

United States Senate
WASHINGTON, DC 20510

April 22, 2024

VIA ELECTRONIC TRANSMISSION

The Honorable Lloyd J. Austin III
Secretary
Department of Defense

Dear Secretary Austin:

A recent Department of Defense Office of Inspector General (IG) report, titled *Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease-2019 Pandemic*, shows that the Department of Defense (DoD) used Government Purchase Cards (GPCs) to rack up millions of dollars in purchases that were incorrectly classified as COVID-19 expenses.¹ From March 2020 to January 2022, DoD employees were permitted to make purchase card orders to “support the DoD’s response to the COVID-19 pandemic,” resulting in 110,525 purchases for \$242.6 million dollars.² As a sample, the IG reviewed 127 purchases and found that 33 purchases (26 percent) were not related to COVID-19.³ Based on a representative sample, the IG could “statistically project, with a 95 percent confidence level, that...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.”⁴ This is a staggering amount of tax dollars improperly passed off as supporting COVID-19 response efforts. I have brought attention to the lack of internal control in DoD spending on a number of occasions.⁵

The DoD’s Defense Pricing and Contracting (DPC) unit issued a Guidebook that contains policies and defines responsibilities for the program that, among other things, instructs cardholders to document the purchase process.⁶ In response to the President declaring COVID-19 a national emergency on March 1, 2020, the DoD activated spending flexibilities for

¹ Department of Defense Office of Inspector General, *Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease – 2019 Pandemic* (2024), at i, <https://www.oversight.gov/sites/default/files/oig-reports/DoD/DODIG-2024-045-SECURE.pdf>.

² *Id.* (The IG Report only considered transactions from March 2020 to January 2022.)

³ *Id.*

⁴ *Id.*

⁵ News Release: *Grassley Schools the Pentagon After Sloppy DOD Accounting Allows Army Employee to Embezzle Millions of Taxpayer Dollars* (March 22, 2024), <https://www.grassley.senate.gov/news/news-releases/grassley-schools-the-pentagon-after-sloppy-dod-accounting-allows-army-employee-to-embezzle-millions-of-taxpayer-dollars>, News Release: *Grassley Pushes for Financial Management Oversight at Department of Defense*, <https://www.grassley.senate.gov/news/news-releases/grassley-pushes-for-financial-management-oversight-at-department-of-defense>; *Staff Report of Joint Review of Internal Controls at Department of Defense* (September 1998), https://www.grassley.senate.gov/imo/media/doc/grassley_staff_joint_review_of_internal_control_at_dod_1998_report.pdf.

⁶ Department of Defense Office of Inspector General, *Audit of DoD Use of the Government Purchase Card in Response to the Coronavirus Disease – 2019 Pandemic* (2024) at 4, 6, <https://www.grassley.senate.gov/news/news-releases/grassley-schools-the-pentagon-after-sloppy-dod-accounting-allows-army-employee-to-embezzle-millions-of-taxpayer-dollars>.

contingency operations, including substantially increasing the single purchase limit of purchase cards.⁷ The DPC Acting Principal Director instructed cardholders to include a specific tracking code for any COVID-19 purchases when documenting it.⁸ Program officials were required to review transactions in support of contingency operations, such as a declared national emergency, per the Guidebook.⁹ Additionally, the DoD Acting Comptroller issued a memorandum that stated, “[i]t 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.”¹⁰ The IG report shows that this message was ignored.

The list of falsely reported COVID-19 expenses is extensive and diverse: an Army cardholder purchased plumbing services for \$2,394 and vehicle repair for \$1,395.77, Navy cardholders purchased ten cybersecurity training courses for \$23,400 and lab chemicals and supplies for \$28,857, and Air Force cardholders purchased internet services for \$540, Nordic skiing machines and floor stands for \$4,158, and a “programmable controller” for \$633.06.¹¹ Other uncovered non-COVID purchases were for dry-erase markers, a finance training course and books, vehicle gas, musical components, a picture frame, a knob for kitchen equipment, dental supplies, and electrodes for fusion splicers.¹² These kinds of improper purchases are a slap in the face to the taxpayer.

The IG also found that 45 purchases out of the 127 purchases sampled (35 percent) were made without obtaining or maintaining required documentation, and that officials failed in their oversight of this.¹³ The IG statistically projected, with a 95 percent confidence level, that cardholders made 57,466 (52 percent) of 110,525 purchases, valued at \$52 million, without proper documentation.¹⁴ The IG found that “this occurred because GPC program officials did not conduct the required oversight to ensure that cardholders appropriately documented the purchases.”¹⁵ Significantly, it observed that “ineffective oversight of GPC documentation has been consistently identified as an issue in prior audit reports.”¹⁶ The IG concluded, “[w]ithout

⁷ *Id.* at 1. (The DoD activated spending flexibilities for contingency operations identified in the Federal Acquisition Regulation (FAR) 18.202 that included the authority for program officials to increase their GPC cardholders’ single purchase limit of GPCs from \$10,000 to \$20,000 domestically and \$35,000 internationally.)

⁸ *Id.* at 5. (Documentation took place through the GPC issuing bank’s transaction management system. The DoD uses this third party system 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.)

⁹ *Id.* at 5.

¹⁰ *Id.* at 5.

¹¹ *Id.* at 10-12, 19-21.

¹² *Id.* at 35-41.

¹³ *Id.* at 8.

¹⁴ *Id.*

¹⁵ *Id.* at 24. “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.”

¹⁶ *Id.* see Government Accountability Office, Report No. GAO-17-276, *Little Evidence of Potential Fraud Found in Small Purchases, but Documentation Issues Exist* (February 14, 2017), Department of Defense Office of Inspector General, Report No. DODIG-2015-060, *U.S. Southern Command Government Purchase Card Controls Need Improvement to Prevent Improper Purchase* (December 19, 2014), Department of Defense Office of Inspector General, Report No. DODIG-2019-113, *Audit of the Air Force Nonappropriated Fund Government Purchase Card Program* (August 16, 2019).

adequate oversight, DoD cardholders will...have increased risk that fraudulent, improper, and other abusive activity could occur without detection.”¹⁷

The report also found that officials did not conduct required follow-up reviews, specific to contingency operations purchases.¹⁸ Per the Guidebook, agency heads must designate officials to conduct follow up reviews of transactions in support of contingency operations within 60 days of the transactions.¹⁹ The reviews are intended to ensure that the transactions are consistent with policy and appropriately documented.²⁰ Based on their reviews, the designated officials are required to make recommendations to the agency head on changes to policy and disciplinary action, if appropriate.²¹ The IG’s request for these mandatory reviews caught DoD organizations off guard. The Army response “cited confusion” on the review requirement and the IG found that its contingency operations procedures don’t address it.²² Navy officials “provided conflicting descriptions” of the Navy’s practice.²³ The Air Force reported that it conducted reviews but that it “does not require results of the reviews to be reported up the chain of command” resulting in the IG finding that the Air Force’s documentation did not comply with the Guidebook requirement.²⁴ Ultimately, only three of the ten evaluated DOD organizations conducted these mandatory reviews.²⁵ This is not acceptable.

The IG report contains three recommendations.²⁶ The Principal Director of DPC agreed with all of them and provided estimated timelines for completion from the third quarter of Fiscal Year 2024 through the first quarter of Fiscal Year 2025.²⁷

To ensure that the DoD improves its expenditure management, particularly in egregious cases described by the IG report, provide updates with respect to the steps it has taken to close all the IG recommendations, and provide an answer my additional questions by May 6, 2024.

1. According to the IG report, GPC purchases made to support DoD’s response to COVID-19 can be paid for from a variety of appropriations.²⁸ However, another IG reports shows that the DoD misspent funds appropriated through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) that were specifically intended

¹⁷ *Id.* at 8.

¹⁸ *Id.* at 14.

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.* at 15.

²⁶ *Id.* at 26-28.

²⁷ *Id.*; see also *supra* note 1 at 47-48. (The Principal Director, DPC, recommended that the IG exclude purchases that appeared to be DoD related, but that did not support DoD’s response to COVID-19, from questioned costs and remove the resulting \$53.2 million as a potential monetary benefit. The IG disagreed with this recommendation, stating: “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.”)

²⁸ *Id.* at 1.

to support the COVID-19 response, and that CARES Act funds were spent with GPCs.²⁹

- a. How many of the 110,525 GPC purchases that the DoD identified as supporting the COVID-19 response were paid for using CARES Act funds intended to support the COVID-19 response? Specify the number of purchases, dollar amounts, what was purchased, and military service branch.
- b. How many purchases, outside of these 110,525 GPC purchases, were paid for using CARES Act funds that were intended to support the COVID-19 response? Specify number of purchases, dollar amounts, what was purchased, and military service branch.
- c. For GPC purchases using CARES Act funds intended to support the COVID-19 response, explain all processes and procedures employed to ensure the purchases are, in fact, used for a COVID-19-related purpose.
- d. Are GPC purchases using CARES Act funds intended to support the COVID-19 response, coded or identified in any particular way to allow for them to be tracked? Please explain.

Thank you for your prompt attention to this matter. Should you have any questions, please contact my Committee staff at (202) 224-0642.

Sincerely,



Charles E. Grassley
Ranking Member
Committee on the Budget

²⁹ Department of Defense Office of Inspector General, *Audit of North American Aerospace Defense Command and U.S. Northern Command Use of Coronavirus Aid, Relief, and Economic Security Act Funding* (2022) at 6, 30, <https://media.defense.gov/2022/Jun/01/2003009505/-1/-1/1/DODIG-2022-098.PDF>.