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ACQUISITION REFORM

Purchase Card Use Cuts Procurement Costs, Improves Efficiency

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In 1993, the Vice-President's National Performance Review (NPR)
recommended that agencies increase their use of government commercial
credit cards, called purchase cards, for small purchases to cut the red tape
normally associated with the federal procurement process. In 1994, card
use was further facilitated by the Federal Acquisition Streamlining Act of
1994 (FASA) and Executive Order 12931. FASA eliminated some
requirements for purchases of $2,500 or less, called micropurchases.[1] The
executive order encouraged agencies to use that micropurchase authority
to allow staff in program offices to use the card. As of fiscal year 1995,
cards were used at most federal agencies for over 4 million purchases
worth more than $1.6 billion.

As part of our legislatively mandated review of FASA implementation, we
reviewed the nature and extent of progress in using the purchase card.
Specifically, we examined the extent to which card use has led to
administrative savings or other benefits, the potential for growth in card
use, and the management controls over the program at the agency level.
We also looked for opportunities for governmentwide changes that would
help agencies improve their purchase card programs. Our review included
12 civilian and military agencies, including the agencies with the 9 largest
purchase card programs (see app. I). Combined, these 12 programs
account for more than 87 percent of the funds spent with the card.

Results in Brief

Agencies have found they can support their missions at reduced costs by
having program staff use the purchase card for simple purchases. Further,
agency studies have shown that purchase card use reduces labor and
payment processing costs. In fact, a 1994 interagency study showed that
costs were often cut by more than half. Other studies have identified
millions in savings or potential savings from purchase card use. In
addition, some agencies have found that the card helped them absorb
some of the impact of their recent staff reductions. Others have found that
card use improved their abilities to support their missions by increasing
their efficiencies.

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[1]Micropurchases are exempt from the Buy American Act, certain small business requirements, and the
general requirement for competition.

Since purchase cards first became available governmentwide, their use has skyrocketed. However, there is significant potential for the program to grow further as agency management encourages card use and as agencies target purchases to be made with the card. For example, agencies identified millions of purchases that could be made with the card. The average purchase card transaction was $375 in fiscal year 1995, well below the micropurchase threshold.

Although purchase card use has greatly increased, we found no evidence that this has led to increased abuse. In fact, with the electronic data maintained on all purchase card transactions, card use can be closely monitored. Inspector general, audit agency, and internal agency reviews of card programs since 1993 generally have found either that agencies' controls were adequate to protect the government's interests or that agencies were addressing those instances where procedures were not followed or control weaknesses existed. Overall, the reports did not identify significant patterns of misuse.

Several inspectors general and other review reports we reviewed noted that agencies were not getting the full benefit of the card because of how their programs were being implemented. Most of the agencies in our review indicated they were trying to improve their card programs by emphasizing card use, reengineering their processes, and increasing their use of automation. Still, there are opportunities to improve the program on a governmentwide level. Officials at most of the agencies we reviewed believed that the Federal Acquisition Regulation (FAR), which governs federal procurement, should more clearly address the use of the card. Also, while agencies want to learn from each other's experiences, no effective mechanism exists for them to communicate with each other to share their improvements.

Background

Purchase cards first came into use as part of the government's effort to cut the cost of buying goods and services. In March 1982, the President issued an executive order directing executive agencies to reduce administrative procurement costs. Under that order, in 1986, several agencies pilot tested use of a government commercial credit card, called a purchase card, and found that it reduced such costs. According to a report on the pilot tests, those agencies found that the purchase card had advantages over other

procurement methods.[2] Generally, the card could be a less costly and more efficient way to buy goods and services.

In 1989, the purchase card was made available governmentwide through a competitively awarded contract with Rocky Mountain BankCard System (RMBCS), administered by the General Services Administration (GSA). The contract specifies controls that an agency must establish before issuing cards to their staff. It also requires that an agency designate a program coordinator, who serves as liaison to RMBCS and GSA and who is responsible for the purchase card program within the agency.

In 1993, NPR identified the purchase card as an acquisition reform that could save $180 million annually if one half of small purchases were made with the card.[3] NPR recommended that all federal agencies use purchase cards and that the FAR be amended to promote and facilitate purchase card use for making small purchases and in ordering from established contracts. Card use was further facilitated and encouraged in October 1994 by FASA, Executive Order 12931, and an Office of Management and Budget memorandum to agency senior procurement executives and the Deputy Under Secretary of Defense for Acquisition Reform. In December 1994, an interim FAR rule was issued making the card the preferred method for making micropurchases.

Purchase Card Has Enabled Agencies to Support Missions at Reduced Costs and Time

Agency officials have used the purchase card and the micropurchase authority provided in FASA to move simple purchases from procurement offices to program offices. Several studies have shown this move reduced the labor and payment processing costs for those purchases by eliminating steps from the procurement process and consolidating bills for many purchases into one payment. One interagency study showed that costs were often cut by more than half. Several agencies in our review identified millions of dollars in current or potential savings from using purchase cards. In addition, some agencies are using the card to help absorb the impact of staff reductions being made as a result of the Federal Workforce Restructuring Act of 1994, which has a goal of reducing government employment by almost 273,000 staff. Planned reductions particularly target

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[2]The pilot report discussed the cost of the card relative to the cost of (1) blanket purchase agreements (charge accounts established with qualified sources of supply used to fill anticipated repetitive needs for supplies and services); (2) purchase orders (government offers to buy supplies, services, or construction from commercial sources under specific conditions and not to exceed the small purchase limit); (3) standard forms used for on-the-spot, over-the-counter purchases; and (4) imprest funds, or cash.

[3]At that time, small purchases were those purchases of $25,000 or less. FASA raised that threshold to $100,000.

administrative staff, such as the procurement and finance staff who buy supplies and pay bills. Most agencies in our review also noted that, with purchase cards, program office staff can buy needed goods and services more quickly, thus improving their efficiencies and their abilities to support their agencies' missions.

Changes in Work Processes Reduce the Administrative Costs of Purchases

In 1994, an interagency group, the Purchase Card Council, performed a cost-benefit study on using the purchase card versus purchase orders.[4] The group reviewed the labor cost of requisitioning, purchasing, administering, receiving, invoicing items, and processing bills through finance offices for payment. For all 17 organizations in the study, it found that purchase cards were less expensive than purchase orders. For 15 organizations, purchase card use cut costs by at least one third.[5] For 8 of these 15 organizations, costs were cut by over half. Per transaction savings for the 17 organizations ranged from $1.42 to over $142, with an average saving of about $54.

Since 1989, 9 of the 12 agencies in our review have performed cost-benefit analyses on using purchase cards, including 5 agencies that were part of the interagency study.[6] All found that the card was less expensive to use than other methods. However, several noted that determining savings from using the purchase card can be difficult because of several factors. For instance, some studies noted that the purchase card does not replace all transactions made with any one procurement method, such as purchase orders, but instead usually partially replaces transactions previously made by several different methods, such as purchase orders, imprest funds, and blanket purchase agreements. Further, studies stated that the administrative cost of a purchase is affected by local procedures, the dollar amount,[7] and the degree that processing systems are automated.

Most of the studies we reviewed included the labor cost for program officials to support the procurement process when using a tool other than

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[4]This study included the Departments of Health and Human Services, Commerce, and State; GSA; the Federal Emergency Management Agency; and selected bureaus and agencies within the Departments of Treasury, Transportation, and Interior.

[5]In the other two organizations, using the card cut costs by about 28 percent and 10 percent, respectively.

[6]Several other agencies have used the $54 figure from the interagency study to estimate their savings.

[7]The amount of administrative savings that may be realized from use of the purchase card depends in part on whether a purchase exceeds the micropurchase threshold of $2,500. Many purchases in excess of that amount are subject to various requirements, such as competition, that do not apply at or below the micropurchase threshold.

the card (e.g., ensuring funds are available, preparing a procurement request, and identifying a vendor). About half of the studies also included the labor cost for program officials to place purchase card orders or reconcile statements. In some cases, the studies included the cost of an administrative service fee charged by RMBCS until early 1994. None included the value of rebates as part of the benefit.[8] All of the studies we reviewed identified significant savings. However, because of the previously mentioned factors, we found no one precise dollar figure that could be used to reliably calculate savings for all government agencies.

Several agencies' studies identified millions of dollars in current or potential savings from card use. For instance, in 1994, Health and Human Services identified the potential to save about $5.7 million a year by using the card.[9] The Postal Service, currently the second largest card user, also identified major current cost reductions. It estimated that using the card, instead of other means, reduced costs by about $22 per transaction. In fiscal year 1995, the Postal Service had almost 700,000 purchase card transactions. Using the $22 figure, it would have reduced costs by over $15 million. The Postal Service developed its estimate of cost reduction per transaction by comparing the costs of ordering and making payment for purchase card purchases versus noncompeted, single source purchases. It found the shortest time for processing purchases without the card was eight times longer than the shortest time with the card, for a labor savings of $15.65 a transaction. It also estimated payment savings of over $6.00 a transaction, based on the cost of paying for transactions individually versus paying for all purchase card transactions with a single monthly check.

According to officials at the Office of Federal Procurement Policy, agencies can maximize the savings potential of the purchase card by promoting streamlining and empowerment and eliminating unnecessary paperwork. Officials stated that one way agencies could do this would be to identify high-dollar aggregate purchases from individual merchants and negotiate discounts with those vendors, as recommended by NPR. They also noted that agencies have access to central purchasing contracts that have quantity discounts negotiated into the prices. As an example, they cited a contract for office supplies recently awarded by GSA that allows for

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[8]Under the contract, RMBCS will pay rebates based on sales volume for agencies that receive and pay invoices electronically, receive reports electronically, and/or have an average of less than 54 days between the date a charge is posted and the date payment is received.

[9]This figure includes the Social Security Administration, which has since become an independent agency. Without the Social Security Administration, such savings would be about $5.6 million a year.

24-hour delivery and payment by purchase card and has prices below discounted retail prices.

Shifting Purchases to Program Offices Lessens the Impact of Staff Reductions

Agencies have reported that using the purchase card reduces the workload in procurement and finance offices. At the same time, the number of staff in those offices is being targeted for reductions by government reform efforts. In 1993, the executive branch announced a goal to eliminate 252,000 government jobs, particularly targeting administrative areas. The Federal Workforce Restructuring Act of 1994 later raised that goal to 272,900. According to the September 1995 update of NPR, more than 160,000 of those positions had been eliminated.

Several agencies in our review cited staffing cuts in support areas as one reason they are emphasizing purchase cards. The Department of the Interior noted that its procurement workforce has decreased by 12 percent since 1993 and that its ability to manage its workload with reduced staff can be partially attributed to the card. Social Security Administration officials also told us that the finance staff is scheduled to be reduced by about one third in fiscal year 1996 and that they will be better able to manage those losses since the card has reduced the number of bills the finance office is paying.

Card Use Helps Program Offices Improve Efficiency and Service Delivery

The reforms contained in FASA have enabled program staff to use the card to make many purchases that had been handled by procurement offices. While procurement offices had done the actual buying, program office staff supported the procurement process by identifying the needed supplies or services, preparing procurement requests, ensuring money was available, and following up with procurement and other offices involved in the purchases. With the authority provided in FASA and the purchase card, program staff can buy the needed item or service. Most of the agencies in our review reported that, with this change, program offices can improve their efficiency by filling their requirements more quickly and reducing procurement lead times. This improved efficiency enables them to better deliver their services.

One example where service delivery has improved is at the Department of Veterans' Affairs, which pilot tested the use of the card in its vocational rehabilitation and counseling program offices. In the pilot test, those offices reduced the time veterans had to wait for services by an average of 22 days. They did this by using the card to pay for books, tools, and other

items veterans needed to enter rehabilitation programs. This use of the card allowed them to better serve veterans by reducing the time the veterans waited to attend classes or to obtain the tools or books needed for classwork. Based on the success of the pilot test, Veterans' Affairs plans to use the purchase card in vocational rehabilitation and counseling programs nationwide.

Purchase Card Program Has Significant Growth Potential

Since the beginning of the purchase card program, the use of the cards has skyrocketed. However, there is still significant growth potential for card use. During fiscal year 1990, the first full year that cards were available governmentwide, the cards were used for about 271,000 purchases worth about $64 million.[10] Over the next 5 years, card purchases increased by about 1,500 percent, and the value of those purchases increased by almost 2,400 percent until, by fiscal year 1995, purchase cards were used for more than 4 million purchases worth over $1.6 billion. According to agency and GSA officials, this growth is generally due to purchases below the micropurchase level. In fiscal year 1995, the average purchase card transaction, which could include purchases of several items, was $375. The program growth by number of transactions and by dollars is shown in figure 1.

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[10]All sales figures are in constant fiscal year 1995 dollars.

Figure 1: Program Growth

Thousands of transactions

Millions of dollars in sales
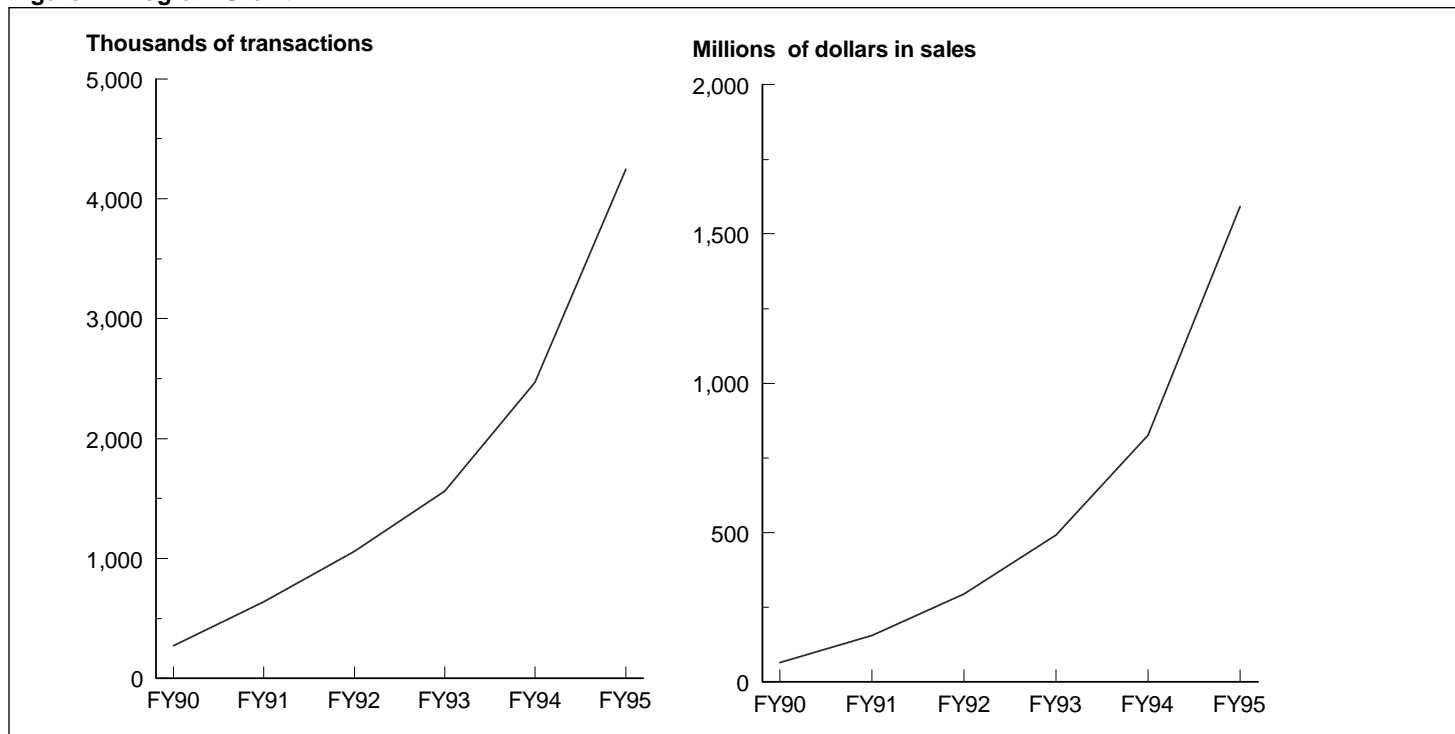
Source: RMBCS.

Currently, most agencies use purchase cards to some extent. Still, agency data show many purchases that could be made with the card are being made by other means. Some agencies have set goals for card use or have identified purchases that they believe should be made with the card. For instance:

- The Department of Agriculture could make 207,000 purchases by using the card instead of purchase orders.
- Health and Human Services could make about 100,000 purchases using the card in program offices instead of purchase orders in procurement offices.
- Veterans' Affairs could make most of its 1.4 million micropurchases with the card.

Neither GSA nor the agencies we reviewed believed the cards have been used to their fullest potential. Instead, they believe that use will increase

as agencies continue to emphasize card use for existing cardholders and add new cardholders in program offices. The results can be dramatic. In the first 4 months of fiscal year 1996, Veterans' Affairs exceeded by almost 200 percent the number of card purchases it had made in all of fiscal year 1995. Card use is also growing at the Department of the Army, which has the largest agency card program. In the first 10 months of fiscal year 1995, the Army more than doubled its fiscal year 1994 card purchases, from over 310,000 to over 701,000. According to Army data, that number could increase to almost 1.4 million if the Army were to make 80 percent of its micropurchases with the card.

Concerns About Systematic Abuse Have Not Materialized

The emphasis in the purchase card program has been on using the cards to allow staff in program offices to make simple purchases. At the same time, however, there have been concerns that placing the cards in the hands of program staff would lead to increased abuse. We found no evidence of increased abuse. In fact, with the controls required by the purchase card contract and some tools that agencies have developed, purchase card use can be closely monitored.

The purchase card contract requires that agencies have certain specified procedures in place before any purchase cards can be issued to agency staff. For example, agencies must have procedures to

- identify, by name, those persons who are authorized to use cards;
- set spending limits for cardholders and offices, including single purchase limits and monthly limits;
- approve purchases and ensure funds are available before goods or services are bought; and
- reconcile and approve cardholder statements.

Agencies may add other management and financial controls they deem necessary. Also, agencies have recently been able to obtain RMBCS electronic data that identify purchases by cardholder, approving official, date, dollar amount, merchant type, and merchant name. Those agencies in our review that have begun using this electronic data are finding that the card leaves a trail that is more complete and easier to follow than traditional paper records. In addition to these procedural controls, agencies have another safeguard against fraudulent use of the card by unauthorized individuals—they can dispute any purchases they find questionable. In such cases, the contract requires RMBCS to issue a credit against that purchase until the dispute is resolved.

One organization that has used the electronic data is the Postal Service. Postal Inspection Service officials developed surveillance software that allows them to analyze thousands of card transactions from a remote location with limited manpower. They are able to analyze transactions by cardholder, approving official, dollar amount, date of purchase, vendor name, vendor type, vendor city, and other attributes. At the recommendation of the Inspection Service, the surveillance software is being made available to appropriate Postal Service managers nationwide. Postal Service officials believe that this will improve their oversight of the card program, since the electronic reviews are more expedient than reviews of paper records.

Since 1993, agency inspectors general, audit agencies, or internal review offices have reviewed card programs at most of the agencies in our review. Generally, those reviews found either that controls were adequate or that agencies were taking steps to address control weaknesses. Such weaknesses included noncompliance with procedures and failure to record purchases of accountable property. The reviews did identify several instances where cards were used for prohibited or questionable purchases. Also, officials from one inspector's general office expressed concern about the rapid growth in card use and questioned whether budgetary and other management controls were sufficient to ensure that credit card purchases were warranted and justified. Overall, the reviews did not identify significant patterns of misuse.

Opportunities Exist to Further Enhance Agency Card Programs

Several inspectors general, audit agencies, and internal review reports noted that agencies were not achieving the full benefit of the card because much of the paperwork had not been eliminated from processes, cards had not been provided to staff outside of procurement offices, or card use had not been encouraged or had been excessively limited. Most of the agencies we reviewed indicated they were taking steps to address such concerns. Agency officials told us they were emphasizing card use, reengineering their processes, and developing automated tools to improve their programs. They stated that their efforts were producing benefits, including increased savings. There are still opportunities, though, for the program to be improved on a governmentwide level. For instance, most agencies in our review believed that more explicit guidance to promote the purchase card was needed in the FAR. At present, the FAR only discusses the card in the micropurchase section. Also, we found no effective mechanism for agencies to communicate with each other about their experiences and share innovations.

FAR Guidance for Purchase Card Is Insufficient

In 1993, NPR recommended that the FAR be amended to promote and facilitate purchase card use for making small purchases and ordering from established contracts.[11] At the time, the FAR provided no guidance on card use, although the cards had been available governmentwide since 1989. As part of implementing FASA, an interim FAR rule for micropurchase procedures was issued in December 1994 that encouraged the use of purchase cards or electronic purchasing techniques for micropurchases to the extent practicable.

Officials at most of the agencies in our review told us that more explicit coverage to promote the card in the FAR would be helpful, although some were concerned that coverage not be too restrictive. While agencies have their own regulations and policies for card use, those documents typically refer to the FAR for guidance.[12] In fact, as far back as 1989, Health and Human Services identified the need for purchase card coverage in the FAR and agency regulations. Health and Human Services noted then that, like all agencies, it was being encouraged to use the purchase card, but FAR coverage had not yet been developed and agency regulations would naturally follow the FAR, rather than precede it.

With the current coverage, some agencies in our review had differing opinions or were confused about how the card could be used above and even below the micropurchase threshold. Areas of confusion or dispute included whether the card could be used to pay for services or nonexpendable items. The FAR does not provide guidance on usage of the card comparable to the guidance provided for imprest funds, purchase orders, and blanket purchase agreements. Each of those has a separate section in the FAR. The purchase card, on the other hand, is only discussed in the FAR's micropurchase section. That section states that use of the card is not limited to micropurchases if otherwise authorized under agency procedures. However, no guidance is provided for such use.

As the FAR was being revised to incorporate changes from FASA, GSA commented on the proposed changes during the public comment period. GSA commented that the small purchase/simplified procedures section was

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[11]Authority for revising the FAR is shared by the three executive agencies represented on the Federal Acquisition Regulatory Council by the Secretary of Defense, the Administrator of General Services, and the Administrator of National Aeronautics and Space or their designees. The Office of Federal Procurement Policy within the Office of Management and Budget is responsible for providing overall leadership and for ensuring action in cases where the three agencies cannot agree or fail to issue FAR revisions in a timely manner.

[12]The Postal Service, which is not subject to the FAR, has amended its Procurement Manual to include the card.

illogical, confusing, and of limited usefulness to the program staff. Specifically, GSA said that the proposed language did not provide the necessary encouragement to agencies to make maximum effective use of the card and did not promote the objectives of Congress or the executive branch. GSA added that even with the proposed changes, the FAR would provide more coverage for imprest funds, which the government wants to deemphasize, than for purchase cards, which the government wants to encourage.

An interagency team has looked at how the FAR addresses small purchases/simplified procedures to determine what revisions may be necessary and has proposed FAR language. In its proposal, the team has included a separate section on the purchase card. A proposed FAR rule is planned for issuance later this year.

Agencies Lack an Effective System for Sharing Innovations and Experiences

Most of the agencies in our review have identified the potential to increase their savings or efficiencies gained from card use by reengineering their programs or using automated tools to improve their processes. Agency officials told us that they are interested in communicating with each other about their efforts and have identified instances where tools developed by one agency can be useful to other agencies. However, we found no effective system for agencies to communicate with each other about their successes or problems. In fact, several agencies in our review identified problems that we learned had been addressed or partially addressed by other agencies' efforts.

Agencies have found that efforts to improve their programs can be very resource-intensive, requiring input from several offices, top management support, and good communication. However, they have also found that such efforts can have a significant payoff. Agriculture, for example, initially emphasized purchase cards because it found that the process cost was less than half of that for a purchase order, or $32 versus $77. It has since determined that reengineering can cut the process cost almost in half again. By automating the billing and payment processes as recommended by a cross-functional team guided by a top management review board, Agriculture expects to reduce the card process cost to $17. According to its business process reengineering report, this could lead to over $45 million in savings from fiscal years 1996 through 2000. This amount is in addition to what is already saved by using cards instead of purchase orders. Agriculture has already eliminated an administrative payment system costing $400,000 per year.

Other agencies have also automated or reengineered their payment processes, including the Social Security Administration, Veterans' Affairs, and, within the Department of Transportation, the Coast Guard, which accounts for about 70 percent of Transportation's card purchases. Agency officials told us that, by improving how they pay their bills, they have also increased their potential for rebates. In fact, from November 1994 through July 1995, the most current period for which data were available, Transportation was the largest rebate recipient. Over that time period, Transportation received 34 percent of all rebates paid to agencies, even though it accounted for only 8 percent of sales. In addition to these efforts, some other agencies or organizations within agencies have developed automated tools to address particular problems. For example:

- Within the Department of Defense, the Defense Mapping Agency developed a database intended to help streamline the process for reconciling cardholder statements and maintain accounting information and property accountability for goods and services purchased with the card.
- Within the Department of Transportation, the Federal Aviation Administration developed a database intended to help cardholders reconcile their statements.
- The Postal Service developed surveillance software, discussed earlier in this report, intended to improve program oversight.
- GSA and, within Defense, the Army Management Engineering College, developed an interactive program intended to improve training for cardholders and approving officials.

Agencies have found that their improvement efforts can be useful to other agencies. For instance, the Postal Service has demonstrated its surveillance software for purchase card program coordinators from 15 agencies and inspectors general from 10 agencies, both civilian and military. Almost all officials attending the demonstrations believed that the software was worth deploying governmentwide and that it would be useful for finance, accounting, inspectors general, and program management offices. The Postal Service plans to make its software available to other agencies. Officials said the software is being provided to the Departments of Transportation, Treasury, and Commerce. In another example, after the Defense Mapping Agency's database was profiled in an issue of "Government Computer News," officials said they were inundated with requests for information from other agencies, both military and civilian. They sent copies of their database to more than 90 agencies and offices in 32 states and Europe.

Although agencies want to share information about their innovations, we found that innovations were not always well known outside the agencies that developed them. We also found no effective means for agencies to communicate with each other about their problems or improvements. Some agency officials share information through informal networks and there are some formal multiagency forums, such as GSA and RMBCS purchase card conferences, the Purchase Card Council, and the Chief Financial Officers Council's Financial Implementation Team for Electronic Commerce. However, these mechanisms are not readily accessible to all officials, particularly those who are away from headquarters or who are newer to the program. Further, there can be considerable lag time between when an agency identifies a problem or develops an innovation and when a formal interagency meeting or conference is scheduled.

Without a more effective means of communication, agencies may not be able to build on the successes and failures of other agencies to improve their purchase card programs. Officials at the Office of Federal Procurement Policy stated that Acquisition Reform Net, a government Internet site for acquisition reform information and discussion, could be used for this type of communication. By its nature, it would be available to agency officials nationwide and could be used to disseminate information or questions quickly.

Recommendations

Using the purchase card has helped government agencies achieve administrative savings and efficiencies, absorb some of the impact of staffing cuts, and improve their abilities to fulfill their missions. However, the FAR does not provide guidance on usage of the card comparable to the guidance provided for imprest funds, purchase orders, and blanket purchase agreements. Further, agencies have no effective means to communicate with each other about their problems and innovations. We therefore recommend that the Administrator for Federal Procurement Policy

- ensure, in conjunction with the Federal Acquisition Regulatory Council, that the FAR provides clear guidance on the appropriate uses of the purchase card as a means for making payments, purchases, and orders from established contracts and
- establish a site on one of the government's electronic media, such as the Acquisition Reform Net on the Internet, to facilitate agencies' efforts to exchange information about problems or progress with purchase card use.

Agency Comments

In commenting orally on a draft of this report, the Office of Federal Procurement Policy said that it had no major objections. It obtained informal comments from the agencies we reviewed and found that they also indicated no material objections to our report, although several agencies stressed that any FAR coverage should emphasize flexibility and not be restrictive. We have incorporated in our report, where appropriate, editorial and technical comments that were provided.

Scope and Methodology

To obtain background and program history information, we reviewed executive and congressional guidance, including Executive Orders 12931 and 12352; the Vice President's NPR and subsequent updates; FASA; the FAR; and agency regulations, policies, and directives. We also interviewed officials from the Office of Management and Budget's Office of Federal Procurement Policy, GSA, and the Interagency Purchase Card Council. We obtained card program statistical data from RMBCS and GSA for the government as a whole and by agency for 1989 through 1995. The data included number and dollar value of transactions and rebates and the number of cardholders. We did not validate the computer-generated data; however, we discussed data reliability and quality with all of the agencies in our review and with GSA.

We reviewed purchase card programs in the agencies with 12 of the largest programs, including the 9 largest programs judged by either dollars or transactions (see app. I). In addition to obtaining data on program size, we obtained data on potential for growth, length of involvement in the purchase card program, special program initiatives, and administrative responsibility.

To determine the extent to which card use has resulted in administrative savings or other benefits, we interviewed purchase card program coordinators, officials from agency finance and procurement offices, and officials from GSA, NPR, and the Office of Federal Procurement Policy. We also obtained and reviewed cost-benefit studies, management reports, and reengineering studies. We discussed the methodology used for those studies, and the subsequent findings and projections, with appropriate personnel. We did not verify the cost data and savings projections in those studies.

To determine the potential for continued growth in purchase card use, we examined trends in card use and projections made by the agencies in our

review, GSA, and RMBCS. We also reviewed agency and federal directives encouraging, requiring, or setting goals for card use.
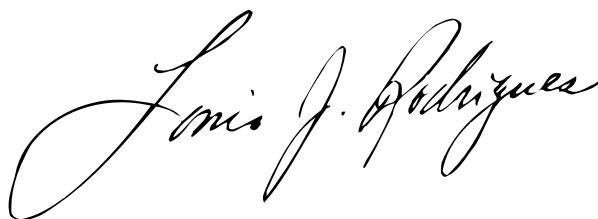
To identify protections against misuse, we interviewed appropriate personnel at agencies and audit organizations. In addition, we reviewed the RMBCS contract guide, agency purchase card procedures and regulations, and internal audit and inspectors general reports.

To identify opportunities to improve agency card programs, we interviewed appropriate agency personnel and reviewed public comments on proposed FAR changes stemming from FASA and agencies' plans to automate or reengineer portions of their systems or processes. We also witnessed demonstrations of the Postal Service's surveillance software, the Social Security Administration's and the Coast Guard's automated payment systems, the Defense Mapping Agency's and the Federal Aviation Administration's tracking databases, and GSA's and the Army Management Engineering College's training material.

We conducted our work from May 1995 through April 1996 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Director, Office of Management and Budget; the Administrator for Federal Procurement Policy; the Administrator, GSA; and officials at the agencies in our review. Copies will also be made available to others upon request.

Please contact me or my Associate Director, David Cooper, at (202) 512-4841 if you or your staff have any questions concerning this report. Major contributors to this report were David Childress, Maria Storts, and Diane Handley.

Louis J. Rodrigues
Director, Defense Acquisition Issues

List of Congressional Committees

The Honorable Ted Stevens, Chairman
The Honorable John Glenn, Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Strom Thurmond, Chairman
The Honorable Sam Nunn, Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Christopher S. Bond, Chairman
The Honorable Dale L. Bumpers, Ranking Minority Member
Committee on Small Business
United States Senate

The Honorable William F. Clinger, Jr., Chairman
The Honorable Cardiss Collins, Ranking Minority Member
Committee on Government Reform and Oversight
House of Representatives

The Honorable Floyd D. Spence, Chairman
The Honorable Ronald V. Dellums, Ranking Minority Member
Committee on National Security
House of Representatives

The Honorable Jan Meyers, Chairman
The Honorable John J. LaFalce, Ranking Minority Member
Committee on Small Business
House of Representatives

Agencies Reviewed

Civilian Agencies

Department of Agriculture, Washington, D.C.

Department of Commerce, Washington D.C.

Department of Health and Human Services, Washington, D.C.

Department of Interior, Washington, D.C.

Department of Transportation, Washington, D.C.

Department of the Treasury, Washington, D.C.

Department of Veterans Affairs, Washington, D.C.

Social Security Administration, Baltimore, Md.

U.S. Postal Service, Washington, D.C.

Department of Defense

Department of the Air Force

Department of the Army

Department of the Navy