

**PUBLIC OVERSIGHT ROUNDTABLE ON
A REVIEW OF PURCHASES AND EXISTING
PROCEDURAL REQUIREMENTS ASSOCIATED WITH
THE DISTRICT OF COLUMBIA GOVERNMENT
PURCHASE CARD PROGRAM AND GOVERNMENT
TRAVEL CARD PROGRAM**

**Before the
Committee on Government Operations
Council of the District of Columbia**

The Honorable Vincent B. Orange, Sr., Chairman

**June 27, 2003, 10:00 a.m.
Council Chambers, 5th Floor
The John A. Wilson Building**



**Testimony of
Ben Lorigo, Executive Director
Office of Integrity and Oversight**

**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Orange, and members of the Committee on Government Operations. I am Ben Lorigo, executive director of the Office of Integrity and Oversight in the Office of the Chief Financial Officer (OCFO).

My office conducts audits and investigations for the Chief Financial Officer. We provide an independent review and appraisal of OCFO operations and programs to ensure the maintenance of the highest standards of honesty, integrity and conduct of OCFO employees. Our objective is to assist OCFO management in ensuring that integrity, accountability and efficiency are maintained in the District's financial management and tax administration systems. I report directly to Chief Financial Officer Natwar M. Gandhi.

Recently, the Mayor's office requested that the Office of Integrity and Oversight conduct a review of the District's purchase card program, in response to reported irregularities in the use of these cards. Subsequently, Dr. Gandhi requested that my office also conduct a separate review concerning a similar program — travel cards — which are issued solely for the use of government travel. Both of these reviews are underway, and I expect to issue our findings by mid-August.

There is currently no audit component in the existing purchase card contract. However, there have been multiple occurrences of potential fraud and abuse uncovered by associate chief financial officers, including incidents at DPW, DHS, and OPM. In each of these instances, internal investigations were conducted and later forwarded to the Inspector General for further review.

Using purchase cards for small purchases reduces paperwork and frees up resources to concentrate on large procurements. Yearly purchases total \$25 million, 2.5 percent of the District's total procurement value but 50 percent of the total procurement transactions. However, success of such a program depends upon early detection of transgressions and swift preventive managerial action. Recent audits have found these lacking and have found a range of problems, including acquisition of restricted items, lack of adequate documentation to support purchases made, acquisitions without prior written authorizations and without available funding, and splitting purchases to avoid single purchase limitations. These problems were the result of a lack of due diligence by management officials with responsibility for these expenditures.

The objectives of our current reviews of purchase and travel cards are:

- Determine whether purchase and travel cards are being used properly and in accordance with established laws, regulations, policies and procedures;
- Determine whether there are adequate internal controls over the issuance of purchase and travel cards and the payment of invoices;
- Document and highlight potential abuse and misuse within the purchase and travel card systems; and
- Make suggestions to improve the purchase and travel card systems.

Let me briefly update you on the status of our review. We have requested all cardholder records from the Office of Contracting and Procurement. We have also contacted the District's associate chief financial officers for their perspective from the financial side of the program. They reported that OCFO offices do not always receive or receive timely the necessary supporting documentation of purchases from the purchasing offices, which is needed for them to properly pay the bank

statements when received. To strengthen the integrity of the purchase and payment processes of this program, the OCFO will swiftly move to suspend any purchase card that is not providing the necessary purchasing information or when questionable or prohibited purchases are identified, and recommend to the Mayor that he take appropriate corrective actions. The Office of Contracting and Procurement supports and endorses this policy.

In addition, in view of the vulnerability of the purchase and travel card programs, the Chief Financial Officer has directed that my office's audit plan include review of these activities on a regular basis.

While effective management systems, internal controls, and due diligence are at the core of effective administration of the purchase card program, our review has disclosed an additional tool that appears to offer the capability to detect and prevent fraud and abuse in the purchase card program. From my experience with federal government fraud prevention and detection programs and working with banks and credit card companies, I am aware of the effective automated analytical tools that are available at these institutions. Utilization of these tools is a sound business practice. We recently talked to officials of US Bank, the financial institution that issues the purchase cards and processes the charges. These officials informed us of their computer system capability, known as Customer Automation Reporting Environment (CARE), which can be customized for our needs, free of charge, to prevent and report transactions that we define as questionable or prohibited. For example, CARE would be able to detect potential split procurements or purchases over authorized limits. It sounds promising, and bank officials will give us a demonstration of this system's capability next week. We will work vigorously with the District program officials and US Bank to quickly

utilize the appropriate routines and monitoring systems — of the approximately 60 available through US Bank — to prevent and detect fraud and other irregularities.

I must emphasize that this system is not *the* solution to the problem of abuse in the purchase card program, but it appears to be another sound business practice that we need to employ. The cardholder and the approving official have the ultimate responsibility to ensure that the purchases are proper.

As you are aware, District officials have announced various measures that have been implemented to improve the system. We will address the value of those measures in our review. Any interim measures being implemented that address this problem are, clearly, a step in the right direction.

Mr. Chairman, this concludes my testimony. I am prepared to answer any questions the committee may have.

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