's use of purchase cards for disaster response. The EPA appreciates GAO's extensive work and dedication towards the accomplishment of this effort.

GAO Recommendation:

GAO Recommendation 8: The Administrator of the EPA should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response.

EPA Response:

EPA agrees with the recommendation that the Administrator of the EPA should take additional steps to complete and document a fraud risk profile for the purchase card program that aligns with the leading practices in the

Fraud Risk Framework and includes an assessment of how, if at all, the risk profile differs for purchase card use in support of disaster response. EPA's purchase card program, under the leadership of the Agency's Senior Procurement Executive, has begun preliminary work to determine and document the program's fraud risk profile, which incorporates the leading practices identified in the GAO report entitled "A Framework for Managing Fraud Risks in Federal Programs" (GAO-15-593S) published on July 28, 2015. We estimate completion of this effort, including the design and implementation of specific control activities, by February 28, 2021.

Page 2

GAO Recommendation:

GAO Recommendation 13: The Administrator of the EPA should ensure that the Agency has adequate data to allow it to conduct analysis of purchase card use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis.

EPA Response:

EPA agrees with the recommendation that the Administrator of the EPA should ensure that the Agency has adequate data to allow it to conduct analysis of purchase card (PC) use in support of disaster response, including both the disaster event supported and sufficient vendor information to allow fraud risk analysis. Through the collaborative work of the Agency's Office of the Chief Financial Officer and Office of Mission Support, the Agency will pursue improvements to existing emergency response financial and purchase card use tracking procedures to ensure financial and PC transaction reporting systems provide accurate, accessible data in order to conduct fraud analysis in accordance with the mandated framework, including analysis specific to disaster response. We estimate completion of this effort March 30, 2021.

Sincerely,

Donna J. Vizian,
Principal Deputy Assistant Administrator

cc: Lynnann Hitchens
Kimberly Patrick

Appendix VIII: Accessible Data

Pamela Legare
Celia Vaughn
Daniel Coogan
Janice Jablonski
Monisha Harris
Pat Williams
Marilyn Armstrong
Mitchell Hauser
Andrew LeBlanc

Appendix VI Comments from the Department of Agriculture

File Code: 6320

Date: October 9, 2020

Marie A. Mak
Director
GAO Contracting & National Security Acquisitions
441 G. Street, NW
Washington, DC 20548

Dear Ms. Mak:

The U.S. Department of Agriculture Forest Service appreciates the opportunity to respond to the U.S. Government Accountability Office's (GAO) draft report titled, "DISASTER RESPONSE - Agencies Should Assess Contracting Workforce Needs and Purchase Card Fraud Risk (GAO-21-42)," received on September 17, 2020. The Agency generally agrees with the GAO draft report and the one Forest Service recommendation.

Thank you again for the opportunity to review and respond. If you have any questions, please contact Antoine L. Dixon, Chief Financial Officer, at antoine.dixon@usda.gov.

Sincerely,

VICTORIA CHRISTIANSEN
Chief

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