



Highlights of [GAO-04-857T](#), a testimony before the Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

The Department of Veterans Affairs (VA) Office of Inspector General (OIG) has continued to identify significant vulnerabilities in the department's use of government purchase cards. Over the years, the OIG has identified internal control weaknesses that resulted in instances of fraud and numerous improper and questionable uses of purchase cards. The OIG has made a number of recommendations for corrective action.

Given that VA is the second largest user of the governmentwide purchase card program, with reported purchases totaling \$1.5 billion for fiscal year 2002, and because of the program weaknesses reported by the OIG, GAO was asked to determine whether existing controls at the Veterans Health Administration (VHA) were designed to provide reasonable assurance that improper purchases would be prevented or detected in the normal course of business, purchase card and convenience check expenditures were made in compliance with applicable laws and regulations, and purchases were made for a reasonable cost and a valid government need.

GAO's report on this issue, released concurrently with this testimony, makes 36 recommendations to strengthen internal controls and compliance in VHA's purchase card program to reduce its vulnerability to improper, wasteful, and questionable purchases.

www.gao.gov/cgi-bin/getrpt?GAO-04-857T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or williamsm1@gao.gov.

VETERANS HEALTH ADMINISTRATION

Inadequate Controls over the Purchase Card Program Resulted in Improper and Questionable Purchases

What GAO Found

Weaknesses in VHA's controls over the use of purchase cards and convenience checks resulted in instances of improper, wasteful, and questionable purchases. These weaknesses included inadequate segregation of duties; lack of key supporting documents; lack of timeliness in recording, reconciling, and reviewing transactions; and insufficient program monitoring activities. Generally, GAO found that internal controls were not operating as intended because cardholders and approving officials were not following VA/VHA operating guidance governing the program and, in the case of documentation and vendor-offered discounts, lacked adequate guidance.

The lack of adequate internal controls resulted in numerous violations of applicable laws and regulations and VA/VHA purchase card policies that GAO identified as improper purchases. GAO found violations of applicable laws and regulations that included purchases for personal use such as food or clothing, purchases that were split into two or more transactions to circumvent single purchase limits, purchases over the \$2,500 micro-purchase threshold that were either beyond the scope of the cardholder's authority or lacked evidence of competition, and purchases made from an improper source. While the total amount of improper purchases GAO identified is relatively small compared to the more than \$1.4 billion in annual purchase card and convenience check transactions, they demonstrate vulnerabilities from weak controls that may have been exploited to a much greater extent.

The ineffectiveness of internal controls was also evident in the number of transactions classified as wasteful or questionable. GAO identified over \$300,000 in wasteful or questionable purchases, including two purchases for 3,348 movie gift certificates totaling over \$30,000 for employee awards for which award letters or justification for the awards could not be provided and a purchase for a digital camera totaling \$999 when there were other less costly digital cameras widely available. Also, 250 questionable purchases totaling \$209,496 from vendors that would more likely be selling unauthorized or personal use items lacked key purchase documentation. Examples of these types of purchases included a purchase from Radio Shack totaling \$3,305, a purchase from Daddy's Junky Music totaling \$1,041, a purchase from Gap Kids totaling \$788, and a purchase from Harbor Cruises totaling \$357. Missing documentation prevented determining the reasonableness and validity of these purchases. Because only a small portion of the transactions that appeared to have a higher risk of fraud, waste, or abuse were tested, there may be other improper, wasteful, and questionable purchases in the remaining untested transactions.