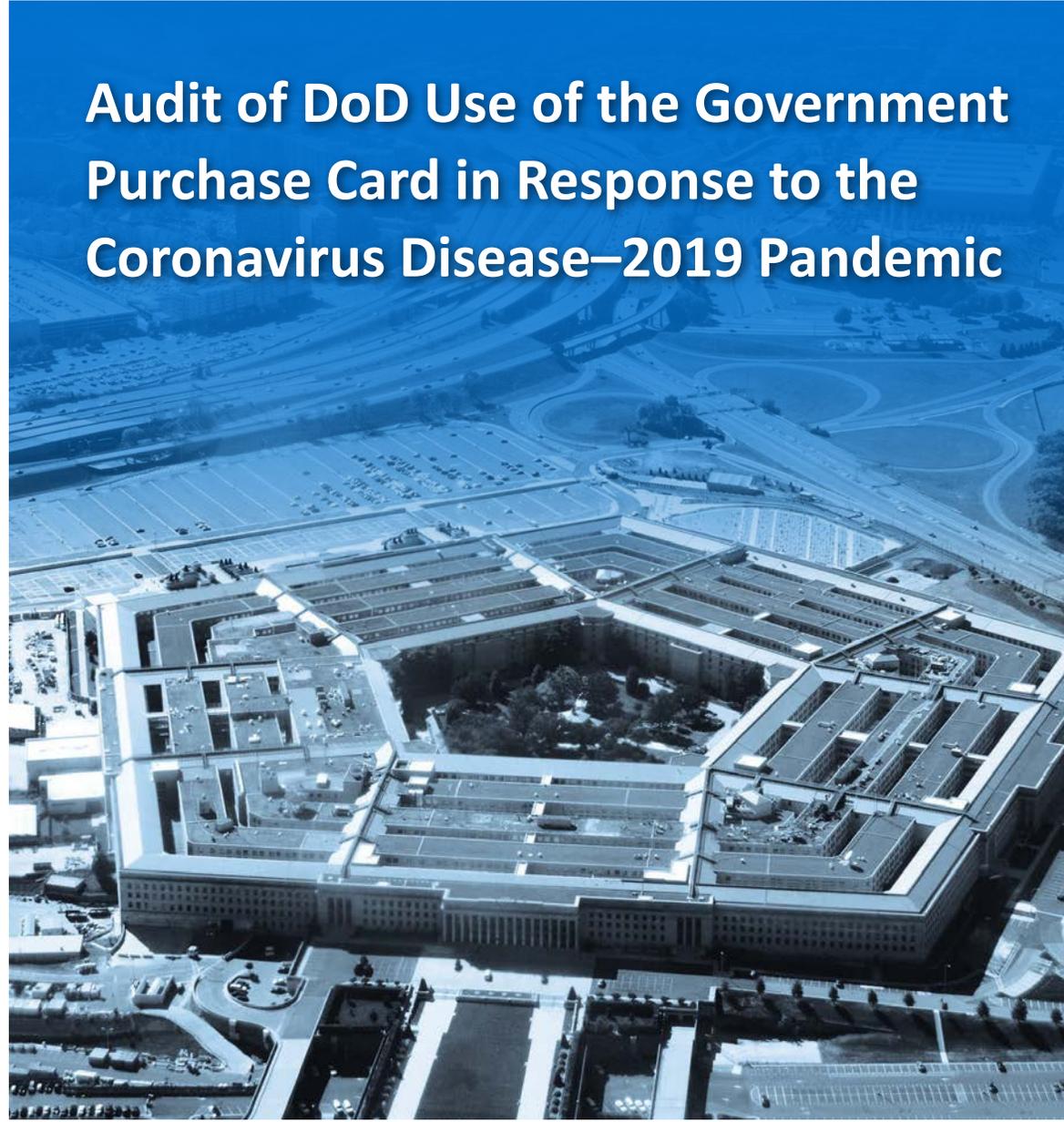


INSPECTOR GENERAL

U.S. Department of Defense

JANUARY 12, 2024



Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease–2019 Pandemic

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease–2019 Pandemic

January 12, 2024

Objective

The objective of this audit was to determine whether cardholders used Government Purchase Cards (GPCs) to support the DoD's response to the coronavirus disease–2019 (COVID-19) pandemic in accordance with Federal and DoD policies.

Background

The GPC program is for official Government purchases of supplies, goods, and services under the micro-purchase threshold, which increased from \$10,000 to \$20,000 for domestic purchases and to \$35,000 for purchases outside of the United States for COVID-19 purchases. From March 2020 through January 2022, DoD GPC cardholders made 110,525 purchases, valued at \$242.6 million, in response to the COVID-19 pandemic.

Finding

DoD cardholders made COVID-19 contingency operation purchases that did not always support the DoD's response to the COVID-19 pandemic and did not maintain appropriate supporting documentation for purchases in accordance with Federal and DoD policies. Based on our review of a stratified statistical sample of 127 purchases, DoD cardholders made 33 (26 percent) purchases that, while appearing to be DoD-related, did not support the DoD's response to the COVID-19 pandemic and 45 (35 percent) purchases without obtaining or maintaining required documentation.

Finding (cont'd)

These problems occurred because GPC program officials did not conduct required oversight to identify and correct improper or unsupported purchases. As a result, we statistically project, with a 95 percent confidence level, that from March 2020 through January 2022, DoD cardholders made 43,396 (39 percent) of 110,525 purchases, valued at \$53.2 million, that did not support the DoD's response to COVID-19; and made 57,466 (52 percent) of 110,525 purchases, valued at \$52 million, that were not documented in accordance with Federal and DoD requirements. We statistically project, with a 95 percent confidence level, that \$86.7 million (36 percent) out of \$242.6 million in questionable purchases either did not support the DoD's response to COVID-19, had missing purchase card documentation, or met both of these conditions. Without adequate oversight, DoD cardholders will continue to incorrectly identify or code GPC purchases as being related to contingency operations, not properly support purchases with required documentation, and have increased risk that fraudulent, improper, and other abusive activity could occur without detection.

Recommendations

We recommend that the Principal Director, Defense Pricing and Contracting, in coordination with DoD Component Program Managers:

- Re-emphasize the importance of tracking, reviewing, and reporting Government Purchase Card transactions made in support of contingency operations.
- Develop and implement a process to review, at least semiannually for each ongoing contingency operation, the Components' follow up reviews to ensure these reviews are conducted and are effective.
- Develop and implement a plan of action to make program improvements that address the oversight deficiencies identified in this report related to cardholder retention of required supporting documentation.



Results in Brief

Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease–2019 Pandemic

Management Comments and Our Response

The Principal Director, Defense Pricing and Contracting, agreed with the recommendations and described actions planned to close them. The comments addressed our recommendations; therefore, they are resolved but will remain open. We will close the recommendations once we verify that the actions taken by management fully addressed the recommendations. Please see the Recommendations Table on the next page for the status of the recommendations.

The Principal Director agreed with \$52 million in questioned costs due to lack of supporting documentation, but they disagreed with the identified potential monetary benefit of \$53.2 million in purchases that did not support DoD's COVID-19 response. However, we concluded that the expenditure of funds were not necessary or reasonable for the intended and reported purpose (DoD's COVID-19 response) and, therefore, met the definition of a questioned cost. Therefore, we request that the Defense Pricing and Contracting provide additional comments on the inclusion of these questioned costs as potential monetary benefits within 30 days.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Principal Director, Defense Pricing and Contracting	None	1.a, 1.b, 1.c	None

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – DoD OIG verified that the agreed upon corrective actions were implemented.





OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

January 12, 2024

MEMORANDUM FOR PRINCIPAL DIRECTOR, DEFENSE PRICING AND CONTRACTING

SUBJECT: Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease-2019 Pandemic (Report No. DODIG-2024-045)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

This report identified \$53.2 million in potential monetary benefits that were questioned costs due to purchases that did not support DoD's COVID-19 response. The Deputy Director, Defense Pricing and Contracting did not agree that the purchases should be considered potential monetary benefits, as they fulfilled a DoD requirement. Therefore, we request additional comments from Defense Pricing and Contracting on the inclusion of these questioned costs as potential monetary benefits within 30 days of the final report.

The Principal Director, Defense Pricing and Contracting, agreed to address all the recommendations presented in the report; therefore, we consider the recommendations resolved and open. We will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, within 90 days please provide us your response concerning specific actions in process or completed on the recommendations. Send your response to either followup@dodig.mil or if unclassified or rfunet@dodig.smil.mil if classified SECRET.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact me at [REDACTED].

FOR THE INSPECTOR GENERAL:

A handwritten signature in black ink, reading "Carmen J. Malone", is positioned below the text "FOR THE INSPECTOR GENERAL:". The signature is fluid and cursive.

Carmen J. Malone
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

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Introduction

Objective

The objective of this audit was to determine whether DoD cardholders used Government Purchase Cards (GPCs) to support the DoD's response to the coronavirus disease-2019 (COVID-19) pandemic in accordance with Federal and DoD policies. See Appendix A for a discussion of the scope, methodology, and prior coverage related to the objective.

Background

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. A pandemic is a global outbreak of a disease that can infect people and spread between people sustainably. On March 13, 2020, the President of the United States declared the COVID-19 outbreak a national emergency beginning March 1, 2020. On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to prevent, prepare for, and respond to the pandemic.¹

In response to the declaration of a national emergency signed by the President, the DoD activated flexibilities identified in the Federal Acquisition Regulation (FAR) Subpart 18.202, "Defense or recovery from certain events," for use in supporting the DoD's response efforts to combat COVID-19.² Specifically, the FAR flexibilities for contingency operations include the authority for program officials to increase their GPC cardholders' standard single purchase limit from \$10,000 to \$20,000 for domestic COVID-19 purchases, and to \$35,000 for COVID-19 purchases outside of the United States. FAR subpart 2.101 defines a declared national emergency as a contingency operation; therefore, we refer to the COVID-19 response purchases as contingency operation purchases. GPC purchases made to support DoD's response to COVID-19 can be paid for from a variety of appropriations.

On April 10, 2023, the President signed a joint resolution ending the national emergency related to the COVID-19 pandemic.³

¹ Public Law 116-136, "Coronavirus Aid, Relief, and Economic Security Act," March 27, 2020.

² Federal Acquisition Regulation Part 18, "Emergency Acquisitions," Subpart 18.2, "Emergency Acquisition Flexibilities," Section 18.202, "Defense or recovery from certain events."

³ Public Law 118-3, "Joint Resolution: Relating to a national emergency declared by the President on March 13, 2020," April 10, 2023.

Use of Government Purchase Cards

A GPC is a centrally billed, Government charge card used to pay for goods and services. The GPC program is the preferred method of payment for official Government purchases of supplies, goods, and services under the micro-purchase threshold. According to FAR Subpart 13.2, "Actions At or Below the Micro-Purchase Threshold," the GPC is the preferred method to purchase and to pay for "micro-purchases." A micro-purchase is an acquisition of supplies or services valued at \$10,000 or less.

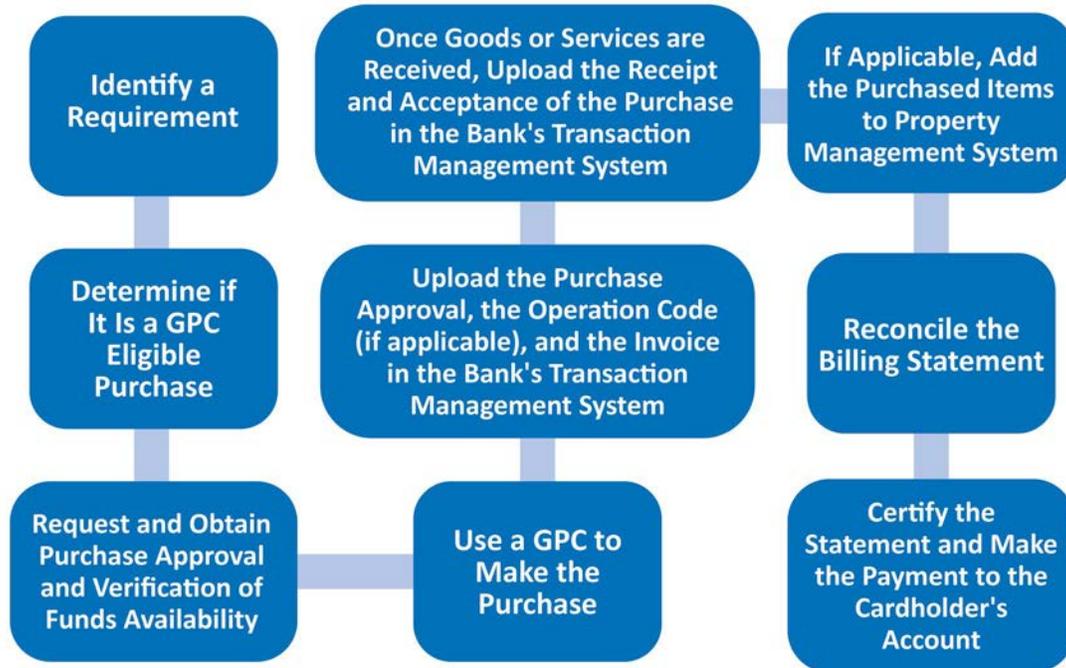
Figure 1. Example of a Government Purchase Card



Source: The General Services Administration.

As shown in Figure 2, the GPC process begins with the identification of a requirement and works through the following process.

Figure 2. GPC Transaction Flow

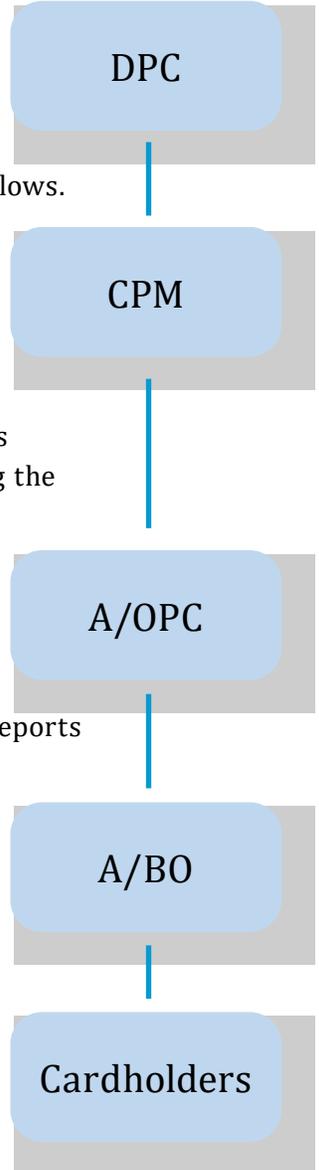


Source: The DoD OIG.

GPC Roles and Responsibilities

Defense Pricing and Contracting (DPC) provides oversight and management of the DoD's GPC program. DPC issued the "Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs," June 3, 2020 (the Guidebook), which contains policies and procedures for the operation of the DoD's GPC program. The Guidebook defines the roles and responsibilities for the GPC program as follows.

- **Component Program Manager (CPM)** - The CPM is the functional representative for the Military Departments or Other Defense Organizations (ODOs). They are responsible for assisting and ensuring that Agency/Organization Program Coordinators perform their functions. They are also responsible for working with the DoD-level program office, the DPC, on performance issues with the card-issuing bank and internal DoD personnel supporting the card program.
- **Agency/Organization Program Coordinator (A/OPC)** - Responsible for the day-to-day management and oversight of cardholders. Their responsibilities include ensuring that mandatory training is completed and bills are paid on time, implementing program internal controls, conducting compliance reviews, and preparing reports on the program.
- **Approving/Billing Official (A/BO)** - Responsible for reviewing and approving purchases and the supporting documentation. Specifically, A/BOs obtain and verify receipts provided by cardholders, review all purchases for appropriateness, and review invoices to certify their validity and accuracy.
- **Cardholder** - The individual authorized by the A/OPC to make purchases on behalf of their organization. When making purchases with a GPC, cardholders are required to:
 - document the request for and approval of the purchase;
 - maintain evidence of the goods or services purchased, including the invoices, cash register receipts, and purchase documents; and
 - obtain written independent receipt and acceptance from a Government employee other than themselves to ensure that the Government received the goods or services purchased.



DoD Guidance for Tracking COVID-19 Purchases

After the national emergency declaration related to COVID-19, DoD officials have issued various policy memorandums that emphasize the importance of maintaining evidence for goods and services acquired in response to the COVID-19 pandemic. The Acting Comptroller, Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, issued a memorandum titled, “DoD Response to COVID-19 - CARES Act Funding Request Guidance,” April 1, 2020, to provide COVID-19 purchase tracking guidance to all DoD Components. The guidance states, “It is critically important to track execution and ensure funds are used only for the purpose appropriated, including furnishing evidence to support items bought in support of COVID-19, for audit.”

The Acting Principal Director for the DPC issued “Department of Defense SmartPay 3 Government-wide Commercial Purchase Card Guidance for Coronavirus Disease 2019 (COVID-19),” April 2, 2020, which provides information and guidance to promote compliance with acquisition policies applicable to the DoD GPC program and the tracking of COVID-19 pandemic spending. Specifically, the guidance states that cardholders need to include tracking code “P20C” for any COVID-19 GPC purchases when documenting purchase information in the bank’s transaction management system.⁴

According to the Guidebook, program officials must review transactions in support of contingency operations. Specifically:

Agency heads must designate officials to conduct follow-up reviews of transaction in support of each event pursuant to the related law. These follow-up reviews should take place as soon as practicable, but no later than 60 days after any given transaction. The officials shall evaluate whether the transaction:

- 1) was consistent with the agency’s policies and procedures identified above and was otherwise reasonable and appropriate.
- 2) provided the maximum practicable opportunity for small business participation under the circumstances.
- 3) was appropriately documented by the cardholder.

Based on these reviews, the official shall make recommendations to the agency head on changes to the policies and procedures identified above, and any administrative or disciplinary actions required.⁵

⁴ The DoD uses a third party, card-issuing bank to support the purchase card program. Bank services include tools for purchase approval and certification, data mining, and the ability to apply a code for tracking and reporting on purchases made in support of contingency operations.

⁵ Under Secretary of Defense For Acquisition and Sustainment, Defense Pricing & Contracting, “Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs,” October 1, 2017 (Updated June 3, 2020).

Documentation Requirements

The Guidebook states that a key step in making a GPC purchase is documenting the purchase in the bank's transaction management system, as in the following examples.

- **Request and Approval.** To the maximum extent possible, Component personnel requesting acquisition of supplies or services with a GPC should provide written requests to the cardholder. If the requester cannot make the request in writing, the cardholder should document in the bank's transaction management system file the requester's name, item description, quantity, estimated cost, and date of request. The purchase requestor or cardholder should obtain and document approval before making a purchase in accordance with agency policy. In extenuating circumstances where pre-approval or post-approval cannot be accommodated, the cardholder should document in the purchase card file why these functions were not performed in accordance with agency policy.
- **Proof of Purchase.** A receipt or proof of purchase is a written acknowledgment that lists the supplies or services purchased, the total amount paid, and the price for each. A GPC purchase must be supported by a detailed itemized receipt or invoice from the merchant.
- **Independent Receipt of Goods or Services.** Written independent receipt and acceptance is required for purchases made with a GPC, self-generated cardholder purchases (which are purchases lacking a request and approval), and other specific circumstances for which Components elect to require independent receipt and acceptance.

Universe of GPC Purchases Supporting the DoD's Response to the COVID-19 Pandemic

To determine the universe of GPC purchases for our audit, we requested that the DPC provide a list of DoD purchases made in response to the COVID-19 pandemic from March 2020 through January 2022. DPC officials worked with the bank that issues the purchase cards and created the DoD's "COVID-19 Transaction Report" that searched in the bank's transaction management system for purchases with the P20C code and purchases that included terms such as "COVID" as well as variations of the P20C code and COVID to account for typographical and spelling errors. DPC officials provided the DoD's "COVID-19 Transaction Report" as the COVID-19 universe and stated the report was designed to satisfy all COVID-19 reporting requirements. While the report is not based on the funds used to pay for the purchases, it provides the reporting of GPC purchases in support of the DoD's response to COVID-19. Table 1 summarizes the GPC purchases provided by the DPC.

Table 1. GPC Purchases on the DoD’s “COVID-19 Transaction Report” (March 2020 Through January 2022)

DoD Component	Purchases	Amount
Army	46,877	\$115,911,086.00
Navy	27,079	68,128,487.89
Air Force	28,023	41,168,378.88
ODOs	8,546	17,344,713.83
Total	110,525	\$242,552,666.60

Source: The DPC.

From the universe of 110,525 purchases, we developed and reviewed a stratified, statistically representative sample of 127 GPC purchases to determine whether the purchases were in accordance with Federal and DoD policies. This included a review of the pre-approval of the purchase, whether cardholders obtained and maintained invoices and receiving reports, and whether the purchase supported the DoD’s response to the COVID-19 pandemic. See Appendix A for a description of the scope and methodology for the universe of purchases. See Appendix B for details on the statistical sampling methodology, confidence level, precision, and projection amounts.

Finding

DoD Cardholders Made Contingency Operation Purchases That Did Not Always Support the DoD's Response to the COVID-19 Pandemic in Accordance with Federal and DoD Policies

DoD cardholders made COVID-19 contingency operation purchases that did not always support the DoD's response to the COVID-19 pandemic, and did not maintain appropriate supporting documentation for purchases in accordance with Federal and DoD policies. Based on our review of a stratified statistical sample of 127 purchases, DoD cardholders made:

- 33 purchases (26 percent) that, while appearing to be DoD-related, did not support the DoD's response to the COVID-19 pandemic, and
- 45 purchases (35 percent) without obtaining or maintaining required documentation.

These problems occurred because GPC program officials did not conduct required oversight to identify and correct improper or unsupported purchases. As a result, we statistically project, with a 95 percent confidence level, that, from March 2020 through January 2022, DoD cardholders made 43,396 (39 percent) of 110,525 purchases, valued at \$53.2 million, that did not support the DoD's response to COVID-19 and made 57,466 (52 percent) of 110,525 purchases, valued at \$52 million, that were not documented in accordance with Federal and DoD requirements. We statistically project, with a 95 percent confidence level, that \$86.7 million (36 percent) of \$242.6 million in questionable purchases did not support the DoD's response to COVID-19, had missing purchase card documentation, or met both of these conditions.⁶ Without adequate oversight, DoD cardholders will continue to incorrectly identify or code GPC purchases as being related to contingency operations, not properly support purchases with required documentation, and have increased risk that fraudulent, improper, and other abusive activity could occur without detection.

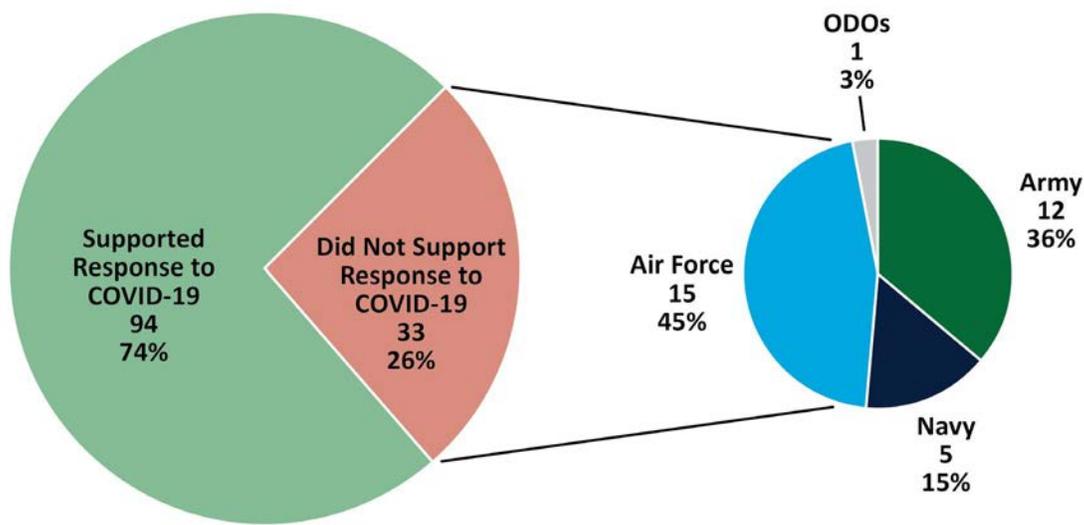
⁶ See Appendix B for details on the statistical sampling methodology, confidence level, precision, and projection amounts.

Section 405 of the "Inspector General Act of 1978," as amended, defines questioned costs as costs that auditors question because of alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds. Questioned costs might also be costs not supported by adequate documentation at the time of audit or unnecessary or unreasonable fund expenditures for an intended purpose. See Appendix E for the summary of potential monetary benefits.

DoD Cardholders Made Contingency Operation Purchases That Did Not Always Support the DoD's Response to the COVID-19 Pandemic

DoD cardholders made COVID-19 contingency operation purchases using their GPC that did not always support the DoD's response to the COVID-19 pandemic. Specifically, 33 (26 percent) of the 127 statistically sampled COVID-19 purchases from the DoD's "COVID-19 Transaction Report," while appearing to be DoD-related, did not support the DoD's COVID-19 response. Figure 3 summarizes sampled purchases reviewed and the results of our review of their relation to the DoD's COVID-19 response by DoD Component.

Figure 3. GPC Purchases' Relation to the DoD's COVID-19 Response



Note: The total percentage in the chart on the right does not equal 100 percent due to rounding.

Source: The DoD OIG.

To determine whether each purchase supported the DoD's COVID-19 response, we reviewed the GPC supporting documentation and obtained input from program officials as to how the goods or services supported the DoD's COVID-19 response.

The Acting Comptroller, Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, memorandum "DoD Response to COVID-19 CARES Act Funding Request Guidance," April 1, 2020, states, "It is critically important to track execution and ensure funds are used only for the purpose appropriated, including furnishing evidence to support items bought in support of COVID-19, for audit."

However, we determined that cardholders' COVID-19 purchases from the DoD's "COVID-19 Transaction Report" included goods or services that did not actually support the DoD's response to the COVID-19 pandemic. The following are examples from the Military Departments and the ODOs.

- **Army.** Our statistical sample included 62 purchases made by Army cardholders. We found that 12 purchases (19 percent) did not support the DoD's response to COVID-19, as shown in Figure 4.

Figure 4. Army Purchases Supporting COVID-19



Source: The DoD OIG.

For example, according to the DoD's "COVID-19 Transaction Report" and supporting documentation, an Army cardholder purchased plumbing services for \$2,394.20 to dig up a pipe and determine the cause of a sinkhole, then coded the purchase with "COVID-19" in the bank's transaction management system (sample 62). We determined that this purchase was not related to the DoD's COVID-19 response. When asked, the Army A/OPC verified that the purchase was not COVID-19 related, stating that the cardholder erroneously marked it as a COVID-19 transaction and that the reviewing official did not correct the error. However, according to Army GPC officials, the DoD did not pay for the plumbing service with COVID-19 funds.

- **Navy.** Our statistical sample included 21 purchases made by Navy cardholders. We found that 5 purchases (24 percent) did not support the DoD’s response to COVID-19, as shown in Figure 5.

Figure 5. Navy Purchases Supporting COVID-19



Source: The DoD OIG.

For example, according to the DoD’s “COVID-19 Transaction Report” and supporting documentation, a Navy cardholder purchased 10 cybersecurity training courses for a total of \$23,400 and coded the purchase with “P20C” in the bank’s transaction management system (sample 30). We determined that this purchase was not related to the DoD’s COVID-19 response. When asked, the Navy CPM verified that the purchase was not COVID-19 related, did not use COVID-19 funds, and stated that the reviewing official mistakenly coded the purchase for the COVID-19 response. The CPM added that the APC misread the instruction and interpreted the requirement as all purchases during the COVID-19 pandemic should be identified as P20C, not just those that supported the DoD’s COVID-19 response.⁷

⁷ “Department of Defense SmartPay 3 Government-wide Commercial Purchase Card Guidance for the Coronavirus Disease 2019 (COVID-19),” required the use of the code “P20C” to promote compliance with acquisition policies applicable to the DoD GPC program and the tracking of COVID-19 pandemic spending.

- **Air Force.** Our statistical sample included 31 purchases made by Air Force cardholders. We found that 15 purchases (48 percent) did not support the DoD’s response to COVID-19, as shown in Figure 6.

Figure 6. Air Force Purchases Supporting COVID-19



Source: The DoD OIG.

For example, according to the DoD’s “COVID-19 Transaction Report” and supporting documentation, an Air Force cardholder purchased Internet service to maintain building wireless Internet capabilities from October 16, 2020, through October 31, 2021, for \$540.25 and coded the purchase with “P20C” in the bank’s transaction management system (sample 59). We determined that this purchase was not related to the DoD’s COVID-19 response. When asked, the A/OPC confirmed that the purchase did not support the DoD’s COVID-19 response and did not use COVID-19 funds, but the cardholder recorded it as a COVID-19 purchase due to an oversight error and a high turnover rate at the location.

- **ODOs.** Our statistical sample included 13 purchases made by Other Defense Organizations' cardholders. We found that 1 purchase (8 percent) did not support the DoD's response to COVID-19, as shown in Figure 7.

Figure 7. ODO Purchases Supporting COVID-19



Source: The DoD OIG.

For example, according to the DoD's "COVID-19 Transaction Report" and supporting documentation, a DoD Education Activity cardholder purchased acrylic paint for a middle school student art program for \$76.10 and coded the purchase with "P20C" in the bank's transaction management system (sample 114). We determined that this purchase was not related to the DoD's COVID-19 response. When asked, the DoD Education Activity CPM verified that the purchase was not COVID-19 related, did not use COVID-19 funds, and that reviewing officials did not identify the error.

GPC Program Officials Did Not Conduct Required Follow-up Reviews of Purchases Included on the DoD's "COVID-19 Transaction Report"

Of the 127 purchases in our stratified statistical sample from the DoD's "COVID-19 Transaction Report," DoD cardholders made 33 purchases (26 percent) that, while appearing to be DoD-related, did not support the DoD's response to the COVID-19 pandemic. This occurred because GPC program officials did not conduct adequate oversight to ensure that DoD cardholders made contingency operation purchases in accordance with Federal and DoD policies.

Specifically, the Guidebook requires agency heads, or a position no lower than the heads of the contracting activity, to designate officials to conduct follow up reviews of transactions in support of each contingency event pursuant to the related law. These follow up reviews should have taken place as soon as practicable, but no later than 60 days after any given transaction. The reviews are intended to ensure officials evaluate whether the transaction was consistent with the agency's policies and procedures, was reasonable and appropriate, and was appropriately documented by the cardholder. Finally, based on these reviews, officials were required to make recommendations to the agency head on changes to the policies and procedures and recommend any administrative or disciplinary actions.

We requested the results of each organization's mandatory reviews of the contingency operation GPC purchases intended to support the DoD's response to the COVID-19 pandemic from the CPMs for the Military Departments and Other Defense Organizations. The CPMs provided the following responses.

- The Army response cited confusion on the review requirements. Additionally, Army GPC Operating Procedures, Chapter 12, "Contingency Operations," does not have a requirement for these reviews. Ultimately, the Army did not provide documentation showing that the reviews were completed, which does not meet or comply with the Guidebook requirement.
- Navy officials provided conflicting descriptions of the Navy's practice. The charge card management division stated that the reviews were the responsibility of the heads of the contracting activities while some heads of the contracting activities stated that the reviews were the responsibility of the charge card management division. If the heads of the contracting activities assigned officials and they completed the reviews, they would have been in compliance with the Guidebook. Ultimately, the Navy did not provide documentation to support its assertion that the reviews were completed, which does not meet or comply with the Guidebook requirement.
- The Air Force reported that it complied with the Air Force purchase card instruction, Chapter 10, "Government Purchase Card Use For Emergency Acquisitions," paragraph 10.3.4, which requires approving officials to conduct follow up reviews of all transactions made in support of each event. The Air Force reported that it does not require the results to be documented or reported up the chain of command. Ultimately, the documentation did not support the Air Force's assertion that the reviews were completed, which does not meet or comply with the Guidebook requirement.

- The Defense Health Agency completed the mandatory reviews and provided a list of the purchases reviewed and the results of each review, which complied with the requirement in the Guidebook.
- The Defense Threat Reduction Agency completed the mandatory reviews and provided a list of the purchases reviewed and the results of each review, which complied with the requirement in the Guidebook.
- Washington Headquarters Services completed the mandatory reviews and provided a list of purchases reviewed and the results of the review, which complied with the requirement in the Guidebook.
- The Defense Commissary Agency provided a response stating, “Additional reviews for contingency operation purchases were not conducted.” Subsequently, Defense Commissary Agency stated that COVID-19 related transactions were limited to Headquarters pre-approved items. According to the response, either the GPC Program or the Resource Management Program personnel review all Defense Commissary Agency transactions in daily and monthly reviews. Ultimately, the Defense Commissary Agency did not provide documentation showing that the reviews were completed, which does not meet or comply with the requirement in the Guidebook.
- The DoD Education Activity official stated that transaction reviews were conducted before and after each transaction as part of its normal process and there was no need to conduct a follow up review for contingency operation purchases in accordance with the Guidebook. This does not meet or comply with the requirement in the Guidebook.
- The Defense Finance and Accounting Service provided one purchase review as evidence of the mandatory reviews. However, the review provided by the Defense Finance and Accounting Service was created by a data mining system that identified this purchase as risky, which is part of the normal internal controls inherent in the GPC program. Ultimately, the Defense Finance and Accounting Service did not provide documentation to support its assertion that the reviews were completed, which does not meet or comply with the requirement in the Guidebook.
- The Defense Logistics Agency reported that contingency transactions were reviewed as part of its normal monthly oversight process by A/OPCs and annually by acquisition personnel. Ultimately, the Defense Logistics Agency did not provide documentation to support its assertion that the reviews were completed, which does not meet or comply with the requirement in the Guidebook.

As described above, only three organizations conducted the mandatory transaction reviews that are required for contingency operation purchases. The Guidebook is specific in the requirement and the Acting Principal Director, DPC reiterated this

requirement in the Office of the Under Secretary of Defense for Acquisition and Sustainment, memorandum, “Department of Defense SmartPay3 Government-wide Commercial Purchase Card Guidance for the Coronavirus Disease 2019 (COVID-19),” April 2, 2020.

While this audit focused on purchases made in support of the DoD’s response to COVID-19, these mandatory reviews are required for all contingency operation purchases.

Therefore, we recommend that the Principal Director, DPC, in coordination with DoD CPMs, re-emphasize to DoD agency heads, heads of contracting activities, and GPC program officials the importance of tracking, reviewing, and reporting GPC transactions made in support of contingency operations. We also recommend that the Principal Director, DPC, develop and implement a process to review, at least semiannually for each ongoing contingency operation, the Components’ follow up reviews to ensure these reviews are conducted and are effective.

As a result of program officials’ inadequate oversight to ensure that all reported COVID-19 purchases supported the DoD’s response to COVID-19, we statistically project, with a 95 percent confidence level, that from March 2020 through January 2022, DoD cardholders made 43,396 of the 110,525 purchases, valued at \$53.2 million, that were identified by the DPC as COVID-19 related but did not support the DoD’s response to COVID-19. See Appendix C for details on the sampled purchase reviews and their support of the DoD’s COVID-19 response. Without adequate oversight, DoD cardholders will continue to incorrectly identify or code GPC transactions as being related to contingency operations and have an increased risk that fraudulent, improper, and other abusive activity could occur without detection.

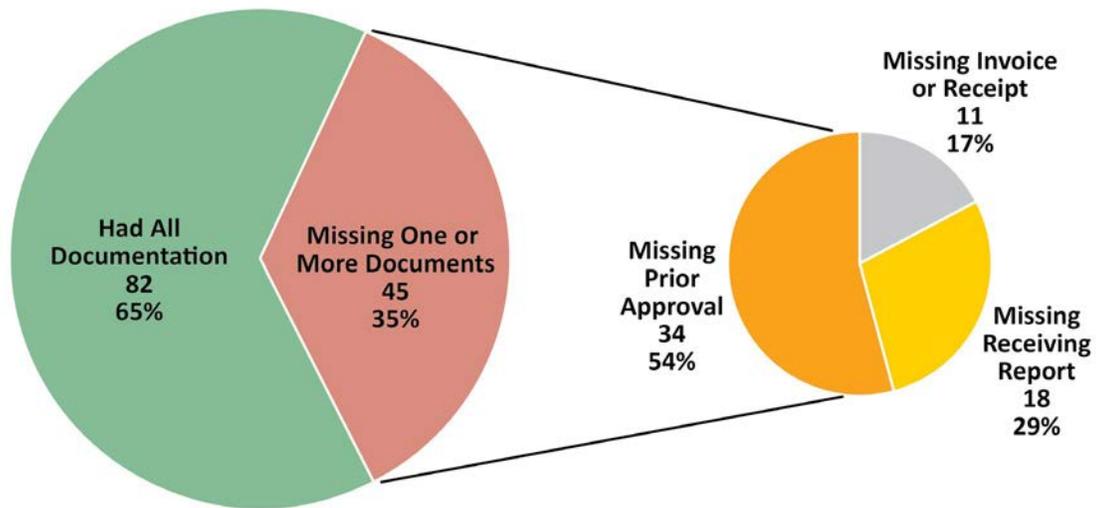
GPC Cardholders Did Not Always Comply with Federal and DoD Documentation Requirements for Purchases

GPC cardholders did not comply with Federal and DoD documentation requirements for 45 of the 127 statistically sampled purchases we reviewed from the DoD’s “COVID-19 Transaction Report.”

Figure 8 shows a summary of the purchase documentation review and the missing document for each of the 45 purchases with missing documentation:

- 34 (54 percent) of those errors were because the cardholder did not have documentation to support that the approval occurred prior to the purchase;
- 11 (17 percent) were due to receipts or invoices not being maintained; and
- 18 (29 percent) were because cardholders did not have evidence that the DoD received and accepted the goods or services purchased.⁸

Figure 8. Breakdown of Purchase Documentation Summary



Note: There are 45 purchases that had 63 documentation issues. As a result, the percentages calculated on the right pie chart are based on a total of 63 documentation issues.

Source: The DoD OIG.

⁸ These numbers do not add up to the 45 total transactions missing one or more documents because the purchases were often missing more than one of the required documents.

Table 2 summarizes sampled purchases reviewed and the results of our review of documentation compliance by DoD Component.

Table 2. GPC Purchase Documentation Deficiency Summary

DoD Component	Purchases Reviewed	Prior Approval Not Supported	Proof of Purchase Not Supported	Verification Goods or Services Were Received Not Supported	Purchases Did Not Have All Required Documentation*
Army	62	10 (16%)	4 (6%)	5 (8%)	13 (21%)
Navy	21	2 (10%)	1 (5%)	0 (0%)	3 (14%)
Air Force	31	19 (61%)	5 (16%)	10 (32%)	23 (74%)
ODOs	13	3 (23%)	1 (8%)	3 (23%)	6 (46%)
Total	127	34 (27%)	11 (9%)	18 (14%)	45* (35%)

* If a purchase had one or more deficiencies with prior approval, proof of purchase, or verification of goods or services received, we concluded that the purchase did not have all required documentation.

Source: The DoD OIG.

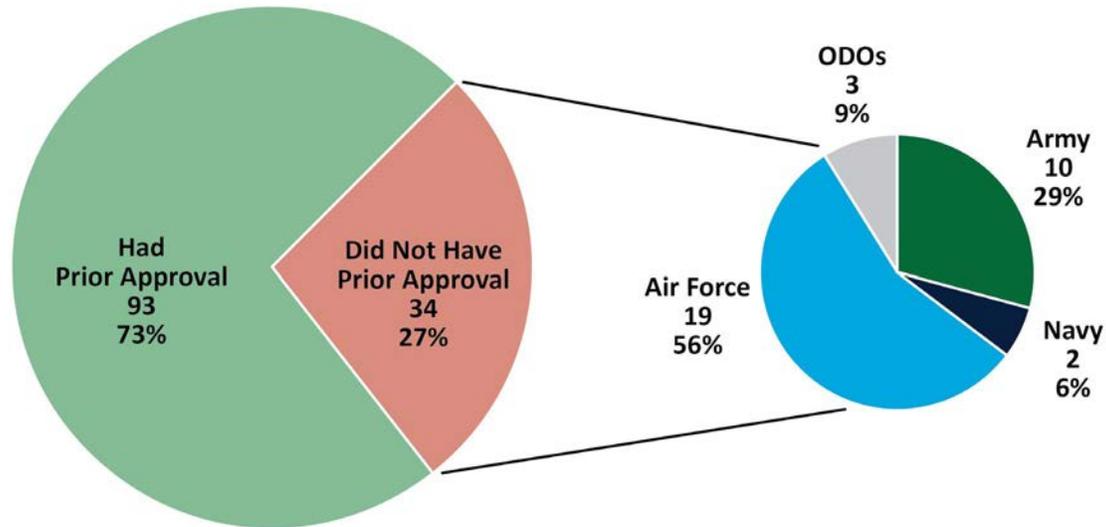
To determine whether cardholders complied with documentation requirements for each purchase, we reviewed GPC supporting documentation, including documentation showing whether program officials provided approval before the GPC purchase, whether cardholders maintained sufficient evidence to show the goods or services were purchased, and whether there was evidence that the DoD received and accepted the goods or services purchased.

Purchases Did Not Include Evidence of Approval Before the Purchase

Cardholders did not comply with DoD requirements to obtain and maintain evidence of prior approval to use the GPC for 34 (27 percent) of the 127 purchases. In some cases, cardholders did not obtain prior approval, program officials approved the transaction after the purchase, or cardholders’ or program officials’ confusion about the requirement led to no documentation of the approval.

Figure 9 shows the breakdown of total purchases made by approval status and organization.

Figure 9. Summary of Prior Approval Status



Source: The DoD OIG.

Prior to making a purchase, approval should be obtained to comply with Office of Management and Budget (OMB) Circular No. A-123, Appendix B, “A Risk Management Framework for Government Charge Card Programs,” August 27, 2019. The Circular requires internal controls to ensure separation of duties regarding authorizing the use of the card and the cardholder making the purchase. The Circular also states the cardholder should document the availability of funds at the time of each purchase.

Additionally, according to the Guidebook, written requests for prior approval of purchases should be used to the maximum extent possible. If not possible, the cardholder should document in their file the requester’s name, item description, quantity, estimated cost, and date of request. Cardholders are also required to document availability of funds at the time of each purchase and obtain prior approval.

However, cardholders did not comply with DoD requirements to obtain and maintain evidence of prior approval and availability of funds to use the GPC. For example, an Air Force cardholder purchased gym equipment that consisted of four Nordic skiing machines and four floor stands, totaling \$4,158.82 (sample 64). The A/OPC confirmed that they did not have evidence of prior approval for the purchase and that the purchase did not support the DoD’s COVID-19 response, but stated that the exercise equipment was received.

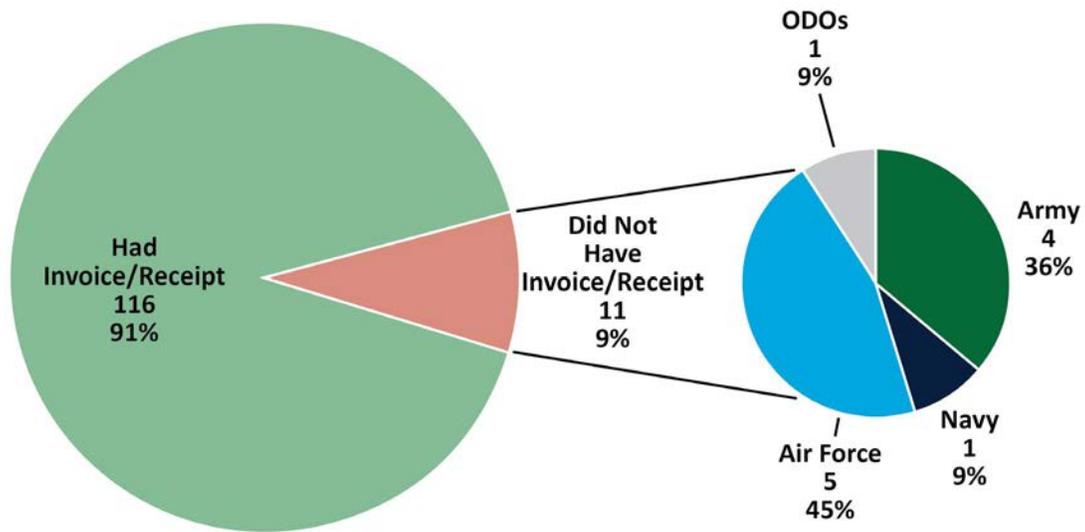
In total, the Air Force had 19 (56 percent) of the 34 errors for not obtaining and documenting prior approval. We met with the Air Force CPM to determine why such a large portion of Air Force transactions did not have prior approval documentation. The CPM stated that prior approval was needed, but it did not need to be documented. However, the Guidebook states that to the maximum extent possible the request for a purchase should be given to the cardholder, but if it is not, then the cardholder should document the request and the transaction is considered a “self-generated purchase.”

According to the Guidebook, the cardholder should obtain prior approval before making a self-generated purchase. OMB Circular A-123 Appendix B states, “In extenuating circumstances where pre-approval or post-approval and/or independent receipt/acceptance processes cannot be accommodated, the cardholder should document the purchase card file with the reasons as to why these functions were not performed in accordance with agency policy.” As a result, we concluded that all purchases should have documentation of the request and approval.

Purchases Did Not Include Receipts or Invoices Sufficient to Detail the Type, Quantity, Price, or Related Charges of the Goods or Services Purchased

Cardholders did not comply with DoD requirements to obtain and maintain a detailed receipt or invoice for 11 (9 percent) of the 127 purchases. In some cases invoices were never obtained and in other cases the invoices did not have sufficient detail to determine what was purchased, or did not equal the purchase total in the cardholder’s purchase statement. Figure 10 shows the summary by invoice or receipt status and organization.

Figure 10. Summary of Invoice or Receipt Status



Note: The total percentage in the chart on the right does not equal 100 percent due to rounding.

Source: The DoD OIG.

In accordance with the Guidebook, transaction documentation, including invoices, cash register receipts, purchase documents, and records of return must be included in the cardholder's purchase log. Without detailed invoices, receipts, or purchase documents, it is not possible to determine what the cardholder purchased, the quantity, unit cost, or whether there were inappropriate taxes or fees charged.

Cardholders did not comply with DoD requirements to obtain and maintain a detailed receipt or invoice. For example, a Navy cardholder paid \$28,857.82 for lab chemicals and supplies for a Naval Hospital (sample 49). The supporting documentation provided by the Navy included a purchase request for 89 items, totaling \$28,857.82. The Navy provided two invoices for:

- 77 items that totaled \$25,940.56, and
- 3 items that totaled \$1,827.54.

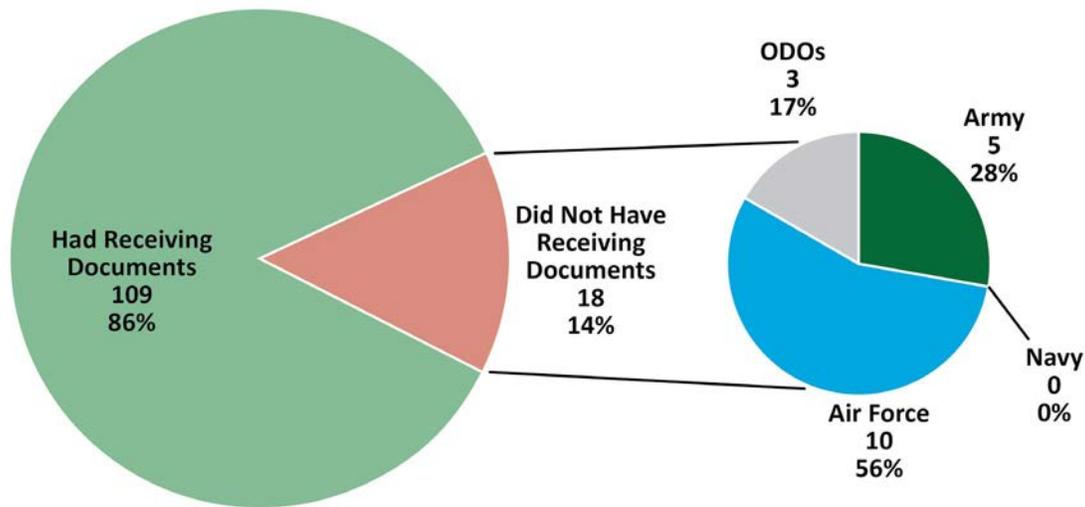
As a result, the Navy did not provide sufficient documentation to reconcile the remaining nine items, totaling \$1,089.72. Furthermore, the Navy was unable to determine whether the DoD ultimately received what it paid for. We reviewed the bank information for this account and did not identify any refunds that could account for the discrepancy between the purchase amount and the invoiced amount. The Navy A/OPC stated that they were unable to reach the cardholder, billing official, or their supervisors from the time of the purchase. This discrepancy highlights the need for cardholder compliance with requirements to review their account statements and reconcile it against the purchase log and

other supporting documentation. In addition, GPC program officials did not always conduct required oversight to identify and obtain missing invoices or receipts supporting the purchases.

Purchases Did Not Include Evidence That the DoD Received and Accepted the Goods or Services Purchased

Cardholders did not comply with requirements to obtain and maintain evidence that the DoD received and accepted the goods or services for 18 (14 percent) of 127 purchases. Figure 11 shows the breakdown of total purchases made by status of evidence that the goods or services purchased were received and accepted, and the organization details.

Figure 11. Summary of Purchases Received and Accepted



Note: Included in the “Had Receiving Documents” in the chart on the left, was a purchase where the merchant canceled the order after the purchase. Therefore, the DoD did not receive the item and was not required to have a receiving report.

The total percentage in the chart on the right does not equal 100 percent due to rounding.

Source: The DoD OIG.

The Guidebook states that written independent receipt and acceptance is required for purchases of accountable property, transactions where the GPC is used as a method of payment, self-generated cardholder purchases (purchases lacking a documented requisition or request from someone other than the cardholder), and other specific circumstances for which Components elect to require independent receipt and acceptance. With respect to self-generated purchases, a Government employee other than the cardholder is required to accept the good or service to ensure that the Government receives what it purchased, as recorded on the invoice. In addition, OMB Circular No. A-123, Appendix B, states that in circumstances

where independent receipt and acceptance processes are not possible, the cardholder should document in the purchase card file why these functions were not performed in accordance with agency policy.

Cardholders did not always include evidence that the DoD received and accepted the goods or services purchased. For example, an Air Force cardholder purchased 20 laptops for a total of \$19,980 (sample 48). An Air Force official stated that they received the laptops but did not provide evidence to support the date and who received the laptops. After we made an additional follow up request, an Air Force A/OPC provided a snapshot of their property records to support that the items were in inventory; however, this evidence does not negate the requirement for the cardholder to maintain proper receipt and acceptance documentation for the purchase.

GPC Program Officials Did Not Conduct Required Oversight to Ensure That Cardholders Appropriately Documented Purchases

Of our stratified statistical sample of 127 purchases, DoD cardholders made 45 purchases (35 percent) without obtaining or maintaining required documentation. Figure 12 shows the summary conclusions of total purchases by status of mandatory documentation supporting the purchases intended for the DoD's response to the COVID-19 pandemic listed on the DoD's "COVID-19 Transaction Report."

Figure 12. Summary of Review of All Required Documentation



Source: The DoD OIG.

This occurred because GPC program officials did not conduct the required oversight to ensure that cardholders appropriately documented the purchases included in the DoD's "COVID-19 Transaction Report." Specifically, GPC program officials did not verify that cardholders obtained and maintained required documentation showing whether program officials approved the GPC transaction before the purchase, whether cardholders maintained a detailed receipt or invoice for the purchase, or whether there was evidence that the DoD received and accepted the goods or services purchased, as required by the Guidebook.

Ineffective oversight of GPC documentation has been consistently identified as an issue in prior audit reports. Specifically, in 2017, the Government Accountability Office determined 23 (23 percent) of the 100 sampled DoD GPC purchases did not include all required documentation because the cardholder or the reviewing official failed to maintain sufficient documentation, the cardholder or reviewing official no longer worked for the agency, or the cardholder failed to document requests in writing.⁹ The DoD OIG found ineffective oversight was the cause of similar documentation issues in audits related to the Air Force Nonappropriated Fund GPC program in FY 2019 and the U.S. Southern Command GPC program in FY 2015.¹⁰

⁹ Report No. GAO-17-276, "Little Evidence of Potential Fraud Found in Small Purchases, but Documentation Issues Exist," February 14, 2017.

¹⁰ Report No. DODIG-2015-060, "U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchase," December 19, 2014. Report No. DODIG-2019-113, "Audit of the Air Force Nonappropriated Fund Government Purchase Card Program," August 16, 2019.

Therefore, the Principal Director, DPC, in coordination with DoD CPMs, should develop and implement a plan of action to make program improvements that address the oversight deficiencies identified in this report related to cardholder retention of required supporting documentation. Specifically, the plan should cover the documentation needed to support that the cardholder obtained:

- prior purchase approval and verified funding availability,
- a detailed receipt or invoice to show the goods or services purchased, and
- evidence that the DoD received and accepted the goods or services purchased.

As a result of GPC program officials' inadequate oversight to ensure that cardholders appropriately documented each purchase, we statistically project, with a 95 percent confidence level, that DoD cardholders made 57,466 questionable purchases, valued at \$52 million, from March 2020 through January 2022, that did not meet Federal and DoD documentation requirements. See Appendix D for details on the sampled purchase reviews and their required documentation. Without adequate oversight, the DoD will continue to make purchases that are not properly supported with required documentation, and have an increased risk that fraudulent, improper, and other abusive activity could occur without detection.

Conclusion

We statistically project, with a 95 percent confidence level, that \$86.7 million (36 percent) of \$242.6 million in questionable purchases did not support the DoD's response to COVID-19, had missing purchase card documentation, or met both of these conditions from March 2020 through January 2022. Without adequate oversight, DoD cardholders will continue to incorrectly identify or code purchases as being related to contingency operations, not properly support purchases with required documentation, and have increased risk that fraudulent, improper, and other abusive activity could occur without detection.

Management Actions Taken During the Audit

During the audit, DPC officials and Air Force GPC program officials took actions to address some of the issues that we identified in this report.

DPC officials, along with the purchase card-issuing bank, made changes to the way contingency operation purchases are tracked.

- At the start of the COVID-19 pandemic, the bank's transaction management system allowed entry of a contingency operation code in more than one field to maximize opportunity for individuals to make COVID designations. The fields for COVID designations were free form

data entry by design, which allowed individuals to enter a variety of designations such as P20C, COVID, Corona, and various misspellings. The development of the Department’s “COVID-19 Transaction Report” included all transactions with a COVID designation in any field and attempted to account for misspellings. Specifically, on June 29, 2022, DPC issued a memorandum stating, “... in order to improve data integrity and promote policy compliance, this memorandum mandates use of a new [bank system] capability that validates Cardholders have made a selection from a drop-down picklist of valid values for specified purchase log fields before they can approve their monthly billing statement.” DPC along with the bank also modified the bank system from free-form data entry in any text field to a drop-down selection that should improve contingency operation transaction tracking.

The Air Force CPM made changes to their GPC program following our July 18, 2023, exit conference:

- In response to findings of COVID-19 transaction identification issues, the CPM directed the program A/OPCs to emphasize correctly coding these types of transactions to cardholders and approving officials.
- In response to findings of a lack of transaction documentation, the CPM directed the program A/OPCs to, at a minimum, include documents in the bank’s transaction management system showing request and approval of the purchase, verification of funding availability, a detailed receipt or invoice, and evidence of independent receipt of goods or services.
- The CPM also noted that they were in the process of updating Air Force purchase card guidance to address documentation expectations.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Principal Director, Defense Pricing and Contracting, in coordination with DoD Component Program Managers:

- a. **Re-emphasize to DoD agency heads, heads of contracting activities, and GPC program officials the importance of tracking, reviewing, and reporting GPC transactions made in support of contingency operations.**

Principal Director for Defense Pricing and Contracting Comments

The Principal Director, DPC, agreed with the recommendation, stating that the DPC will issue policy and conduct training to re-emphasize the importance of tracking, reviewing, and reporting transactions made in support of contingency operations. In addition, the Principal Director estimated the Electronic Access System enhancements will be completed by the end of the first quarter of FY 2025.

Our Response

Comments by the Principal Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DPC provides the policy; provides evidence of the training to re-emphasize the importance of tracking, reviewing, and reporting transactions made in support of contingency operations; and implements Electronic Access System enhancements.

- b. Develop and implement a process to review, at least semiannually for each ongoing contingency operation, the Components' follow up reviews to ensure these reviews are conducted and are effective.**

Principal Director for Defense Pricing and Contracting Comments

The Principal Director, DPC, agreed with the recommendation, stating that Defense Pricing and Contracting will issue policy that establishes and implements a semiannual process requiring Components to ensure follow-up reviews are conducted, are effective, and corrective actions are being planned or taken for any non-compliance. In addition, the Principal Director stated that during the annual Integrated Solutions Team Government Purchase Card governance board meetings, the DPC will require select Component Program Managers to brief attendees on Departmental compliance and any corrective actions planned or taken. The Principal Director estimated completing this action by the end of the third quarter FY 2024.

Our Response

Comments by the Principal Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DPC provides the policy and evidence that it, in coordination with the Component Program Managers, are conducting semiannual reviews and briefing the results to the Integrated Solutions Team Government Purchase Card governance board.

- c. **Develop and implement a plan of action to make program improvements that address the oversight deficiencies identified in this report related to cardholder retention of required supporting documentation. Specifically, the plan should cover the documentation needed to support that the cardholder obtained:**
- **prior purchase approval and verified funding availability,**
 - **a detailed receipt or invoice to show the goods or services purchased, and**
 - **evidence that the DoD received and accepted the goods or services purchased.**

Principal Director for Defense Pricing and Contracting Comments

The Principal Director, DPC, agreed with the recommendation, stating that the DPC will develop a plan of action to implement program improvements addressing the identified oversight deficiencies related to cardholder retention of required supporting documentation. The Principal Director stated that the plan will include ensuring that the cardholder obtained prior purchase approval and verified funding availability, a receipt or invoice showing goods or services purchased, and evidence of DoD receipt and acceptance of goods or services purchased. The Principal Director estimated that the plan of action will be completed by the end of the fourth quarter of FY 2024.

Our Response

Comments by the Principal Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the DPC provides evidence that it has developed a plan of action and implemented program improvements addressing the identified oversight deficiencies related to cardholder retention of required supporting documentation.

Principal Director for Defense Pricing and Contracting Comments on Potential Monetary Benefits

The Principal Director, DPC, provided comments on the potential monetary benefits. A summary of management comments and our response are in Appendix E, Potential Monetary Benefits. We request that the Principal Director, Defense Pricing and Contracting, provide additional comments on the potential monetary benefit within 30 days of the final report.

Appendix A

Scope and Methodology

We conducted this performance audit from June 2022 through October 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether DoD officials used the GPC to support the DoD's COVID-19 response, we obtained a universe of 115,094 COVID-19 purchases that totaled \$239 million from March 2020 through January 2022. We defined a COVID-19 purchase as any purchases on the DoD's "COVID-19 Transaction Report." DPC and bank officials designed the DoD's "COVID-19 Transaction Report" to query text fields and contingency codes within the bank's transaction management system to provide pertinent COVID-19 data elements and satisfy COVID-19 reporting requirements. They compiled the report using a variety of COVID-19 search terms, which included "COVID" and "P20C," as well as "0P2oC," "c20P," "coivd," "corona," "corvid," "p02C," "p2oc," "pandemic," "pc02," "po2," "virus," and "p2c."

We removed 83 DoD Office of Inspector General (DoD OIG) purchases from the COVID-19 purchase universe.¹¹ We also removed 4,486 negative value transactions from the scope of the audit, which left 110,525 purchases in the audit universe.¹² We worked with technical experts from our Quantitative Methods Division to select a statistical sample and project the results of our audit, which included 127 COVID-19 purchases and the following strata (groups).

- \$.01 to \$19,635
- \$19,635 to \$200,000
- \$200,000 to \$1,924,016

We reviewed 127 COVID-19 purchases to determine whether the purchases supported the DoD's COVID-19 response. We also determined whether the purchases had supporting documentation related to the purchase request and approval, proof of purchase, and verification that the goods or services were received. The audit sample included purchases by the Departments of the Army, Navy, and Air Force, as well as the following ODOs.

- Defense Commissary Agency

¹¹ We reviewed each DoD OIG transaction during the audit and sent the results to our senior leaders for action.

¹² We removed the negative transactions because the scope of our audit was purchases, and negative transactions are not purchases and would not have the documentation requirements.

- Defense Finance and Accounting Service
- DoD Education Activity
- Defense Health Agency
- Defense Logistics Agency
- Defense Threat Reduction Agency
- Washington Headquarters Services

We met or coordinated with:

- DPC officials to obtain the COVID-19 purchase universe, COVID-19 guidance and memorandums, and gain access to the bank's transaction management system;
- CPMs to coordinate documentation requests related to the sample items; and
- other program personnel to discuss COVID-19 funds for those purchases that did not support the DoD's COVID-19 response.

In addition, we reviewed the following guidance that required cardholders to identify or code the COVID-19 purchases in the bank's transaction management system.

- Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, memorandum, "DoD Response to COVID-19 CARES Act Funding Request Guidance," April 1, 2020
- Acting Principal Director, Defense Pricing & Contracting, "Department of Defense SmartPay 3 Government-wide Commercial Purchase Card Guidance for Coronavirus Disease 2019 (COVID-19)," April 2, 2020
- OMB Circular No. A-123, Appendix B, "A Risk Management Framework for Government Charge Card Programs," August 27, 2019
- Under Secretary of Defense for Acquisition and Sustainment, Defense Pricing & Contracting, "Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs," October 1, 2017 (updated June 3, 2020)

We focused on supporting documents that provided evidence of the purchase request and approval, proof of purchase, and the receipt and acceptance of the goods or services.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the internal control components and underlying principles related to control environment, control

activities, and monitoring. The assessment included COVID-19 purchase reports and controls within the bank's transaction management system for coding COVID-19 purchases, as well as COVID-19 guidance and supporting documentation. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Use of Computer-Processed Data

We used a universe of 115,094 transactions made by DoD cardholders in relation to the DoD's COVID-19 response from March 2020 through January 2022, from DPC officials. In coordination with the GPC's bank officials, DPC officials obtained and provided the universe of the DoD's "COVID-19 Transaction Report" in Microsoft Excel format to the DoD OIG. We reviewed the data that included information on the card program identification, date, transaction unique identification number, the merchant, dollar amounts, and any coding related to COVID-19. We considered the COVID-19 transaction data sufficiently reliable for the purposes of this audit.

Use of Technical Assistance

The DoD OIG Quantitative Methods Division provided us with a statistical sample of 127 COVID-19 purchases and related projections. See Appendix B for the details and results of our statistical sampling design and projections.

Prior Coverage

During the last 5 years, the DoD OIG issued two reports discussing the DoD's use of the GPC. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2019-113, "Audit of the Air Force Nonappropriated Fund Government Purchase Card Program," August 16, 2019

Although Air Force NAF GPC cardholders made purchases supporting the Air Force Morale, Welfare, and Recreation program and other support activities, not all purchases were proper and documented in compliance with applicable laws and regulations.

In addition, cardholders made recurring GPC purchases to the same merchant without establishing a contract because Air Force NAF GPC cardholders did not successfully coordinate with contracting offices to aggregate recurring GPC purchases.

As a result of these deficiencies, the DoD OIG statistically projected that cardholders made up to \$23.3 million in potential improper payments on 15 percent, or 45,737 of 312,261 purchases, between July 2017 and June 2018. Additionally, Air Force NAF GPC program personnel were responsible for administrative discrepancies on up to 303,125 purchases, totaling \$167.3 million. Unless Air Force NAF GPC controls are strengthened, cardholders will continue to make improper payments, pay sales tax, and miss cost savings through negotiated contracts.

Report No. DODIG-2019-106, "Audit of the DoD's Management of the Cybersecurity Risks for Government Purchase Card Purchases of Commercial Off-the-Shelf Items," July 26, 2019

We determined that the DoD purchased and used commercial off-the-shelf (COTS) information technology items with known cybersecurity risks. Specifically, Army and Air Force GPC holders purchased at least \$32.8 million of COTS information technology items with known cybersecurity vulnerabilities in FY 2018.

As a result, adversaries could exploit known cybersecurity vulnerabilities that exist in COTS items purchased by the DoD. If the DoD continues to purchase and use COTS information technology items without identifying, assessing, and mitigating the known vulnerabilities associated with COTS information technology items, missions critical to national security could be compromised.

Appendix B

Statistical Sample

Population

The population for the audit was 110,525 COVID-19 purchases from March 2020 through January 2022.

Sample Plan and Parameters

The team, with support from Quantitative Methods Division staff, created a stratified variable design, stratified by the expended dollar value of the purchases. Table 3 shows the COVID-19 purchase population and the stratified sample.

Table 3. COVID-19 Purchase Population and Sample Breakout

Stratum	Range	Population Size	Sample Size
First	\$200,000 =< Stratum 1 < \$1,924,016	74	20
Second	\$19,635 =< Stratum 2 < \$200,000	1,525	29
Third	\$0.01 =< Stratum 3 < \$19,635	108,926	78
Total		110,525	127

Source: The DoD OIG.

The Quantitative Methods Division staff used the RAND() function in Microsoft Excel to randomize the population, and the samples were drawn from each stratum without replacement.

The measure of the sampling plan is the pass/fail rate of the criteria that:

- purchases supported the COVID-19 response; and
- purchases were properly documented with evidence of prior approval, proof of purchase, and confirmation that the goods or services purchased were received.

Using this selection methodology, the audit team drew a sample of 127 COVID-19 purchases for testing.

Sample Results and Projections

Among the sample of 127 COVID-19 purchases, DoD cardholders made purchases that did not support the DoD's response to the COVID-19 pandemic, and did not obtain or maintain required documentation. The audit team analyzed the 127 random samples and determined the following for the three categories of errors.

- 33 purchases did not support the COVID-19 response
- 45 purchases did not comply with Federal and DoD requirements for purchase card documentation
- 60 purchases did not support COVID-19 response, had documentation issues, or both

Quantitative Methods Division staff used the sample results to project, with a 95 percent confidence level, the attribute projections for the error rate and number of errors, as well as variable projections for the corresponding dollar amounts. Table 4 shows the projections based on the sample results.

Table 4. Sample Projections by Error Rate, Errors, and Dollar Amount

Type of Error	Lower Bound	Point Estimate	Upper Bound
Purchases That Did Not Support COVID-19 Response			
Error Rate Percentage	28.1	39.3	50.4
Number of Errors	31,058	43,396	55,734
Dollar Amount	\$21,372,222	\$53,159,502	\$84,946,781
Purchase Card Documentation Did Not Comply with Federal and DoD Requirements			
Error Rate Percentage	40.6	52.0	63.4
Number of Errors	44,885	57,466	70,047
Dollar Amount	\$26,421,147.13	\$51,985,234.15	\$77,549,321.17
Purchase Did Not Support COVID-19 Response or Had Documentation Issues			
Error Rate Percentage	59.3	69.7	80.2
Number of Errors	65,543	77,070	88,597
Dollar Amount	\$50,080,386.57	\$86,680,122.79	\$123,279,859.02

Source: The DoD OIG.

Appendix C

Summary of Purchase Reviews and Their Support of the DoD's COVID-19 Response

Table 5 provides details of whether each statistically sampled purchase, from the DoD's "COVID-19 Transaction Report," supported the DoD's COVID-19 response. We provided each sampled purchase to the program officials and requested information on how each purchase supported the DoD's COVID-19 response, as well as the supporting documentation. Based on our analysis of the 127 COVID-19 purchases in our statistical sample, we determined and confirmed 33 purchases that, while appearing to be DoD-related, did not support the DoD's COVID-19 response.

Table 5. GPC Purchase Relation to the DoD's COVID-19 Response

Sample Number	Component	Good or Service Description	Purchase Amount	Purchase Supported DoD COVID-19 Response
1	Army	Lodging for individuals standing up medical facility in New York, NY	\$302,475.00	Yes
2	Army	Lodging to support field hospital setup in Seattle, WA	\$323,200.00	Yes
3	Army	Lodging and food for Service members supporting COVID-19 mission in New York, NY	\$415,068.00	Yes
4	Navy	Lodging, transportation, and laundry for quarantine before Exercise Joint Warrior	\$226,230.00	Yes
5	Air Force	Hard drives and graphics cards for virtual desktops for first-line COVID-19 responders	\$388,300.86	Yes
6	Army	Lodging and parking in support of COVID-19 vaccine mission in New York, NY	\$221,904.00	Yes
7	Army	Lodging and meals for individuals supporting COVID-19 vaccination site in Newark, NJ	\$713,031.00	Yes
8	Army	Lodging for individuals supporting COVID-19 vaccination site in East Lansing, MI	\$285,000.00	Yes

Table 5. GPC Purchase Relation to the DoD's COVID-19 Response (cont'd)

Sample Number	Component	Good or Service Description	Purchase Amount	Purchase Supported DoD COVID-19 Response
9	Navy	Equipment for telework	\$292,726.42	Yes
10	Army	Food, ice, and cleaning at CenturyLink Field Event Center in Seattle, WA	\$343,166.25	Yes
11	Army	Lodging for individuals standing up medical facility in New York, NY	\$226,100.00	Yes
12	Army	Lodging for individuals standing up medical facility in New York, NY	\$229,194.00	Yes
13	Army	Lodging, food, transportation, and laundry for individuals supporting COVID-19 vaccination centers in Merrillville, IN	\$503,624.00	Yes
14	Army	Lodging for individuals standing up medical facility in New York, NY	\$222,649.00	Yes
15	Navy	Lodging and food for individuals in New York, NY	\$1,856,856.00	Yes
16	Army	Lodging, meals, transportation and laundry for individuals supporting COVID-19 vaccination centers in Grand Rapids, MI	\$375,644.92	Yes
17	Army	Lodging, meals, transportation and laundry for Individuals Supporting COVID-19 Vaccination Centers in Detroit, MI	\$819,180.00	Yes
18	Army	Lodging for individuals standing up medical facility in New York, NY	\$209,797.00	Yes
19	Army	Lodging, meals, and meeting rooms for Soldiers supporting COVID-19 vaccination site in Boston, MA	\$262,701.00	Yes
20	Army	Lodging, meals, and meeting rooms for Soldiers supporting COVID-19 vaccination site in Boston, MA	\$264,561.56	Yes
21	Navy	Face masks	\$19,875.00	Yes
22	Air Force	Face masks	\$40,310.00	Yes

Table 5. GPC Purchase Relation to the DoD's COVID-19 Response (cont'd)

Sample Number	Component	Good or Service Description	Purchase Amount	Purchase Supported DoD COVID-19 Response
23	Army	Isolation gowns	\$19,951.00	Yes
24	Navy	Face masks	\$19,840.00	Yes
25	Army	Hand sanitizer	\$21,669.11	Yes
26	ODO	Hospital electronic equipment	\$20,443.88	Yes
27	ODO	Face masks	\$30,175.00	Yes
28	Army	Lodging and laundry for Soldiers providing COVID-19 medical relief efforts in New Jersey	\$91,630.00	Yes
29	ODO	Face masks	\$19,853.23	Yes
30	Navy	Security training boot camp	\$23,400.00	No
31	Army	Lodging and laundry for Service members supporting COVID-19 mission requirements	\$70,805.00	Yes
32	Army	Order was canceled after it was made	\$28,703.37	No
33	Navy	Lodging for personnel in military entrance processing	\$32,539.65	Yes
34	Army	Cleaning services for facility	\$27,253.80	Yes
35	Army	Cleaning services for facility	\$29,598.75	Yes
36	Army	Backpack sprayers for disinfectant	\$19,921.05	Yes
37	Army	Facility cleaning	\$23,374.50	Yes
38	Army	Transportation for medical staff	\$52,587.50	Yes
39	Army	Face shields	\$29,023.75	Yes
40	Army	Cleaning services for facility	\$20,105.25	Yes
41	ODO	Table dividers	\$26,556.00	Yes
42	Air Force	Air conditioner and ventilation	\$19,980.00	Yes
43	Navy	Lodging, meals, and transportation	\$27,061.93	Yes
44	Army	COVID-19 lab supplies	\$19,890.00	Yes
45	ODO	Table shields	\$28,875.55	Yes

Table 5. GPC Purchase Relation to the DoD's COVID-19 Response (cont'd)

Sample Number	Component	Good or Service Description	Purchase Amount	Purchase Supported DoD COVID-19 Response
46	Army	Facility cleaning	\$26,896.20	Yes
47	Army	Viral collection kits	\$30,000.00	Yes
48	Air Force	Laptops for telework	\$19,980.00	Yes
49	Navy	Medical supplies to meet increased demand for coagulation studies related to COVID-19 screening	\$28,857.82	Yes
50	Air Force	Dry-erase markers	\$69.32	No
51	Army	Ventilators and filters	\$166.50	Yes
52	Army	Hand sanitizer	\$1,792.50	Yes
53	Army	Hand sanitizer and gloves	\$1,364.64	Yes
54	Army	Finance training course and books	\$151.99	No
55	Navy	Shipping for item used in COVID-19 disinfection study	\$12.09	Yes
56	Air Force	License for online meeting platform	\$1,428.56	Yes
57	Air Force	Bottled water	\$44.59	No
58	Air Force	Hand sanitizer	\$1,472.86	Yes
59	Air Force	Internet service	\$540.25	No
60	Army	Slide assembly	\$1,156.13	No
61	Air Force	Sit and stand desk	\$405.00	No
62	Army	Plumbing services	\$2,394.20	No
63	Army	Disinfectant spray	\$375.06	Yes
64	Air Force	Nordic skiing fitness machines and mats	\$4,158.82	No
65	Air Force	Office supplies	\$1,013.65	Yes
66	Army	Lodging for COVID-19 response	\$568.75	Yes
67	Army	Scrubs for child care staff	\$37.68	Yes
68	Navy	Disinfectant and hand sanitizer	\$1,141.18	Yes
69	Navy	Buffer concentrate	\$98.21	No
70	Air Force	Programmable controller	\$633.06	No
71	Air Force	Face masks	\$1,150.00	Yes

Table 5. GPC Purchase Relation to the DoD's COVID-19 Response (cont'd)

Sample Number	Component	Good or Service Description	Purchase Amount	Purchase Supported DoD COVID-19 Response
72	Army	Disinfecting wipes	\$3,979.20	Yes
73	Army	Individual salad dressing packets	\$501.95	Yes
74	Army	Personal hygiene items for quarantined Service members	\$7,215.02	Yes
75	Army	Vehicle repair	\$1,395.77	No
76	Army	Janitorial services	\$250.00	Yes
77	ODO	Sanitizing spray	\$154.66	Yes
78	Army	Cleaning supplies (paper towels, sprayers, disinfectant)	\$1,133.35	Yes
79	ODO	Spray bottles	\$33.96	Yes
80	Navy	Thermometers	\$235.52	Yes
81	Navy	Medical supplies	\$4,770.00	No
82	Navy	Hand sanitizer	\$799.95	Yes
83	Army	Steel swivel hooks	\$1,422.30	No
84	Air Force	Shipping for laptop	\$17.02	No
85	Army	6-month service for hand sanitizer and dispenser stations	\$1,075.00	Yes
86	ODO	Sneeze guards	\$299.98	Yes
87	Army	Food for prayer meeting	\$1,434.00	No
88	Army	Food for Service members supporting COVID-19 mission	\$43.50	Yes
89	Air Force	Shredder bags	\$113.43	No
90	Air Force	Sanitizer spray	\$449.50	Yes
91	Army	Military working dog supplies	\$2,520.61	No
92	Navy	Cleaning supplies	\$250.50	Yes
93	Army	Freezer rental for excess food	\$1,233.00	Yes
94	Air Force	Internet service	\$288.78	No
95	Army	Food ingredients	\$993.30	No
96	Navy	Material for face shields	\$1,112.47	Yes
97	Air Force	COVID-19 stamps for medical documents	\$59.94	Yes
98	Army	Gas for parade vehicles	\$57.82	No

Table 5. GPC Purchase Relation to the DoD’s COVID-19 Response (cont’d)

Sample Number	Component	Good or Service Description	Purchase Amount	Purchase Supported DoD COVID-19 Response
99	Army	Air conditioner flush and pipe	\$215.00	No
100	Army	Batteries, markers, and sign mounting	\$517.65	Yes
101	ODO	Calendars, labels, sanitizing spray	\$243.01	Yes
102	Air Force	Firefighting equipment	\$29.35	No
103	Army	Sanitizer spray	\$170.66	Yes
104	Navy	Face masks	\$9,933.83	Yes
105	Army	Medical equipment repair	\$350.00	Yes
106	Air Force	Thermometers	\$740.00	Yes
107	Army	Cups and lids for COVID-19 prevention	\$1,778.17	Yes
108	ODO	Face masks	\$198.29	Yes
109	Air Force	Satellite television service	\$124.03	No
110	Army	Food for Service members supporting COVID-19 mission	\$191.34	Yes
111	Air Force	Shipping for helicopter parts	\$28.35	No
112	Air Force	Hand sanitizer	\$1,500.00	Yes
113	Navy	Musical components	\$1,325.46	No
114	ODO	Acrylic paint for students	\$76.10	No
115	Army	Disinfecting wipes	\$2,086.28	Yes
116	Air Force	Spray bottles	\$18.10	Yes
117	ODO	Gloves	\$228.00	Yes
118	Air Force	Gloves, sanitizer, goggles, and bleach	\$1,456.32	Yes
119	ODO	Disinfecting wipes	\$396.16	Yes
120	Air Force	Containers to transfer food to quarantined Service members	\$199.38	Yes
121	Air Force	Picture frame	\$143.48	No
122	Army	Knob for kitchen equipment	\$173.01	No
123	Navy	Thermometers	\$1,269.05	Yes
124	Navy	Hose fittings	\$8,975.50	No
125	Air Force	Dental supplies	\$320.90	No

Table 5. GPC Purchase Relation to the DoD's COVID-19 Response (cont'd)

Sample Number	Component	Good or Service Description	Purchase Amount	Purchase Supported DoD COVID-19 Response
126	Air Force	Cleaning supplies (disinfecting spray, alcohol pads, paper towels)	\$20.28	Yes
127	Air Force	Electrodes for fusion splicers	\$2,028.80	No
Total Purchases Not Supporting the DoD's COVID-19 Response				33

Source: The DoD OIG.

Appendix D

Summary of Purchase Documentation Reviews

Table 6 provides details of the documentation that was available (Yes) or could not be found (No) for each statistically sampled purchase that we reviewed. Please note that the sample numbers in Appendix D correspond with those in Appendix C. We requested these documents from the program officials, followed up with additional requests for any missing documents, and accessed the bank's transaction management system to attempt to find the supporting documents ourselves.

Table 6. Documentation Supporting the DoD's Reported COVID-19 Purchases

Sample Number	Component	Valid Prior Approval	Valid Proof of Purchase	Verification Goods or Services Were Received	Purchases Had All Required Documentation
1	Army	Yes	Yes	Yes	Yes
2	Army	Yes	Yes	Yes	Yes
3	Army	Yes	Yes	Yes	Yes
4	Navy	Yes	Yes	Yes	Yes
5	Air Force	Yes	Yes	Yes	Yes
6	Army	Yes	Yes	Yes	Yes
7	Army	Yes	Yes	Yes	Yes
8	Army	Yes	Yes	Yes	Yes
9	Navy	Yes	Yes	Yes	Yes
10	Army	Yes	Yes	Yes	Yes
11	Army	Yes	Yes	Yes	Yes
12	Army	Yes	Yes	Yes	Yes
13	Army	Yes	Yes	Yes	Yes
14	Army	Yes	Yes	Yes	Yes
15	Navy	Yes	Yes	Yes	Yes
16	Army	Yes	Yes	Yes	Yes
17	Army	Yes	Yes	Yes	Yes
18	Army	Yes	Yes	Yes	Yes
19	Army	Yes	Yes	Yes	Yes
20	Army	Yes	Yes	Yes	Yes
21	Navy	Yes	Yes	Yes	Yes
22	Air Force	Yes	Yes	Yes	Yes

Table 6. Documentation Supporting the DoD's Reported COVID-19 Purchases (cont'd)

Sample Number	Component	Valid Prior Approval	Valid Proof of Purchase	Verification Goods or Services Were Received	Purchases Had All Required Documentation
23	Army	Yes	Yes	Yes	Yes
24	Navy	Yes	Yes	Yes	Yes
25	Army	Yes	Yes	Yes	Yes
26	ODO	Yes	Yes	Yes	Yes
27	ODO	Yes	Yes	Yes	Yes
28	Army	Yes	Yes	Yes	Yes
29	ODO	Yes	Yes	Yes	Yes
30	Navy	Yes	Yes	Yes	Yes
31	Army	Yes	Yes	Yes	Yes
32	Army	No	No	N/A*	No
33	Navy	Yes	Yes	Yes	Yes
34	Army	Yes	Yes	Yes	Yes
35	Army	Yes	Yes	Yes	Yes
36	Army	Yes	Yes	Yes	Yes
37	Army	Yes	Yes	Yes	Yes
38	Army	Yes	Yes	Yes	Yes
39	Army	Yes	Yes	Yes	Yes
40	Army	Yes	Yes	Yes	Yes
41	ODO	Yes	Yes	Yes	Yes
42	Air Force	Yes	Yes	Yes	Yes
43	Navy	Yes	Yes	Yes	Yes
44	Army	Yes	Yes	Yes	Yes
45	ODO	No	Yes	Yes	No
46	Army	Yes	Yes	Yes	Yes
47	Army	Yes	Yes	Yes	Yes
48	Air Force	Yes	Yes	No	No
49	Navy	Yes	No	Yes	No
50	Air Force	Yes	Yes	Yes	Yes
51	Army	Yes	Yes	Yes	Yes
52	Army	Yes	Yes	Yes	Yes
53	Army	Yes	Yes	Yes	Yes

Table 6. Documentation Supporting the DoD's Reported COVID-19 Purchases (cont'd)

Sample Number	Component	Valid Prior Approval	Valid Proof of Purchase	Verification Goods or Services Were Received	Purchases Had All Required Documentation
54	Army	Yes	Yes	Yes	Yes
55	Navy	Yes	Yes	Yes	Yes
56	Air Force	Yes	Yes	Yes	Yes
57	Air Force	No	Yes	Yes	No
58	Air Force	No	Yes	Yes	No
59	Air Force	No	Yes	Yes	No
60	Army	Yes	Yes	Yes	Yes
61	Air Force	Yes	Yes	Yes	Yes
62	Army	Yes	Yes	Yes	Yes
63	Army	Yes	Yes	No	No
64	Air Force	No	No	No	No
65	Air Force	Yes	Yes	Yes	Yes
66	Army	Yes	Yes	Yes	Yes
67	Army	Yes	Yes	Yes	Yes
68	Navy	No	Yes	Yes	No
69	Navy	Yes	Yes	Yes	Yes
70	Air Force	Yes	Yes	Yes	Yes
71	Air Force	No	Yes	No	No
72	Army	Yes	Yes	Yes	Yes
73	Army	No	Yes	Yes	No
74	Army	No	Yes	No	No
75	Army	Yes	Yes	Yes	Yes
76	Army	Yes	Yes	Yes	Yes
77	ODO	Yes	No	Yes	No
78	Army	No	Yes	Yes	No
79	ODO	No	Yes	No	No
80	Navy	Yes	Yes	Yes	Yes
81	Navy	Yes	Yes	Yes	Yes
82	Navy	No	Yes	Yes	No
83	Army	Yes	Yes	Yes	Yes
84	Air Force	No	No	No	No

Table 6. Documentation Supporting the DoD's Reported COVID-19 Purchases (cont'd)

Sample Number	Component	Valid Prior Approval	Valid Proof of Purchase	Verification Goods or Services Were Received	Purchases Had All Required Documentation
85	Army	Yes	Yes	Yes	Yes
86	ODO	Yes	Yes	No	No
87	Army	Yes	No	No	No
88	Army	Yes	Yes	Yes	Yes
89	Air Force	Yes	Yes	No	No
90	Air Force	No	Yes	Yes	No
91	Army	Yes	Yes	No	No
92	Navy	Yes	Yes	Yes	Yes
93	Army	No	No	Yes	No
94	Air Force	No	No	Yes	No
95	Army	Yes	Yes	Yes	Yes
96	Navy	Yes	Yes	Yes	Yes
97	Air Force	No	Yes	No	No
98	Army	No	No	No	No
99	Army	No	Yes	Yes	No
100	Army	No	Yes	Yes	No
101	ODO	No	Yes	Yes	No
102	Air Force	No	Yes	Yes	No
103	Army	No	Yes	Yes	No
104	Navy	Yes	Yes	Yes	Yes
105	Army	Yes	Yes	Yes	Yes
106	Air Force	No	Yes	Yes	No
107	Army	Yes	Yes	Yes	Yes
108	ODO	Yes	Yes	Yes	Yes
109	Air Force	No	Yes	Yes	No
110	Army	No	Yes	Yes	No
111	Air Force	No	Yes	Yes	No
112	Air Force	Yes	Yes	No	No
113	Navy	Yes	Yes	Yes	Yes
114	ODO	Yes	Yes	No	No
115	Army	Yes	Yes	Yes	Yes

Table 6. Documentation Supporting the DoD's Reported COVID-19 Purchases (cont'd)

Sample Number	Component	Valid Prior Approval	Valid Proof of Purchase	Verification Goods or Services Were Received	Purchases Had All Required Documentation
116	Air Force	No	No	Yes	No
117	ODO	Yes	Yes	Yes	Yes
118	Air Force	No	Yes	Yes	No
119	ODO	Yes	Yes	Yes	Yes
120	Air Force	No	Yes	Yes	No
121	Air Force	No	Yes	No	No
122	Army	Yes	Yes	Yes	Yes
123	Navy	Yes	Yes	Yes	Yes
124	Navy	Yes	Yes	Yes	Yes
125	Air Force	No	No	Yes	No
126	Air Force	No	Yes	No	No
127	Air Force	Yes	Yes	No	No
Total Count of Missing Documentation		34	11	18	45

* The merchant canceled this order after the purchase, so the DoD did not receive the item and therefore was not required to have a receiving report

Source: The DoD OIG.

Appendix E

Summary of Potential Monetary Benefits

We identified \$53.2 million projected from purchases that did not support the DoD's COVID-19 response and \$52 million projected from purchases that did not obtain or maintain required supporting documentation.

Table 7 identifies the projected amounts of questioned costs for purchases that did not support the DoD's COVID-19 response or purchases that did not obtain or maintain required supporting documentation and are considered questioned costs as defined by the Inspector General Act of 1978, section 405, title 5, United States Code (5 U.S.C. § 405).

Table 7. Potential Monetary Benefits Resulting from Questioned Costs

Recommendation	Type of Benefit	Amount of Benefit	Account
1.a and 1.b	Questioned Costs	\$53.2 million projected from purchases that did not support the DoD's COVID-19 response	Multiple accounts could be impacted
1.c	Questioned Costs	\$52 million projected from purchases that did not obtain or maintain required supporting documentation	Multiple accounts could be impacted

Note: Potential monetary benefits are funds put to better use or questioned costs.

Source: The DoD OIG.

Based on the statistical sample (discussed in Appendix A and Appendix B) of 127 purchases, We statistically project, with a 95 percent confidence level, that \$86.7 million (36 percent) of \$242.6 million in questionable purchases did not support the DoD's response to COVID-19, had missing purchase card documentation, or met both of these conditions from March 2020 through January 2022.

Principal Director for Defense Pricing and Contracting Comments

The Principal Director, DPC, stated that the subject draft report includes the following questioned cost categories in its potential monetary benefit calculations: (1) purchases that did not support the DoD's response to COVID-19, (2) had missing documentation, or (3) met both conditions. The DPC agrees cardholders should not have administratively miscategorized purchases as being made in support of

the DoD's COVID response. However, as the report concludes this first category of purchases appears to be DoD related (for example, fulfilled legitimate DoD requirements), the Principal Director recommended excluding them from the potential monetary benefit identified in the final report.

Our Response

We disagree. The purchases that did not support the DoD's response to the COVID-19 pandemic should be considered a questioned cost. Specifically, the purchases we reviewed during this audit were included on the DoD's "COVID-19 Transaction Report." DPC officials stated that the DoD's "COVID-19 Transaction Report" was designed to satisfy all COVID-19 reporting requirements.

The Inspector General Act of 1978, 5 U.S.C. § 405, as amended, defines questioned costs as costs that are questioned by the Office of Inspector General because of:

- (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- (B) a finding that, at the time of the audit, the cost is not supported by adequate documentation; or
- (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Our conclusion is that the purchases that did not support the DoD's response to the COVID-19 pandemic should be considered a questioned cost. DPC officials stated that these transactions were reported as being for the DoD's COVID-19 response and satisfy all COVID-19 reporting requirements. Specifically, we concluded that the expenditure of funds were not necessary or reasonable for the intended and reported purpose (the DoD's COVID-19 response) and, therefore, met the definition of a questioned cost above. We request that the Principal Director, DPC, reconsider their position and provide additional comments on the inclusion of these questioned costs as potential monetary benefit within 30 days of the final report.

Management Comments

Defense Pricing and Contracting



OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION, CONTRACTING, AND SUSTAINMENT, OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Response to Department of Defense Inspector General Draft Report, “Audit of Department of Defense Use of the Government Purchase Card in Response to the Coronavirus Disease–2019 Pandemic” (Project No. D2022-D000AX-0143.000)

References: (1) Defense Pricing and Contracting, Contracting eBusiness Memorandum, “Governmentwide Commercial Purchase Card Guidance Related to Recording 889 Designation and Emergency-type Operation Values (GPC 2022-02),” dated June 29, 2022 (page 1) (<https://www.acq.osd.mil/asda/dpc/ce/pc/docs-guides.html>)

(2) Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs (pages A-10, A-42 and A-44) (<https://www.acq.osd.mil/asda/dpc/ce/pc/docs-guides.html>)

As requested, below is the Department of Defense’s (DoD’s) response to the recommendations contained in the subject draft report.

Recommendation 1: The DoD Inspector General (DoDIG) recommends that the Principal Director, Defense Pricing and Contracting (DPC), in coordination with DoD Component Program Managers:

- a. Re-emphasize to DoD agency heads, heads of contracting activities, and Government Purchase Card (GPC) program officials the importance of tracking, reviewing, and reporting GPC transactions made in support of contingency operations.

Response: Concur. DPC will issue policy and conduct training to re-emphasize the importance of tracking, reviewing, and reporting transactions made in support of contingency operations.

To promote policy compliance and improve data integrity, thereby enhancing the ability to accurately track, review and report on GPC purchases, DPC issued Reference 1, phasing in standardized electronic purchase log entries in the card-issuing bank’s Electronic Access System (EAS) for certain data elements, including a contingency operations drop-down picklist. At the start of the COVID-19 pandemic, Cardholders (CHs) entered free-form contingency operations purchase log entries; for COVID, these included COVID, Corona, National Interest Action code P20C, and various misspellings. Reference 1 eliminated these inconsistencies and data entry errors, but due to EAS limitations, it applied only to a limited number of Components. Recent EAS enhancements will enable the Enterprise-wide deployment of capabilities enabling CHs to complete purchase log entries (including a

Defense Pricing and Contracting (cont'd)

contingency operations picklist) for each GPC transaction, implemented in waves concluding by the end of the first quarter of FY 2025.

- b. Develop and implement a process to review, at least semi-annually for each ongoing contingency operation, the Components' follow-up reviews to ensure these reviews are conducted and are effective.

Response: Concur. Once fully deployed, the purchase log enhancements will enable Components to easily identify transactions in support of contingency operations. DPC will issue policy that establishes and implements a process requiring Components to review, at least semi-annually, that the follow-up reviews are being conducted, effective, and that corrective actions are being planned/taken for any non-compliances. Components will be required to use the Semi-Annual Head of Activity Review process to document compliance.

At least on an annual basis during Integrated Solutions Team GPC governance board meetings, DPC will require select Component Program Managers to brief attendees on Departmental compliance and any corrective actions planned/taken, by the end of the third quarter of FY 2024.

- c. Develop and implement a plan of action to make program improvements that address the oversight deficiencies identified in this report related to cardholder retention of required supporting documentation. Specifically, the plan should cover the documentation needed to support that the cardholder obtained:

- prior purchase approval and verified funding availability,
- a detailed receipt or invoice to show the goods or services purchased, and
- evidence that the DoD received and accepted the goods or services purchased.

Response: Concur. DPC will develop a plan of action to implement program improvements addressing the identified oversight deficiencies related to CH retention of required supporting documentation. This will include ensuring that, in accordance with the requirements of Reference 2, the CH obtained:

- prior purchase approval (that is, a written requirements request from a requestor other than the CH, except for self-generated purchases) and verified funding availability,
- a receipt or invoice showing goods or services purchased, and
- evidence of DoD receipt and acceptance of goods or services purchased.

Reference 2 defines a self-generated purchase as one that does not require a written requirements request from the requestor and specifies additional documentation and approval requirements. It also requires retention of receipts or invoices but not "detailed receipts," as the Department has no control over what type of receipt commercial vendors issue. In terms of invoices, Reference 2 requires the GPC's card-issuing bank to provide an official monthly billing invoice, identifying the details of all the CH's monthly GPC transactions.

DPC will develop and implement this plan by the end of the fourth quarter of FY 2024.

Defense Pricing and Contracting (cont'd)

The subject draft report includes the following questioned cost categories in its potential monetary benefit calculations: (1) purchases that did not support the DoD's response to COVID-19, (2) had missing documentation, or (3) met both conditions (see page 7, including footnote 6). DPC agrees Cardholders should not have administratively miscategorized purchases as being made in support of DoD's COVID response. However, as the report concludes this first category of purchases appears to be DoD-related (i.e., fulfilled legitimate DoD requirements), we recommend excluding them from the potential monetary benefit identified in the final report.

For any additional information, my point of contact for this report is [REDACTED] at [REDACTED] or [REDACTED].

TENAGLIA
.JOHN.M.

John M. Tenaglia
Principal Director,
Defense Pricing and Contracting

Acronyms and Abbreviations

A/OPC	Agency/Organization Program Coordinator
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
COVID-19	Coronavirus Disease-2019
CPM	Component Program Manager
DPC	Defense Pricing and Contracting
FAR	Federal Acquisition Regulation
GPC	Government Purchase Card
ODO	Other Defense Organization
OMB	Office of Management and Budget

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