

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**EMERGENCY RESPONSE TO  
HURRICANE KATRINA: USE OF  
THE GOVERNMENT PURCHASE  
CARD**



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## E X E C U T I V E   S U M M A R Y

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### OBJECTIVE

1. To determine whether Government purchase card purchases related to Hurricane Katrina complied with selected requirements for the use of the card.
2. To identify lessons learned from Hurricane Katrina purchases to assist in the administration of the Government purchase card program during future emergency situations.

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### BACKGROUND

The Government purchase card program was designed to save the Government money by avoiding costly paperwork and to expedite the process of making purchases. According to U.S. Bank data, Department of Health and Human Services (HHS) cardholders used Government purchase cards to make 851,511 purchases, totaling approximately \$458 million in calendar year (CY) 2005.

On September 8, 2005, in response to Hurricane Katrina, Congress authorized agencies to streamline certain purchasing requirements for procurement of supplies or services to support rescue and relief operations. In response, the Office of Management and Budget and HHS issued guidance regarding management controls for implementing temporary changes to normal purchasing requirements. Of the total CY 2005 purchases, HHS officials identified 1,139 purchases totaling \$2,109,173 related to Hurricane Katrina for the period of August 28 through December 14, 2005. For a stratified sample of 243 of these Hurricane Katrina purchases, we assessed whether the purchases complied with selected requirements for the use of the card. We interviewed 62 cardholders who made these 243 purchases to gather relevant documentation.

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### FINDINGS

**Fifteen percent of purchases did not comply with selected purchase card requirements.** Instances of noncompliance included purchases that lacked proof of approving official review, purchases made by unauthorized persons, and purchases that lacked documentation. Some purchases involved more than one area of noncompliance.

**Cardholders had concerns regarding the legality and complexity of some purchases and over half of cardholders expressed the need for additional written guidance regarding emergency purchasing procedures.** The Office of Inspector General did not find any Hurricane Katrina purchases that were fraudulent. However, some cardholders questioned whether purchases were allowable and desired further interpretations of HHS guidance. Less than half of cardholders reported receiving any written guidance specifically related to Hurricane Katrina purchasing. Cardholders expressed the need for general emergency guidance and more vendor information.

**Hurricane Katrina purchase data contained inaccuracies.** The listing of Hurricane Katrina purchases provided to us did not identify the cardholder name or the account number associated with the purchases. After selecting the sample of 251 purchases, we dropped 8 purchases because, upon contacting cardholders, we found that the purchases either were not Katrina related or duplicated another purchase in the sample.

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## RECOMMENDATIONS

We recommend the following to the Assistant Secretary for Administration and Management (ASAM):

**Provide additional written guidance on emergency purchasing procedures.** This guidance should include (1) examples of allowable and unallowable purchases in an emergency, (2) the way to ensure delivery to a location other than the cardholder's office, and (3) advice on locating and communicating with vendors during an emergency.

**Require training on emergency purchasing procedures.** Such training should be conducted for cardholders and approving officials initially when a Government purchase card is issued and during annual refresher training. Agencies could consider conducting mock scenarios in which cardholders are faced with making within a very short timeframe purchasing decisions on items that are significantly different from those normally requested.

**Develop a tracking system for monitoring Government purchase card purchases during emergency situations.** This system should detail recordkeeping procedures on how to log, track, and report emergency purchases to ASAM, including cardholder name, exact vendor name, and exact dollar amount, so that the data can be used for the purpose of oversight among multiple users. The system should be communicated

to Government purchase card program coordinators and cardholders before purchases are made in support of an emergency.

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## AGENCY COMMENTS

ASAM concurred with our recommendations. With regard to providing written guidance on emergency purchasing procedures, ASAM will add a separate appendix to existing purchase card guidance dedicated to the use of purchase cards during emergencies and develop a “quick reference” guide to aid cardholders during emergency and non-emergency situations. With regard to required training on emergency purchasing procedures, ASAM will revise the HHS University purchase card training course to encompass instructional content, mock scenarios, and roles and responsibilities designed specifically for emergency situations. Finally, ASAM is exploring the feasibility of building a single system for processing and reporting purchase card spending during emergency and nonemergency situations.

This evaluation was conducted in conjunction with the President’s Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal Government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors General reviews of this important subject.

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## OBJECTIVE

1. To determine whether Government purchase card purchases related to Hurricane Katrina complied with selected requirements for the use of the card.
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## BACKGROUND

Hurricane Katrina hit the Gulf Coast on August 29, 2005. On September 8, 2005, Public Law 109-62 authorized agencies to streamline certain purchasing requirements for procurement of supplies or services to support rescue and relief operations. On the same day, Senators Grassley, Collins, and Lieberman wrote a letter to Senate and House of Representatives leadership raising questions about whether this action might lead to fraud or other questionable purchases.

According to U.S. Bank data, the Department of Health and Human Services (HHS) cardholders used Government purchase cards to make 851,511 purchases, totaling approximately \$458 million in calendar year 2005. HHS cardholders reported to the Office of Acquisition Management and Policy (OAMP) that they made 1,139 purchases totaling \$2,109,173 related to Hurricane Katrina for the period of August 28 through December 14, 2005.

In a prior study, “International Merchant Purchase Authorization Card Program: Review of Calendar Year 2001 Transactions” (OEI-07-02-00510), which examined purchases using the Government purchase card, the Office of Inspector General (OIG) identified 44 percent of purchases that did not comply with requirements for the use of the card. In addition, cardholders either did not follow established purchasing procedures or did not know or understand the procedures.

### **Government Purchase Card Program Guidance**

The Government purchase card program was designed in 1989 to save the Government money by avoiding costly paperwork and to expedite the process of making purchases. To protect against unauthorized or fraudulent use of purchase cards, the “Treasury Financial Manual,” Vol. 1, Part 4, section 4525, requires each agency to have its own

internal procedures for using purchase cards. When the Government purchase card program came into effect, HHS issued guidelines for its agencies to use in developing their individual operating procedures.<sup>1</sup> HHS guidelines require that cardholders take precautions to prevent others from using their cards, that approving officials review purchases prior to forwarding the monthly statement for payment, and that purchasers maintain a paper trail that will support all purchases and be available to anyone auditing the process. In addition, cardholders should instruct vendors not to charge sales tax on purchases. HHS guidelines require that agency procedures not be less restrictive than departmental guidelines. Table 1 shows the date of issuance of Government purchase card guidance that was in effect for the Hurricane Katrina-related purchases reviewed in this study.

**Table 1: Issue Dates of Agency Procedures in Effect During Hurricane Katrina**

HHS Agency	Guidance Issue Date
Centers for Disease Control and Prevention	October 2004
Food and Drug Administration	July 2005
Health Resources and Services Administration	January 2004
National Institutes of Health	February 2002
Program Support Center	July 2003
Substance Abuse & Mental Health Services Administration	August 2001

Source: Office of Inspector General, 2006.

In addition to HHS guidelines and agency operating procedures, three other documents contain guidance pertaining to Government purchase cards: the Federal Acquisition Regulation (FAR); Title 5, section 1315.12 of the Code of Federal Regulations; and the contract between the Government and U.S. Bank (the card-issuing bank for HHS). Government purchase cards are generally used for small purchases, also

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<sup>1</sup> “Policy Guidelines for the Use of U.S. Government Bankcards,” Department of Health and Human Services, September 12, 1989. The 1989 guidelines were in effect during the time of this study. Subsequent to our review, in May and November 2006, the Assistant Secretary for Administration and Management issued “Purchase Card Guide,” Versions 1 and 2.

called micro-purchases. The FAR defines a micro-purchase as an acquisition of supplies or services not exceeding \$2,500.<sup>2</sup>

Appendix B of the Office of Management and Budget (OMB) Circular A-123 states that all Government purchase card cardholders must be trained prior to appointment and that they must take refresher training, at a minimum, every 3 years. The training must provide general information on how to use a charge card and must inform cardholders of Federal procurement laws and regulations, agency procedures, and proper card use.

#### **Guidance Related to Hurricane Katrina Purchases**

Section 101(2) of the Second Emergency Supplemental Appropriations Act To Meet Immediate Needs Arising From the Consequences of Hurricane Katrina, 2005 (the Act) (Public Law 109-62), enacted on September 8, 2005, raised the micro-purchase threshold from \$2,500 to \$250,000 for procurement of supplies or services to support Hurricane Katrina rescue and relief operations.

On September 13, 2005, OMB issued a memorandum to Federal chief acquisition officers and chief financial officers that outlined management controls for implementing the increased micro-purchase threshold. The guidance applied to all micro-purchases, but made specific references to purchases made with the Government purchase card. The guidance stated that there was no blanket increase of cardholder authority: each agency had to identify in writing those individuals who were authorized to use the higher threshold and those individuals had to be working directly on Hurricane Katrina-related acquisitions. Agencies were required to notify U.S. Bank to raise monthly and single purchase limits and ensure that cardholders had sufficient training for the increased limit. The guidance also stated that agencies were required to establish and communicate policies and procedures for determining whether a transaction was in support of Hurricane Katrina rescue and relief operations and therefore allowable under section 101(2) of the Act.

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<sup>2</sup> At the time of our review, section 2.101(b) of the FAR stated that the micro-purchase threshold was \$2,500 except for certain construction purchases and purchases to support a contingency operation or to facilitate defense against, or recovery from, nuclear, biological, chemical, or radiological attack. Federal Acquisition Circular 2005-13, issued on September 28, 2006, amended the FAR to raise the micro-purchase threshold to \$3,000.

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OAMP issued a memorandum on September 19, 2005, outlining the responsibilities for Hurricane Katrina purchasing for agency heads. The memorandum emphasized that increasing the micro-purchase threshold was not the same as increasing purchase card limits, and reiterated the September 13, 2005, OMB guidance regarding management controls for implementing the increased micro-purchase threshold. On September 21, 2005, OAMP issued guidance to cardholders deployed along the Gulf Coast. The guidance stressed that purchases must still be made “in accordance with the policies and procedures of the cardholder’s operating division” and that “receipts and records must be maintained as directed and to the extent practicable.” On October 3, 2005, OMB issued guidance to Federal agencies that returned the micro-purchase threshold to the pre-Hurricane Katrina level of \$2,500.

### **Assistance to HHS Cardholders During Hurricane Katrina**

OAMP established an operations center staffed by procurement officials 12 hours per day for approximately 3 weeks following Hurricane Katrina. The purpose of the operations center was to respond to questions and interpret guidance on Hurricane Katrina Government purchase card purchases, particularly the OAMP memoranda described above. Personnel in the operations center also made Government purchase card purchases based on agency requests.

### **Previous Office of Inspector General Work**

OIG completed a study of the Government purchase card program across HHS entitled “International Merchant Purchase Authorization Card Program: Review of Calendar Year 2001 Transactions,” (OEI-07-02-00510). This study found that 44 percent of purchases did not fully comply with requirements for using the Government purchase card, as described in departmental and agency guidance. This included lack of approving official review, lack of purchase documentation, and/or lack of object class code. These results were based on projections using a random sample of 400 purchases and a review of internal controls.

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## METHODOLOGY

We requested and received from OAMP a listing of each agency’s self-reported Government purchase card purchases related to Hurricane Katrina for the period August 28 to December 14, 2005 (1,139 purchases totaling \$2,109,173). We excluded all purchases less than \$25 because of low risk to HHS and transaction fees, because they did not represent

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actual purchases (77 charges totaling \$4,133.46). This left 1,062 purchases totaling \$2,105,039.52.

To produce estimates of both the amount and percentage of purchases that did not comply with requirements for using the Government purchase card, we selected a stratified sample of 251 purchases in 4 strata. Prior to selecting the sample, we examined the entire population for purchases that appeared atypical or questionable (e.g., a purchase that involved an unfamiliar vendor) and combined those with all purchases over \$10,000. This combination created stratum 4. There were a total of 76 purchases in stratum 4—38 were purchases under \$10,000 that appeared to be atypical or questionable, and 38 were purchases over \$10,000. The remaining purchases were then stratified by dollar amount into strata 1, 2, and 3. We dropped 8 purchases from the sample after we learned during fieldwork that they were reported as Hurricane Katrina purchases in error, leaving 243 purchases. A description of the 4 strata, with their population and sample sizes, is shown in Table 2 below.

<b>Strata Definition</b>	<b>Population Size</b>	<b>Sample Size</b>	<b>Adjusted Population Size</b>	<b>Adjusted Sample Size</b>
1. Purchases between \$25.00 and \$499.99	544	40	544	40
2. Purchases between \$500.00 and \$2,499.99	341	60	341	60
3. Purchases between \$2,500.00 and \$9,999.99	101	75	98	73
4. Purchases over \$10,000.00 and purchases that appeared atypical or questionable	76	76	70	70
<b>Total</b>	<b>1,062</b>	<b>251</b>	<b>1,053</b>	<b>243</b>

Source: Office of Inspector General, 2006.

We used U.S. Bank data for all HHS Government purchase card purchases occurring between August 28 and December 14, 2005, to determine the name and location of each cardholder associated with the sampled purchases. The majority of cardholders that made Hurricane Katrina purchases were located in the Atlanta, Georgia, and Washington, DC, metro areas.

We conducted onsite visits with cardholders in these locations, gathering documentation to determine compliance with 3 requirements for using the purchase card: (1) evidence that the purchase was made by the authorized cardholder, (2) sufficient documentation to support

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the purchase, and (3) evidence of approving official review. We also conducted structured interviews with cardholders. For cardholders in locations other than Atlanta, Georgia, and Washington, DC, or those unavailable at the time of our onsite visits, we collected documents via mail and conducted telephone interviews. In total, we interviewed 62 cardholders regarding the 243 purchases, representing a 100-percent response rate. Because some cardholders did not have complete information on the decisionmaking process surrounding the purchases, we also interviewed other agency officials as appropriate.

For this report, the sampling frame was comprised of purchases made by HHS cardholders during our review period. Because the sampling unit was a purchase and the cardholder could have made several purchases, our estimates are of the population of purchases and not cardholders.

### **Standards**

This study was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

**Fifteen percent of purchases did not comply with selected purchase card requirements**

Fifteen percent of purchases did not comply with HHS guidelines and agency procedures related to three key elements.<sup>3</sup> The

elements of noncompliance include lack of approving official review, use of Government purchase cards by unauthorized persons, and insufficient purchase documentation. The most prevalent element of noncompliance was those purchases lacking approving official review; however, some purchases involved more than one element of noncompliance. More than one-quarter of the dollar amount (\$550,116 of \$2,105,039) of Hurricane Katrina purchases did not comply with purchase card requirements. Because some of these purchases involved more than one element of noncompliance, an estimate of the population is given for purchases that lacked approving official review, but only the sample data are given for the other two elements of noncompliance. Appendix A provides the number of purchases in our sample for each element of noncompliance. Appendix B provides the confidence intervals for the projected number and dollar amount of purchases that did not comply with selected purchase card requirements. These instances of noncompliance are not unique to Hurricane Katrina purchases (see the description of our prior study on page 4); however, we note that some Hurricane Katrina purchases also included the following aspects: high-dollar requests, unfamiliar vendors, atypical items, and remote cardholders.

**Purchases lacked proof of approving official review**

For 13 percent of purchases totaling \$483,242, cardholders either did not obtain or maintain evidence of approving official review, even though this review was one of the fundamental methods of oversight in the Government purchase card program. HHS guidelines require approving officials to review accounts prior to forwarding information to their respective finance offices for payment. Agency procedures for all of the agencies represented in our sample provide greater specificity on approving official review, including: (1) what approving officials must do (i.e., reviewing invoices, packing slips, or other appropriate purchase

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<sup>3</sup> HHS guidelines broadly define requirements of the Government purchase card program. Agency procedures operationalize these requirements by further describing administrative responsibilities (e.g., maintaining specific documents to support purchases). Hereinafter, we refer to purchase card requirements to include both HHS guidelines and agency procedures.

documentation) and (2) how they must do it (i.e., signing the bottom of card statements or using electronic automated systems to document review). Approving officials maintain the integrity of the Government purchase card program by monitoring cardholder actions and ensuring the proper use of the Government purchase card. A lack of approving official review may increase the likelihood that improper or fraudulent purchases will go undetected.

#### **Unauthorized persons made Government purchase card purchases**

For 16 of the 243 sampled purchases (8 of which also lacked approving official review), four individuals other than the authorized cardholders made the purchases.<sup>4</sup> HHS guidelines expressly prohibit anyone other than the cardholder from making purchases.<sup>5</sup> When we requested detailed information regarding these purchases, the authorized cardholders were unable to provide complete information about the purchases, including the necessity of the purchase and vendor selection. Examples of purchases made by unauthorized persons included: 15 printers (\$7,350 total), a business card scanner (\$220), magnetized signs (\$290), and computer software (\$535). In addition, one of the unauthorized persons paid sales tax totaling \$192.77 on three purchases, which should not have been paid.

#### **Purchases lacked documentation**

For 9 of the 243 purchases (3 of which also lacked approving official review), cardholders could not provide sufficient documentation (e.g., invoice, receipt) to support the purchases.<sup>6</sup> HHS guidelines state the need to maintain a paper trail “. . . that will support all purchases and be available to anyone auditing the process.”<sup>7</sup> Agency procedures implement this by requiring cardholders or approving officials to obtain charge slips, cash register receipts, packing slips, or invoices or to include a statement in the files explaining why such documentation does not exist and what steps were taken to collect the missing documentation.

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<sup>4</sup> Because of the low number of cases, we do not project these purchases to the universe.

<sup>5</sup> “Policy Guidelines for the Use of U.S. Government Bankcards,” Department of Health and Human Services, September 12, 1989.

<sup>6</sup> Because of the low number of cases, we do not project these purchases to the universe.

<sup>7</sup> “Policy Guidelines for the Use of U.S. Government Bankcards,” Department of Health and Human Services, September 12, 1989.

## FINDINGS

More than half of cardholders (36 of 62) arranged shipments of purchases to alternative locations. Of those 36 cardholders, 15 did not require the person who received the purchase to send packing slips or invoices back to the cardholder. In some cases, receivers either e-mailed or telephoned the cardholder to confirm receipt. In other instances, cardholders made an assumption that if the receiver did not indicate otherwise, the person received the item. For example, one cardholder purchased a \$1,200 printer and arranged for it to be shipped to an out-of-State hotel room, where an epidemiologist was temporarily stationed. The cardholder attempted via cellular telephone to verify that the item had been received; however, the individual was not located and delivery of the item was not confirmed. Ultimately, the cardholder had no proof that the item was received.

**Cardholders had concerns regarding the legality and complexity of some purchases and over half expressed the need for additional written guidance regarding emergency purchasing procedures**

We did not find any Hurricane Katrina purchases that were fraudulent. However, some purchases that cardholders made raised concerns regarding the legality of the purchases and other

purchases demonstrate the complexity of making purchases in an emergency situation. Finally, many cardholders expressed the need for additional written guidance regarding emergency purchasing procedures.

**Cardholders had concerns regarding the legality of some purchases**

Food for call center volunteers: A cardholder purchased food for volunteers staffing a call center during the initial weekend following Hurricane Katrina. Because the cardholder was uncertain of the legality of making food purchases and the purchases needed to be accomplished quickly, the cardholder sought legal guidance before proceeding.

Stress balls, pens, and shirts: Stress balls were purchased for emergency responders, pens were purchased for call center employees, and shirts were purchased to identify Federal staff deployed to the affected area. The cardholder did not seek legal guidance on these purchases before making them; the cardholder sought legal guidance only as a result of a Government purchase card audit. By that time, the stress balls, pens, and shirts had largely been distributed.

**Other purchases demonstrate the complexity of making purchases in an emergency situation**

Cardholders described their Hurricane Katrina purchasing experience as “hectic” and “responding to immediate needs.” Thirty-one percent of cardholders with whom we spoke (19 of 62) characterized purchasing for Hurricane Katrina as “significantly different than normal operations.” The following three purchases reported to us by cardholders illustrate challenging circumstances that occurred.

Transportation of nurses: From a temporary hospital in Mississippi established to assist Hurricane Katrina evacuees, bus service was arranged to return nurses to their regular duty station in North Carolina. However, the bus driver transported them to a different location than what was contracted. The Government did not incur a loss because of this change, but the purpose of the transportation for which the contract was authorized was not fulfilled as ordered, creating confusion over how much was spent and for what purpose.

Lease/purchase of boat: A boat was quickly needed to collect fish and shellfish samples from lakes in Louisiana. The cardholder provided documentation to us indicating confusion about whether the agency was leasing or buying the boat from the vendor. Ultimately, the agency settled with the vendor whereby the title of the boat and related equipment were transferred to the agency for a lump sum payment of \$5,000.

Travel and per diem: A cardholder wrote convenience checks<sup>8</sup> to two scientific grantees to provide for travel expenses and 10 days’ per diem in the Washington, DC, metro area so that research could continue after their New Orleans, Louisiana, laboratory was destroyed. The cardholder explained to us that the grantees did not have access to bank accounts immediately after the hurricane, so they could not receive these funds via electronic funds transfer. Writing convenience checks made payable to individuals is an atypical situation; however, rather than the grantees incurring expenses and then seeking reimbursement, these individuals received “cash” upfront for expenses that they may not have incurred. Also of concern, the cardholders’ records that provided a

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<sup>8</sup> Convenience checks are a vehicle of payment to be used only in rare circumstances, such as when a merchant cannot accept purchase cards. There are transaction fees associated with the use of convenience checks. Agencies differ on the program guidance that applies to convenience checks (e.g., the types of purchases that can be made with convenience checks).

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breakdown of expenses (\$440 for travel and \$1,660 for per diem, for a total of \$2,100 for each scientist) did not equal the amounts of the checks written to the grantees.

### **Over half of cardholders expressed the need for additional written guidance regarding emergency purchasing procedures**

Despite a 3-week presence at HHS headquarters by two individuals designated as the key contact persons for Hurricane Katrina purchasing, only one sampled cardholder was aware of and sought purchasing advice from these experts. Had cardholders been aware of these contact persons, cardholders could have used the expertise of the designated persons to interpret HHS guidelines. Fifty-two percent of cardholders with whom we spoke (32 of 62) would have liked to receive additional written guidance concerning emergency purchasing procedures. For Hurricane Katrina purchases, one-third of cardholders (21 of 62) noted that there were changes from established purchase card requirements. For example, cardholders described increased micro-purchase or Government purchase card spending limits, the waiving of merchant cost comparison requirements, and the purchasing of items that are not usually acquired with the card (e.g., car rental). Less than half of cardholders reported receiving any written guidance specifically related to Hurricane Katrina purchasing (e.g., memoranda from OMB and/or OAMP), and only one cardholder reported receiving training specific to Hurricane Katrina purchasing. In our interviews, cardholders expressed the need for further guidance in the following areas:

- General emergency guidance. When asked what content areas should be included in written guidance on emergency purchasing procedures, 15 cardholders expressed interest in receiving additional information on how the processes for emergency purchasing differ from those for normal purchasing. Nine cardholders specifically requested a list of items that can and cannot be purchased during an emergency.

Underscoring the expressed need for general emergency guidance, 10 cardholders reported that requests for some purchases made them feel uncomfortable, and 6 cardholders made at least some of these purchases. As an example, one cardholder was requested to purchase board games and televisions for a recreational area within a temporary hospital. This cardholder decided not to make the purchase. The temporary hospital went unused.

- Vendor information. As previously mentioned, some cardholders characterized their purchasing for Hurricane Katrina as “significantly different than normal operations.” For example, nine cardholders cited that they had to purchase items that were significantly different from their regular purchasing (e.g., telephone calling cards, a commercial dishwasher). Sixteen cardholders faced challenges with regard to locating a vendor that could deliver the requested item within the specified timeframe. Cardholders also mentioned challenges with vendors accepting the Government purchase card as a form of payment and honoring the Federal Government’s tax-exempt status.

**Hurricane Katrina purchase data contained inaccuracies**

OAMP formed a departmental Hurricane Katrina Acquisition Working Group to ensure prudent

stewardship of taxpayer funds in support of rescue and relief efforts. To meet the information needs of various Government agencies, OAMP directed agency Government purchase card program coordinators to report Hurricane Katrina purchases on a weekly basis. For cardholders supported by the Program Support Center, the first request for this information came on November 3, 2005, 2 months after Hurricane Katrina made landfall.

We found that the listing of purchases contained inaccuracies. After selecting the sample of 251 purchases, we dropped 8 because, upon contacting cardholders, we found that the purchases either were not Katrina related or duplicated another purchase in the sample. For example, a purchase of \$822 was originally in the universe of Hurricane Katrina purchases. However, the purchase was for a training class related to procurement; it was not in support of or response to Hurricane Katrina. Additionally, the agency-reported listing indicated “Dalmation Systems” as the vendor name for another purchase. After attempting to verify this with U.S. Bank data, we found the vendor name was actually “Datamation Systems.” Similarly, a vendor identified as “Café Express.com” was actually “Cafepress.com,” a company that sold customized apparel.

Although agencies provided Government purchase card purchase data as OAMP requested, the information was insufficient for the purpose of oversight among multiple users. OAMP did not require the cardholder to identify the cardholder name or account number associated with each

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purchase. To contact cardholders for this evaluation, we had to match the listing with U.S. Bank data for all HHS Government purchase card purchases. This matching process proved difficult because the listing of purchases contained incorrect amounts and incorrect vendor names, the primary fields available to identify cardholders.

We contacted the agency Government purchase card program coordinators to identify the cardholders associated with some purchases. One agency program coordinator was unable to provide accurate information. This agency program coordinator attributed five separate purchases, each in the amount of \$1,234.15, to Dell Computer to a single cardholder. When we contacted this cardholder, the cardholder did not recognize the purchases, so we recontacted the agency program coordinator. The coordinator then provided the name of another cardholder. This cardholder indicated making only two of the five purchases of \$1,234.15. We then consulted the U.S. Bank data for all HHS Government purchase card purchases occurring on the reported date and found that yet another cardholder in the same agency had made one purchase of \$1,234.15 and a second purchase for twice that amount (\$2,468.30).



## R E C O M M E N D A T I O N S

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Because of the urgency of the purchases requested of cardholders for Hurricane Katrina, cardholders had to act swiftly to provide needed supplies or services to emergency responders. In many cases, cardholders were largely untrained in, and did not report receiving guidance pertaining to, Hurricane Katrina purchasing. In addition, the listing of HHS Hurricane Katrina purchases contained inaccuracies.

This study, similar to our earlier review of the calendar year 2001 HHS Government purchase card program, found that some cardholders made purchases that did not comply with purchase card requirements, specifically that they made purchases lacking approving official review and purchase documentation. Additionally, unauthorized persons made purchases in some instances. Noncompliance with purchase card requirements increases the potential risk of fraud or misuse.

Some cardholders raised concerns regarding the legality and complexity of some Hurricane Katrina purchases. In addition, over half of cardholders expressed the need for additional emergency purchasing guidance. Our findings identify areas of improvement for future emergency purchasing situations. We therefore recommend the following to the Assistant Secretary for Administration and Management (ASAM):

### **Provide additional written guidance on emergency purchasing procedures**

This guidance should include (1) examples of allowable and unallowable purchases in an emergency, (2) the way to ensure delivery to a location other than the cardholder's office, and (3) advice on locating and communicating with vendors during an emergency.

### **Require training on emergency purchasing procedures**

Such training should be conducted for cardholders and approving officials initially when a Government purchase card is issued and during annual refresher training. Agencies could consider conducting mock scenarios in which cardholders are faced with making within a very short timeframe purchasing decisions on items that are significantly different from those normally requested.

**Develop a tracking system for monitoring Government purchase card purchases during emergency situations**

This system should detail recordkeeping procedures on how to log, track, and report emergency purchases to ASAM, including cardholder name, exact vendor name, and exact dollar amount, so that the data can be used for the purpose of oversight among multiple users. The system should be communicated to Government purchase card program coordinators and cardholders before purchases are made in support of an emergency.

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**AGENCY COMMENTS**

ASAM concurred with our recommendations. With regard to providing written guidance on emergency purchasing procedures, ASAM will add a separate appendix to existing purchase card guidance dedicated to the use of purchase cards during emergencies and develop a “quick reference” guide to aid cardholders during emergency and nonemergency situations. With regard to required training on emergency purchasing procedures, ASAM will revise the HHS University purchase card training course to encompass instructional content, mock scenarios, and roles and responsibilities designed specifically for emergency situations. Finally, ASAM is exploring the feasibility of building a single system for processing and reporting purchase card spending during emergency and nonemergency situations. For the full text of ASAM’s comments, please see Appendix C.

➤ A P P E N D I X ~ A

<b>Purchases That Did Not Comply With Selected Purchase Card Requirements</b>	
<b>Description of Problem(s)</b>	<b>Number of Purchases</b>
Purchases That Lacked Proof of Approving Official Review	36
Purchases Made by an Unauthorized Person	16
Purchases That Lacked Documentation	9
Purchases That Lacked Proof of Approving Official Review and Were Made by an Unauthorized Person	8*
Purchases That Lacked Proof of Approving Official Review and Lacked Documentation	3*

\*These numbers include two problems and are also included in the single problem counts.

Source: Office of Inspector General analysis of purchases, 2006.

▶ A P P E N D I X ~ B

The following estimates are given at the 95-percent confidence level.

<b>Confidence Intervals for Purchases That Did Not Comply With Selected Purchase Card Requirements</b>				
	<b>Weighted Percentage of Purchases</b>		<b>Weighted Dollar Amount of Purchases</b>	
	Point Estimate	Confidence Interval	Point Estimate	Confidence Interval
Purchases That Did Not Comply With Purchase Card Requirements	15.5%	9.3% - 21.7%	\$550,116	\$507,670 - \$592,562
Purchases That Lacked Proof of Approving Official Review	12.7%	6.8% - 18.6%	\$483,242	\$449,128 - \$517,356

Source: Office of Inspector General analysis of purchases, 2006.

Agency Comments

 DEPARTMENT OF HEALTH & HUMAN SERVICES Office of the Secretary

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Assistant Secretary for Administration and Management  
Washington, D.C. 20201

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April 19, 2007

The Honorable Daniel R. Levinson, Inspector General  
Office of Inspector General  
Room 5541 Cohen Building  
330 Independence Avenue, S.W.  
Washington, D. C. 20201

Subject: **OIG Draft Report: “Emergency Response to Hurricane Katrina: Use of the Government Purchase Card,” OEI-07-06-00150**

Dear Inspector General Levinson:

Thank you for the opportunity to review your draft report, entitled “Emergency Response to Hurricane Katrina: Use of the Government Purchase Card” (OEI-07-06-00150). I agree with your recommendations and, as discussed during our productive March 29, 2007 meeting on this subject, have set a course of action to strengthen HHS’ Purchase Card Program.

The Department’s response to Hurricane Katrina occurred at a time when authorization and implementation of HHS’ Purchase Card Program was decentralized whereby each OPDIV had its own procedures for issuing cards, training cardholders, and providing oversight. Since that event, my organization’s Office of Acquisition Management and Policy (OAMP) has established a common Departmental purchase card management control framework. As part of that framework, OAMP performs regular surveillance of HHS purchase card activity through reviews, close monitoring of OPDIV quality control procedures, and use of the HHS Servicing Bank’s (U.S. Bank’s) specialized software applications for detecting potential card misuse. Further, the HHS Purchase Card Guide (issued May 2006) now serves as the Department’s single-source document for policies governing HHS’ Purchase Card Program and will be the policy vehicle through which the recommendations contained in your report are implemented. Specifically:

Provide written guidance on emergency purchasing procedures: HHS’ Purchase Card Guide currently includes guidance on using the purchase card for emergency situations. OAMP will strengthen this information by adding a separate appendix dedicated to the use of purchase cards during emergencies. This addendum will address factors that may or may not change as a result of an emergency declaration, as well as management controls required for programs that use the purchase card during emergency response and recovery.

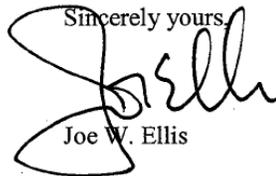
Moreover, OAMP will develop a “quick reference” guide to aid purchase card holders during emergency and non-emergency situations. ASAM’s target date for issuing both the appendix to the HHS Purchase Card Guide and “quick reference guide” is July 31, 2007.

Require training on emergency purchase procedures: OAMP has engaged HHS University to initiate improvements to existing purchase card training. By August 15, 2007 the revised course will encompass instructional content, mock scenarios and roles and responsibilities designed specifically for emergency situations. It will also address strategies for making optimum purchasing decisions for goods and services that are significantly different from those bought during non-emergency scenarios. Training requirements for purchase card holders are specified in the HHS Purchase Card Guide.

Develop a tracking system for monitoring Government Purchase Card purchases during emergency situations: On an interim basis, both U.S. Bank’s electronic system and OAMP’s emergency purchase manual log will be relied upon to analyze and report purchase card spending for emergency situations. For a longer-term solution, HHS’ Consolidated Acquisition System (HCAS) officials are exploring the feasibility of building a single, robust system for processing and reporting purchase card spending during emergency and non-emergency situations.

I appreciate the recommendations you have provided for improving the Department’s purchase card management controls. In addition, Marty Brown, recently selected as my new Deputy Assistant Secretary for Acquisition Management and Policy, shares my steadfast commitment to strengthen HHS’ Purchase Card Program. Marty and I look forward to working in partnership with you to ensure an efficient and effective Purchase Card Program for the Department.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. Ellis", written over the typed name "Joe W. Ellis".

Joe W. Ellis



## A C K N O W L E D G M E N T S

This report was prepared under the direction of Brian T. Pattison, Regional Inspector General for Evaluation and Inspections in the Kansas City regional office, and Gina C. Maree, Deputy Regional Inspector General.

Tricia Fields served as the team leader for this study. Other principal Office of Evaluation and Inspections staff from the Kansas City regional office who contributed to the report include Elander Phillips and Dennis Tharp; other regional and central office staff who contributed include Mary-Elizabeth Harmon, Mark Richardson, and Barbara Tedesco.