



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D. C. 20503

April 18, 2002

THE DIRECTOR  
M-02-05

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr. *Mr Daniels, Jr*  
Director

SUBJECT: Use of Government Purchase and Travel Cards

Recent reports by the General Accounting Office and Inspectors General, as well as congressional hearings and press reports, have raised serious concerns regarding the adequacy of internal control systems that monitor the use of the more than 2.5 million government credit cards now in circulation. To date, millions of dollars of fraudulent and unauthorized expenditures have been made using these cards. Such abuse is unacceptable and requires prompt and effective remedial action by the departments and agencies.

In some ways, the purchase and travel card programs have increased efficiency in the federal acquisition process, but they have also created large, new opportunities for fraud and abuse. Listed below are just a few examples of violations documented so far:

- An employee and his supervisor conspired to purchase electronic planners, leather organizers, a digital camera, a scanner/printer, and cellular telephone accessories for personal use. Both employees resigned, and no criminal action was ever taken against them.
- An employee charged over \$12,000 for personal items such as computers, gift certificates, groceries, and airline tickets.
- Purchases for over \$439,000 were processed after card accounts were no longer approved for use at one agency. Many of these purchases were for Internet accounts.
- To conceal \$14,000 in personal purchases, an employee used the names of legitimate companies doing business with the agency and submitted falsified invoices to the agency.
- Over \$4 million in inappropriate transactions by employees at one agency appear to have been made with businesses such as pawn shops, jewelry stores, and antique shops.

- 29,120 purchase cards were unused for over 6 months at an agency, raising the question whether the cards should have been issued.

Our review of the fraud and abuse associated with the purchase and travel cards will continue. I am requesting that each agency review the adequacy of internal controls for purchase and travel card expenditures. Effective improvements to internal control systems must be made, if the programs are to continue. I also request that you take immediate administrative action against any employees found to have abused the purchase or travel card privileges. In cases involving possible fraud, appropriate referrals for civil and criminal investigation should be made.

Please prepare separate remedial action plans for your purchase and travel card programs. Your plans should detail the problems your agency has identified and the internal controls (e.g., management oversight and review, authorized spending limits, and training) your agency will use to manage risk associated with these programs. Your plans should also include an examination of the number of cards issued at your agency. One step that may prove useful would be to deactivate all current cards and reactivate them selectively for a smaller number of cardholders, based on demonstrated necessity. Your plans should give consideration to this approach. To facilitate your review, I have attached a breakdown of the purchase and travel cards now outstanding at your agency.

Your remedial action plans (both for the purchase and travel card programs) should be submitted, no later than June 1, 2002, to Mr. Robert Burton, Office of Federal Procurement Policy (OFPP). Plans may be sent by electronic mail ([rburton@omb.eop.gov](mailto:rburton@omb.eop.gov)) or by facsimile (202-395-5105). OFPP will review the purchase card plans, and the Office of Federal Financial Management will review the travel card plans submitted by your agency.

Attachment

**Purchase and Travel Card Accounts  
President Management Council Agencies  
(as of February 2002)**

| <b>Agency</b>                                 | <b>Purchase Cards Issued</b> | <b>Travel Cards Issued</b> | <b>Total</b>     |
|---|------------------------------|----------------------------|------------------|
| Department of Agriculture                     | 23,031                       | 85,282                     | 108,313          |
| Department of Commerce                        | 6,510                        |                            | 6,510            |
| Department of Defense                         | 205,367                      | 1,388,042                  | 1,593,409        |
| Department of Education                       | 222                          | 3,818                      | 4,040            |
| Department of Energy                          | 5,485                        | 12,475                     | 17,960           |
| Department of Health and Human Services       | 7,493                        | 37,202                     | 44,695           |
| Department of Housing and Urban Development   | 378                          | 7,711                      | 8,089            |
| Department of the Interior*                   |                              | 56,664                     | 56,664           |
| Department of Justice                         | 16,093                       | 96,588                     | 112,681          |
| Department of Labor                           | 1,366                        | 12,591                     | 13,957           |
| Department of State                           | 1,336                        | 8,287                      | 9,623            |
| Department of Transportation                  | 22,572                       | 78,616                     | 101,188          |
| Department of the Treasury                    | 16,682                       | 72,663                     | 89,345           |
| Department of Veterans Affairs                | 33,241                       | 41,760                     | 75,001           |
| Agency for International Development          | 190                          | 2,075                      | 2,265            |
| Environmental Protection Agency               | 1,890                        | 16,137                     | 18,027           |
| Federal Emergency Management Agency           | 613                          | 7,055                      | 7,668            |
| General Services Administration               | 3,752                        | 9,932                      | 13,684           |
| National Aeronautics and Space Administration | 3,933                        | 16,032                     | 19,965           |
| National Science Foundation                   | 209                          | 1,263                      | 1,472            |
| Office of Personnel Management                | 240                          | 1,570                      | 1,810            |
| Small Business Administration                 | 330                          | 5,132                      | 5,462            |
| Social Security Administration                | 3,279                        | 23,316                     | 26,595           |
| <b>Total</b>                                  | <b>354,212</b>               | <b>1,984,211</b>           | <b>2,338,423</b> |

**Total for all agencies\*\***

Purchase – 381,038  
Travel – 2,181,834  
**Total – 2,562,872**

\* DOI has an integrated card program. Travel and purchase card accounts are included in the 56,664 figure according to DOI.

\*\* Includes nominal figures for tribal organizations and the District of Columbia Government CFO. Data is from the GSA SmartPay reporting website.