



Highlights of [GAO-04-737](#), a report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Veterans' Affairs, House of Representatives.

## Why GAO Did This Study

The Department of Veterans Affairs Office of Inspector General (OIG) has identified significant vulnerabilities in Veterans Affairs' (VA) use of government purchase cards. In its April 26, 2004 report, the OIG reported instances of fraudulent activity totaling \$435,900, and numerous improper and questionable uses of the purchase cards totaling \$1.1 million. Given that VHA comprised at least 90 percent of VA's dollar and transaction volume for fiscal year 2002, GAO was asked to determine whether existing controls at VHA were designed to provide reasonable assurance that in the future, 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.

## What GAO Recommends

GAO is making 36 recommendations to strengthen VA/VHA's internal controls and compliance in its purchase card program. In responding to our draft report, VA generally agreed with our conclusions and expressly concurred with 32 of the 36 recommendations. For the remaining 4 recommendations, VA, in principle, concurred with 3 of these recommendations and presented reasons and/or alternative action steps to address the weaknesses identified in our report.

[www.gao.gov/cgi-bin/getrpt?GAO-04-737](http://www.gao.gov/cgi-bin/getrpt?GAO-04-737).

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](mailto:williamsm1@gao.gov).

# VHA PURCHASE CARDS

## Internal Controls Over the Purchase Card Program Need Improvement

### What GAO Found

Weaknesses in the Veterans Health Administration's (VHA) controls over use of purchase cards and convenience checks resulted in instances of improper, wasteful, and questionable purchases. These internal control weaknesses included inadequate segregation of duties; lack of key supporting documents; lack of timely recording, reconciling, and reviewing of transactions; and insufficient program monitoring activities.

This 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. These included purchases intended for personal use, purchases made from an improper source, purchases split into two or more transactions to circumvent single purchase limits, noncompliance with simplified acquisition procedures, incorrect procurement procedures, and improper use of convenience checks.

GAO's work also identified over \$300,000 in purchases that were considered wasteful – that is, excessive in cost or for questionable government need – or were considered questionable because there was insufficient or no documentation to determine the propriety of the transaction. Examples of wasteful and questionable purchases included two purchases for 3,348 movie gift certificates totaling over \$30,000 for employee awards that were not supported by award letters or justifications; a purchase for a digital camera totaling \$999 when there were other less costly digital cameras widely available; and a purchase of 3 cases of beer totaling \$38. Some examples of questionable purchases from vendors that would more likely be selling unauthorized or personal use items are shown in the table below.

### Examples of Purchases Where No Documentation Was Provided

Vendor	Transaction amount
Radio Shack	\$3,305
The Sharper Image	2,127
The Brass Elephant (a restaurant, fine dining)	2,081
Baltimore Orioles	1,705
FFP Palm Computing	1,478
Daddy's Junky Music	1,041
Eddie Bauer	900
Gap Kids	788
Hollywood Beach Country Club	500
Southwest Airlines	399
Harbor Cruises	357
Hecht's	280
L.L. Bean	239
Christmas Palace	209

Source: GAO's analysis of nonstatistical transactions selected for fiscal year 2002.