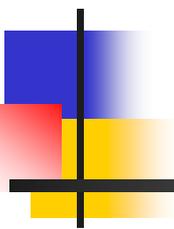
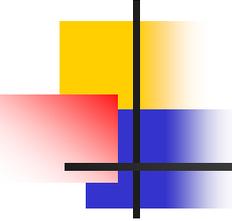


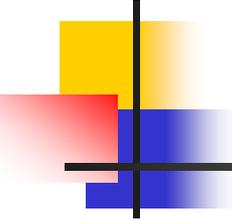
Challenges Faced in Managing Purchase Card Programs





Outline of Presentation

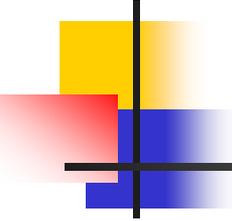
- Background
- Summary of Our Approach
- Fraud waste and abuse
- Lost opportunities to save



Background

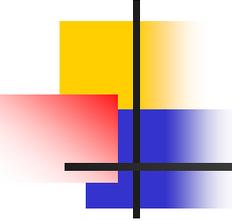


- We support a well managed purchase card program.
- Purchase card use has dramatically increased as agencies sought to streamline the process for making small purchases.



Summary of our Approach

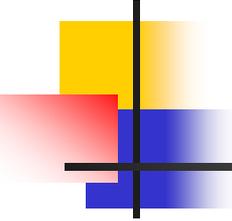
- Obtain a detailed understanding of the process
- Identify key controls and obvious vulnerabilities
- Obtain data file of all transactions
- Sample transactions to test the effectiveness of key controls



Summary of Our Approach

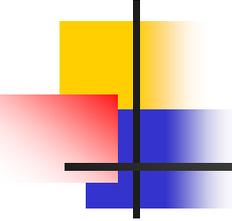
(continued)

- Use data mining and file comparisons to identify unusual transactions
- Analyze supporting documentation
- Consult with investigators and OGC to identify improper payments
- Verify that real property was recorded in property records



Control Environment

- Attention to internal controls by top management
- Control over the number of cards
- Training
- Internal audit and review
- Consequences for abuse



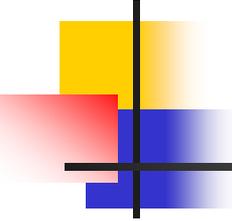
Key Internal Controls

- Segregation of duties
- Payment approval process
- Property controls
- Cancellation of cards/credit limits

Fraudulent, Improper, and Abusive Activity

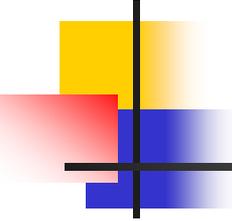


- These internal control weaknesses opened the door to fraudulent, improper, and abusive purchases, as well as lost property
 - ✓ Fraudulent purchases including unauthorized cardholder charges and vendor fraud
 - ✓ Improper purchases are those not permitted by law or regulation, including split purchases
 - ✓ Abusive purchases are those at an excessive cost or for a questionable government need



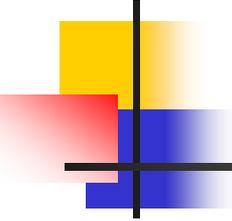
Fraud Examples – Cardholders

- Food, clothing, jewelry
- Televisions, computers, and stereos
- Vacations and cruises
- Car repairs, batteries, and tires
- A dog
- Escort services



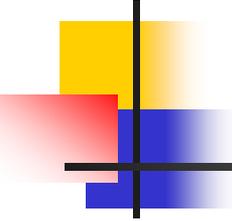
Fraud Examples – Other (continued)

- Kickbacks to cardholders
- Bogus invoices
- Inflated prices
- Contractors with purchase cards
- Compromised accounts



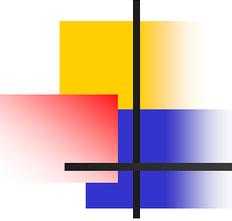
Improper Charges

- Clothing
- Food
- Luggage
- Cell phone charges
- Split disbursements
- Improper sources



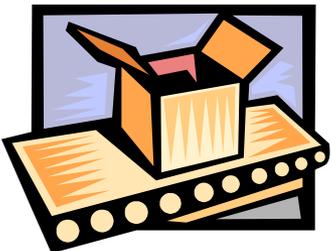
Abusive Purchases

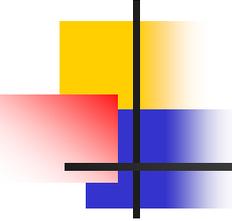
- Designer leather goods
- Palm Pilots
- Bose headsets and clock radios
- Sunglasses
- Crystal and china
- Beer, wine, cigars
- Computer equipment



Property Controls

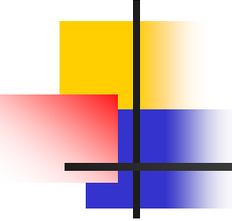
- Ineffective control over pilferable and sensitive items acquired with card
 - ✓ One purchase unable to account for 187 computers/87 flat panel monitors
 - ✓ Digital cameras, PDAs, computers
- Several locations had effective controls





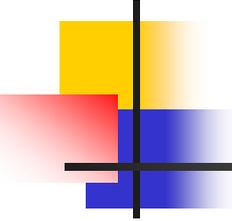
Lost Opportunities to Save

- Government purchase cards used to pay more than \$1 million to about 400 vendors
- Government purchase cards used to pay about \$1.6 billion to major government vendors



Lost Opportunities to Save

- Government not leveraging buying power to negotiating discounts with major vendors
- Government not requiring major vendors to:
 - Provide point of sale discounts, or
 - Provide transactions specific information



Improvements and Initiatives

- Top management attention
- Reduction in number of cards
- Improvement in approving official to cardholder ratio
- Data mining program