



Highlights of [GAO-03-292](#), a report to Congressional requesters

# PURCHASE CARDS

## Control Weaknesses Leave the Air Force Vulnerable to Fraud, Waste, and Abuse

### Why GAO Did This Study

In July 2001 and March 2002, GAO testified on significant breakdowns in internal controls over purchase card transactions at two Navy sites that resulted in fraud, waste, and abuse. As a result, the Congress asked GAO to audit purchase card controls at DOD. This report focuses on Air Force purchase card controls and addresses whether the overall management control environment and key internal controls were effective in preventing potentially fraudulent, improper, and abusive purchase card transactions.

### What GAO Recommends

GAO makes several recommendations to DOD and the Air Force, including the following.

- Reduce the number of purchase card accounts.
- Minimize credit limits.
- Reduce approving official span of control consistent with DOD guidelines.
- Establish specific training courses for cardholders, approving officials, and agency program coordinators tailored to the specific responsibilities associated with their roles.
- Hold cardholders and approving officials accountable for misuse of the purchase card.

DOD and Air Force officials concurred or partially concurred on our recommendations and indicated that some actions have been already been initiated.

[www.gao.gov/cgi-bin/getrpt?GAO-03-292](http://www.gao.gov/cgi-bin/getrpt?GAO-03-292)

To view the full report, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz, (202) 512-9505.

### What GAO Found

Weaknesses in the overall control environment and breakdowns in key controls relied on to manage the purchase card program leave the Air Force vulnerable to fraud, waste, and abuse. Major contributors to the weak control environment included excessive numbers of purchase cards, with about one purchase card for every seven employees, approving official span of control that far exceeded DOD guidelines, and credit limits that were 12 to 20 times higher than actual spending.

Of the five key control activities tested, the Air Force had significant control breakdowns in at least three of them—(1) receiving of goods and services by someone other than the card holder, (2) cardholder reconciliation, and (3) approving official review of the cardholder’s reconciled statements. The highest failure rates—69 to 87 percent—at the four locations tested related to approving official review—viewed by DOD as the first line of defense against misuse of the purchase card.

As shown in the table, the control breakdowns resulted in purchases that were potentially fraudulent, improper, and abusive or questionable. GAO also identified potentially fraudulent transactions for which supporting documentation was not available to show the quantity and type of items purchased. Air Force officials could not recall the purpose of these transactions.

**Examples of Potentially Fraudulent, Improper, and Abusive or Questionable Transactions**

Types of items purchased	Examples of vendors	Amount
Down payment on a \$10,000 sapphire ring	E-Z Pawn	\$ 2,443
Suitcases, garment and flight bags, briefcases	EI Portal, 1-800 Luggage, Patagonia, Franklin Covey, REI, LL Bean, Old Navy, Nordstrom	23,760
Clothes for parachutists, pilots, and others		23,602
2 reclining rocking chairs with full lumbar support and vibrator-massage features	LA-Z-Boy Furniture	1,935
Tractor rentals	Crown Ford; Ford Motor	52,500
Dinner party and show for visiting general, including \$800 for alcohol	Treasure Island Hotel and Casino	2,141

In addition, GAO identified (1) improper transactions related to weaknesses in controls relied on to prevent splitting purchases into multiple transactions to circumvent micropurchase and cardholder transaction limits and (2) the failure to use mandated sources of supply. Finally, GAO found that cardholders who abused or improperly used the purchase card were not subject to strong disciplinary action or consequences.

The Air Force has taken a number of steps to improve control over the purchase card program. For example, it implemented automated controls during fiscal year 2002 to help monitor approving official span of control, credit limits, and cardholder reconciliation and approving official review of monthly statements. If effectively implemented, these controls should help strengthen the overall Air Force purchase card control environment as well as controls over statement reconciliation and approval.